
PROGRAM GUIDELINES

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PROGRAM GUIDELINES

PART ONE LOAN ORIGATION AND PURCHASING GUIDELINES

CHAPTER 1 - TEXAS VETERANS LAND BOARD PROGRAM INTRODUCTION

1.100 HISTORY

Texas, unlike many other states, has been historically “cash poor” but a “land rich” state. Since the days of the Texas Republic, Texas has given its veterans land in recognition of their military service. In the days of Sam Houston, that debt for service was paid to Texas veterans in grants of land. Following World War II, this tradition was continued with the creation of the Texas Veterans Land Board (VLB) in 1946, to administer a new program that would provide low-interest, long-term financing to Texas veterans for the purchase of land.

Since its inception, more than 199,000 Texas Veterans have taken advantage of this self-supporting program without costing taxpayers a single penny. The program is funded by issuing bonds authorized by the voters; the bonds, as well as the cost of administering the program, are paid for by the veterans who participate in the program.

In 1983, the Texas Legislature created the Veterans Housing Assistance Program (VHAP) to assist Texas veterans in purchasing a home. The Texas voters overwhelmingly approved a constitutional amendment authorizing the issuance of bonds to fund this program.

In 1986, the VLB expanded the Veterans Housing Assistance Program, adding the Veterans Home Improvement Program (VHIP) to provide below-market interest rate loans to qualified Texas veterans for home repairs, additions or improvements to their existing homes.

1.200 VETERANS LAND BOARD PROGRAMS

The Veterans Land Program allows Veterans to borrow a maximum of Up to \$150,000 for Land by applying to the VLB.

The Veterans Housing Home Improvement Program (VHIP) allows Veterans to borrow a maximum of \$50,000.00 for improvements or repairs to their primary residence. The loans are originated directly by the VLB under the FHA Title I Insurance Program. Most of these loans are second liens. The Texas Veterans Land Board must be in first lien position for all VHIP loan amounts over \$25,000. There is a Servicing Fee of \$200.00

The Veterans Housing Assistance Program (VHAP) allows Veterans to borrow a maximum of \$766,550 to purchase a primary residence at a (usually) lower than market interest rate. Loans are originated by Participating Lenders and meet applicable Agency (FNMA/FHA/VA) guidelines and VLB guidelines.

Veterans may simultaneously participate in the (1) Veterans Land Program (2) Veterans Home Improvement Program and (3) Veterans

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Housing Assistance Program. Eligibility in each program may be reused upon successful repayment of a loan in that program.

1.300 DELIVERY METHODS

The VLB guidelines provide for two methods of delivery

1. **Serviced Released Delivery.** Certain loans must be delivered servicing released to the Program Administrator. Specific file submission guidelines as to the servicing released delivery requirements are available, as amended from time to time, by contacting the Administrator. Contact information can be found in PART THREE of these Guidelines. Funds for these loans are generated from Mortgage Revenue Bonds (MRBs).
2. **Servicing Retained Delivery.** Certain loans are delivered to the Program Administrator servicing retained. The file submission directions provided in Chapters 7 and 8 of the Guidelines apply to Servicing Retained Deliveries. Funds for these loans are generated from bonds other than MRB's.

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CHAPTER 2 - LENDER ELIGIBILITY GUIDELINES

2.000 GENERAL

Eligible Lender Participants include banks, trust companies, savings banks, national banking associations, saving and loan associations, building and loan associations, mortgage bankers, mortgage companies, mortgage brokers, credit unions, life insurance companies, or other financial institutions that have as a primary business purpose the origination and/or servicing of mortgages of single-family residential housing.

In addition, Lender Participants:

- Must demonstrate a proven ability to originate and/or service Texas Veterans Land Board loans, and employ a staff with adequate knowledge and experience with the Program.
- Must meet criteria established by the Board for participation in the Program, including maintenance of minimum net worth standards.
- Must maintain management and quality control systems to evaluate the overall quality of its loan production and/or servicing activities.

There are three (3) basic types of Lender Participants in the Texas Veterans Land Board Program:

- 1) Primary Lender Participant
- 2) Participant Servicer
- 3) Correspondent Lender Participant

2.100 PRIMARY LENDER ELIGIBILITY

The Primary Lender originates loans through a wholesale or retail channel and/or purchases closed loans from its approved Correspondent Lenders for delivery to the Administrator and purchase by the VLB. In addition to the general requirements listed above, the Primary Lender must meet the following specific requirements:

- Maintain applicable agency approvals (Fannie Mae/Freddie Mac, FHA, VA, and Ginnie Mae) as a seller/servicer or maintain depositor insurance with FDIC or NCUA.
- Maintain a net worth equal to that required by Fannie Mae.
- Must have been in business for at least three (3) years.

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- Must be properly licensed, or otherwise authorized to originate and sell residential mortgages in the State of Texas and have an office in the State.
- Must intend to originate and service Program Loans, or originate Program Loans and designate another approved Participant Lender as Participant Servicer,
- Must have in effect a fidelity bond and errors and omission coverage and agree to modify them as necessary to meet the Board's requirements
- If retaining servicing, must agree to service loans in accordance with the standards set forth by the applicable Agency (Fannie Mae or Freddie Mac) except as modified by the Administrator on behalf of the Veterans Land Board, and
- Delinquency and foreclosure experience may not materially exceed industry standards for similar institutions, as evidenced by comparing the company's most recent report(s) to MBA and MIC delinquency statistics as published for the industry.

The VLB requires a one-time fee of \$1,000.00 for the Primary Participant Lender initial certification and an annual renewal fee of \$50.00. Primary Lender Participants are automatically eligible to be a Veterans Housing Assistance Program Sponsor.

The VLB reserves the right to reject any lender.

2.101 PARTICIPANT SERVICER ELIGIBILITY

The Participant Servicer does not participate in production activities and typically enters the program as a result of bulk loan acquisitions. In addition to the general requirements listed above, the Participant Servicer must have the following specific requirements:

- Maintain applicable agency approvals (Fannie Mae/Freddie Mac, FHA, VA, and Ginnie Mae) as a seller/servicer or maintain depositor insurance with FDIC or NCUA,
- Maintain a net worth equal to that required by Fannie Mae.
- Must have been in business for at least three (3) years,
- Must agree to service loans in accordance with the standards set forth by the applicable Agency (Fannie Mae or Freddie Mac) except as modified by the Administrator on behalf of the Veterans Land Board, and

PROGRAM GUIDELINES

- Must have in effect a fidelity bond and errors and omission coverage and agree to modify them as necessary to meet the Board's requirements, and
- Delinquency and foreclosure experience may not materially exceed industry standards for similar institutions, as evidenced by comparing the company's most recent report(s) to MBA and MIC delinquency statistics as published for the industry.

The VLB requires a one-time fee of \$1,000.00 for the Participant Servicer's initial certification, and an annual renewal fee of \$50.00. As Participant Servicers do not participate in the origination process, they are not eligible to be a Veterans Housing Assistance Program Sponsor without written authorization from the Administrator. The VLB reserves the right to reject any lender.

2.102 CORRESPONDENT LENDER ELIGIBILITY

The Correspondent Lender originates eligible loans for delivery to a Primary Lender. A Correspondent Lender may originate process, underwrite and fund VLB eligible loans for delivery and purchase by the Primary Lender, or may limit its production activities to origination and processing only and rely upon its Primary Lender or a designated Correspondent Lender to underwrite and fund eligible loans. The Correspondent Lender is "sponsored" by a Primary Lender. As such, the Primary Lender is fully responsible for ensuring that the originating activities of its Correspondent are in compliance with applicable Agency and VLB guidelines as well as State and Federal laws. In addition to the general requirements listed above, the Correspondent Lender must have the following specific requirements:

- Must be approved by a Primary Lender and follow all proper guidelines for originating Veterans Housing Assistance Program Loans,
- Must be properly licensed, or otherwise authorized to originate and sell residential mortgages in the State of Texas and have an office in the State, and
- Maintain applicable Agency approvals (Fannie Mae/ Freddie Mac, FHA and VA)

The VLB does not require an initial or annual renewal fee for Correspondent Lender Participants.

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2.103 INITIAL PARTICIPATION APPLICATION

Primary Lenders and Participant Servicers desiring to participate in the Program should contact the Program Administrator to obtain a Lender Approval Package. The completed Package along with a check in the amount of \$1,000.00 (made payable to the Texas Veterans Land Board) must be submitted to the Administrator. The Administrator will review all Primary and Participant Servicer applications and present recommendations to the Board.

Correspondent Lenders desiring to participate in the Program may contact the Program Administrator to obtain a list of Primary Lender Participants. Correspondent Lenders are responsible for the negotiation of their sponsorship with the Primary Lender.

2.104 ANNUAL RE-CERTIFICATION

The Primary Lender and Participant Servicer must comply with VLB requirements for annual re-certification as a Participant including the payment of an annual re-certification fee of \$50.00 due before January 1st of each year.

In addition, at the time of annual re-certification, the Primary Lender will be required to supply to the Administrator a current list of designated program and branch contacts.

2.105 CHANGES TO LENDER CONTACTS

The Administrator maintains a list of the Primary Lender's designated contacts for receipt of pending notifications, guideline updates and purchase confirmations. Personnel changes in these areas should be communicated in writing to the Administrator using the VLB Contact Form (See Form 201).

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CHAPTER 3 - VETERAN ELIGIBILITY

3.000 GENERAL

The Texas Legislature and the Texas Veterans Land Board determine, as a matter of public policy, the laws and rules that govern a veteran's eligibility to participate in the VLB's Loan Program.

Therefore, the guidelines are subject to change. To ensure a veteran has the most current guidelines, go to the VLB web site at vlb.texas.gov below are the current eligibility guidelines as of the date of publication of this document.

Please note: Certification of eligibility to participate in the Veterans Home Loan or Home Improvement programs does not guarantee an interest rate on any loan. For information on locking in an interest rate on a home loan, please contact a VLB participating lender. For information on locking in an interest rate on a home improvement loan, please contact the VLB.

Eligibility Requirements

- At least 18 years of age.
- A Bona fide and legal resident of Texas on the date of the residential loan application (1003) and meet the following requirements.

Service Requirements

- An active duty military member.
- A member of the Texas National Guard.
- A reserve component military member having completed 20 qualifying years for retirement.
- A veteran having served at least 90 active duty days unless discharged sooner due to service connected disability and not discharged dishonorably.
- A surviving spouse of a Veteran listed as missing in action or whose death was service connected.

All VLB loans are subject to credit approval.

3.100 CERTIFICATION OF ELIGIBILITY PROCEDURES

As a service to veterans and Participating Lenders, the VLB usually makes the determination of eligibility within 24-48 hours of a request. All decisions of the VLB are final.

The following procedures are required in order to obtain a Notice of Eligibility (NOE) from the VLB:

- Complete and submit the Request for Certification (/VLB Form 41) and Veteran's Declaration of Eligibility (/VLB Form 42) to the VLB. All forms and current guidelines for determining eligibility can be found on the VLB's Web site at vlb.texas.gov

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- Submit proof of military service to the VLB. The following will be accepted as proof:
 - (a) DD214 (member copy 4) or discharge papers,
 - (b) Statement/Verification of service (required for active duty personnel; the statement must include home of record or state of legal residence for the past 12 months).
 - (c) Report of Separation, or,
 - (d) Other documentation which proves home of record at time of entry into active duty, a discharge other than dishonorable, length of active service and the branch of service.

- Active duty members of the armed services who did not enter the service in Texas but have changed their State of Legal Residence to Texas (and are presently stationed in Texas at the time of the form 1003, residential loan application) are eligible to participate in the program. A copy of a filed Form DD-2058 verifying change of legal residence or a recent leave and earnings statement (LES) showing Texas as the veteran's state of legal residence must be submitted to the VLB with the request for certification.

- Submit proof of residency. Applicant must show proof that Texas was their home of record at the time of residential loan application (1003). Please provide a copy of one of the following items:
 - Texas driver's license
 - Utility bill with Texas address
 - Military transfer orders to Texas
 - Letter from relative

All applicable forms and documents should be submitted to the VLB by fax 512-475-0936 or email at certs@glo.texas.gov. Upon determination that the applicant is an eligible Texas Veteran, the Veteran and the lender will be provided with a Notice of Eligibility (NOE) letter. NOE's are valid for a period of one year from the date of issuance.

A sample NOE is attached in the Forms Section as Form 300.

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CHAPTER 4 - LOAN ELIGIBILITY GUIDELINES

4.000 GENERAL

The following guidelines have been established for all loans submitted to the Administrator for purchase by the VLB. Terms used in these guidelines, unless otherwise specified, are defined in the Lender Guide.

If the directions within the Program Guidelines do not address a specific issue, the Primary Lender Participant should contact the Administrator. Correspondent Participant Lenders should direct all questions relating to loan eligibility to their authorized Sponsor.

In order to facilitate communication, all approved Primary Lenders will be notified via Bulletin of any changes in Programs or Program Guidelines. Prior to origination of mortgage loans, Correspondent Participant Lenders are cautioned to contact their authorized Sponsor (Primary Lender) to determine if amendments have been made to the published VLB policy and procedures.

All pricing specified throughout these Program Guidelines is subject to change without notice, including but not limited to, pricing adjustments. Once a loan is registered with the Administrator, however, the rate for that Registration will not change, unless the loan parameters identified at the time of Registration do not match the actual parameters of the loan delivered to the Administrator.

For each loan Registration, the Primary Lender Participants must deliver a fully documented closed loan to the Administrator on or before 3:00 p.m. CST on the Commitment Expiration Date. Prior to recommendation for purchase, the Program Administrator will review each loan for program compliance. The VLB reserves the right to decline to purchase or require a repurchase of any loan which does not meet the requirements.

4.100 ELIGIBLE BORROWERS

Refer to Chapter 3 of this guideline for specific Veteran eligibility requirements. Subject to the applicable agency guidelines, cosigners, guarantors and non-occupying co-borrower(s) are acceptable if the eligible Veteran borrower has sufficient income to qualify for at least sixty percent (60%) of the monthly payment on the Mortgage Loan, including any escrow requirements.

Note: A veteran inter-vivos revocable trust is not eligible for a loan.

4.101 ELIGIBLE LOAN TYPES

- Except where modified herein, fully amortizing conventional fixed rate loans conforming to standard Fannie Mae Guidelines.

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- Except where modified herein, fully amortizing fixed rate FHA/VA loans conforming to Agency underwriting guidelines and eligible for pooling into Ginnie Mae securities.
 - (a) FHA loans must be originated under section 203(b) or 234(c)
 - (b) VA loans must be guaranteed by VA with a minimum guaranty / down payment of twenty-five percent (25%) of the lesser of the sales price or appraised value.

4.102 MAXIMUM LOAN AMOUNTS

The maximum loan amount for an eligible veteran is \$766,550 (including any applicable VA Funding Fee or financed mortgage insurance).

Note: The maximum loan amount is subject to change by the VLB at any time.

4.103 MAXIMUM LOAN-TO-VALUE RATIOS

- Conventional – Ninety-five percent (95%) LTV

In combination with subordinate financing– 80/10/10 (10% cash investment required and the VLB loan amount cannot be greater than 80% LTV)

- FHA -- Maximum allowed by FHA under the specified section of the National Housing Act
- VA -- Maximum allowed by VA under the specified section of the United States Code. In addition, the guaranty and down payment must equal twenty-five percent (25%) of the lesser of the sales price or appraised value.

4.104 ELIGIBLE LENDING AREA

The property must be wholly located within the boundaries of the State of Texas.

4.105 ELIGIBLE TERMS

15, 20, 25, or 30-year loan terms are acceptable.

4.106 ELIGIBLE PROPERTY TYPES

- Single family attached and detached houses
- Townhouse or townhome
- Condominium
- Manufactured housing that meets VLB and Fannie Mae, FHA/VA guidelines; (See below for VLB guidelines regarding manufactured housing).

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- Two-to-four family residential housing units which were constructed at least five (5) years prior to the closing date

Manufactured housing means a single family residential structure manufactured in a factory after June 15, 1976, that is delivered to a home site in more than one section and affixed on a permanent foundation. If the manufactured home is “titled”, the title must be surrendered, and the home converted to a real estate improvement. The manufactured home must bear the seal to comply with Federal Safety and Construction Standards. The dimensions of the completed structure shall not be less than 20 feet by 40 feet, the roof must be sloping, the siding and roofing must be the same as those found in site-built houses; and in the judgment of the Primary Lender, the structure must be eligible for thirty (30) year residential real estate mortgage financing, and such financing must be eligible for FHA insurance, VA guaranty, or private mortgage insurance.

Note: Mobile homes are not eligible for purchase.

4.107 MAXIMUM ACREAGE

There is no maximum acreage for land purchased simultaneously with a house. The Participant Lender must follow the Agency guidelines for the applicable loan type.

4.108 OCCUPANCY REQUIREMENTS

The eligible Veteran is required to occupy the property within sixty (60) days following the closing date. The eligible Veteran(s) must occupy the property as a principal residence for a period of three (3) years from the date of purchase. If the Borrower leases, transfers, or conveys any interest in the property prior to the completion of the three (3) year period without prior VLB written authorization, the VLB may require escalation of the interest rate on the loan or acceleration and immediate payment of the principal balance and interest due on the loan.

4.109 SEASONING LIMITATIONS

Loans presented for purchase with expired commitments and seasoned less than one hundred eighty (180) days from loan closing are eligible for purchase by the VLB. The loans will be re-priced at the worst case of:

- The current VLB published rate, or
- The original VLB commitment rate, plus pending fees of one (1) basis point per day, calculated from the original commitment expiration date to the date the Administrator receives the re-price request

PROGRAM GUIDELINES

Primary Participant Lenders desiring to deliver loans with expired commitments and closed within the one hundred eighty (180) day timeframe should fax a completed VLB Loan Registration (See Form 601) to the Administrator. Upon receipt, the Administrator will re-price the loan. Loans must be received by the Administrator within three (3) business days of the repricing notice. Unless the Primary Lender exercises its option to submit a loan for VLB purchase consideration under the seasoning exception guidelines as outlined in Chapter 6, Section 6.303, loans with conditions/defects not cured by the final delivery date (360 days from closing) will not be purchased and will be returned to the Primary Participant Lender.

4.200 ASSUMPTIONS

Generally, assumptions with a release of liability to the current borrower will not be considered by the VLB. Requests for exception due to unusual circumstances may be submitted in writing to the Administrator and will be considered by the VLB on a case-by-case basis. Refer to the Servicing Guidelines for additional information.

4.300 REFINANCES

The VLB Housing Assistance Program does not allow the use of proceeds to refinance an existing permanent home loan. See Topic "Take Out Loans" below.

4.400 TAKE OUT LOANS

The proceeds of all Program loans must be used to provide purchase money financing or to replace a construction loan. The refinance of a construction loan to VLB permanent financing is allowable under the Veterans Housing Assistance Loan Program.

A takeout loan may be made to permit an eligible borrower to finance a residence which qualifies as a newly constructed residence and retire any indebtedness thereof if:

- the program Mortgage Loan will be used as take out of a construction, bridge or interim loan,
- the construction, bridge or interim loan term may not exceed twenty- four (24) months and the closing of the original indebtedness must have taken place within twenty-four (24) months of the closing date of the program loan,
- the Participating Lender will obtain the Veteran borrower's notarized signature on the VLB Take Out Loan Affidavit (See Form 400), and will provide a copy of the interim financing agreement and Mechanics Lien Contract" at the time of submission of the loan file to the Administrator

PROGRAM GUIDELINES

An eligible borrower may occupy a newly constructed residence during the term of the construction, bridge or interim and still qualify for a take-out loan.

Two to four family residential units are not eligible for a take-out loan. In addition, the VLB has not approved the use of "One Time Closing" documents in conjunction with the housing program.

Lenders are cautioned to follow the applicable Agency guidelines for determination of the Loan-to Value ratios.

4.500 ENERGY STAR

All new construction loans must meet the U.S. Environmental Protection Agency's (EPA) ENERGY STAR® rating as an energy efficient home to be eligible for purchase. At the time of delivery of the loan to the Administrator for purchase, the primary lender must include:

1. Copy of Official EPA ENERGY STAR Certificate evidencing that the home meets ENERGY STAR guidelines. OR
2. Copy of a HERS certificate with Index Score of 75 or less following the RESNET National Home Energy Rating Standards
3. Copy of a Energy Rating Index Certificate with rating of 75 or less following the RESNET Nation Home Energy Rating Standards

Effective January 1, 2007, all new-construction homes financed through the Texas Veterans Housing Assistance Program (VHAP) must meet the EPA's new guidelines for ENERGY STAR® qualified homes. This includes completion of the Thermal Bypass Checklist, by a certified Home Energy Rating System (HERS) Rater prior to wallboard being installed.

The new guidelines, Thermal Bypass Checklist and applicability dates may be found at:

- https://www.energystar.gov/ia/partners/bldrs_lenders_raters/downloads/Thermal_Bypass_Inspection_Checklist.pdf

Properties for which a Certificate of Occupancy (or equivalent) has been obtained and is dated prior to the execution of the sales contract may be considered an existing property, not subject to Energy Star rating. In such cases, Lenders will need to deliver to the Administrator a copy of the Certificate of Occupancy evidencing the date of completion.

To ensure timely purchase of closed loans by the VLB, please provide all required documents in the closed loan package. Failure to provide proper documentation may result in funding delays, possible pending charges or ineligibility for purchase.

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4.600 VLB LAND MORTGAGES

Effective December 1, 2007, the Veterans Land Board began originating all new land loans using a Deed of Trust and Note (Land Mortgage). The maximum loan amount on is up to \$150,000. After obtaining a land mortgage from the VLB a borrower may want to build a home on the property. One way of accomplishing this is by combining the existing land mortgage with a new Veterans Housing Assistance Program (VHAP) loan. The combined loan cannot exceed \$ \$766,550.

For example: A borrower with a land mortgage balance of \$75,000 may be eligible for a VHAP loan in an amount up to \$691,550 to build a home on the tract covered by the land mortgage (\$75,000 + \$691,550 = \$ 766,550)

PLEASE NOTE: This special type of VHAP loan only applies to new homes being constructed on land that secures an existing land mortgage financed through the VLB's Veterans Land Program on or after December 1, 2007. The VLB participating lender must obtain written approval from the Servicer of the land loan prior to originating this type of loan.

Please note also that the maximum loan amount for all other home loans in the VHAP remains unchanged at \$ 766,550.

Additionally, all new homes financed by VHAP loans, including those financed by rolling a VLB land mortgage into a VHAP loan as described above, will continue to require HERS/ENERGY STAR® certification.

4.700 FEES

The Participating Lender may charge all reasonable and customary fees permitted by law for the origination of mortgage loans (e.g., maximum one percent (1%) origination fee, appraisal fees, title insurance, survey, credit reports, and other similar expenses).

In addition to all reasonable and customary fees, the Participating Lender may collect a one percent (1%) Participation Fee on the VLB Program loan. This fee may not be financed.

Discount points are not permitted.

The Administrator charges a \$200.00 file review fee. **This fee may not be charged to the veteran borrower.**

Note: The VLB requires all Participating Lenders to follow the published guidelines of FHA and VA pertaining to maximum allowable borrower closing costs.

4.800 TITLE INSURANCE

- Title insurance must insure that the Deed of Trust constitutes a valid first priority lien on a fee simple estate or leasehold estate in areas where leaseholds are customary. In the event of leasehold, the remaining lease term must be at least equal to the term of the loan.

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- Deeds of Trust subject to leasehold estates must meet the leasehold requirements set forth in Fannie Mae, FHA/VA guidelines as well as the VLB requirements set forth in the Lender Guide and Servicing Guide.
- Each loan must have title insurance insuring the first lien in an amount at least equal to the original loan balance.
- The VLB requires a Texas Land Title Association (TLTA) standard policy or other form of policy acceptable to Fannie Mae. The Title Company must meet Fannie Mae acceptability requirements to insure title in the State of Texas, and the policy form must be approved by the Texas State Insurance Commission.
- Title exceptions that are acceptable to Fannie Mae or FHA/VA will be considered, subject to final document review by the Administrator. Please contact the Administrator prior to loan closing to obtain prior approval if a title commitment indicates a title exception not Agency acceptable.

4.900 LEGAL DOCUMENTS

Lenders should use current Fannie Mae legal documents, which are approved for the State of Texas and the applicable Agency. The VLB requires a VLB specific Deed of Trust Rider on all loans. (Please refer to Chapter 8 for instructions on the completion of the rider.)

4.1000 UNDERWRITING

The VLB grants delegated underwriting authority to all approved Primary Participant Lenders. The Primary Participant Lender will comply,

- as to all Mortgage Loans, with all applicable rules and requirements of Ginnie Mae and the Ginnie Mae Mortgage-Backed Securities Guide, Fannie Mae, and the Fannie Mae Guide, as applicable; all requirements of the VLB and all applicable federal and state laws governing or regulating the origination of mortgage loans, including but not limited to any applicable truth in lending or disclosure laws.
- as to each FHA-Insured Mortgage Loan, with the National Housing Act of 1934, as amended and supplemented, all rules and regulations issued there under and all applicable administrative publications, and
- as to each Mortgage Loan secured by a VA Guaranteed Mortgage, with the Servicemen's Readjustment Act, as amended and supplemented, all rules and regulations issued there under and all applicable administrative publications.

4.1001 AUTOMATED UNDERWRITING

Currently, the VLB will allow Participant Lenders to utilize Automated Underwriting (AU), [Loan Product Advisor (LPA), and Desktop Underwriting (DU)] to underwrite mortgage loans. However, the following guidelines must be followed:

PROGRAM GUIDELINES

Automated Underwriting for Government Loans

- The Participating Lender must comply with all FHA/VA requirements as amended and modified.
- The final AU results must be included in the loan submission file.
- Loans receiving an "Accept" or "Accept Plus" risk classification from LPA are eligible for purchase. All other risk classifications must be fully underwritten by the Participating Lender's FHA/VA approved underwriter.
- Loans receiving an "Approved/Eligible" risk classification from DU are eligible for purchase. All other risk classifications must be fully underwritten by the Participating Lender's FHA/VA approved underwriter.
- Findings resulting in a loan level price adjustment are not acceptable. The loan must be fully underwritten by the Participating Lender's FHA/VA approved underwriter.
- The Participating Lender remains responsible for determining the lending decision by evaluating the credit reports and Feedback Certificate received from the AU system as well as any FHA/VA requirements, such as the appraisal.
- A qualified FHA/VA underwriter must review the appraisal.
- The Participating Lender is responsible for the data integrity of information submitted into the AU system to obtain the risk classification.

Automated Underwriting for Conventional Loans

- Conventional loans should be underwritten using Fannie Mae's Desktop Underwriting (DU) system or Loan Product Advisor (LPA).
- Appraisals must provide for interior/exterior inspections. Use of Fannie Mae's Appraisal Form 2075 is not acceptable.
- Standard private mortgage insurance coverage must be obtained regardless of the AU findings. Reduced coverage is not acceptable.
- Loans receiving a minimum "Approved/Eligible" rating from DU and "Accept" or "Accept Plus" risk classification from LPA are eligible for purchase. All other risk classifications must be traditionally underwritten.
- Findings resulting in a loan level price adjustment are not acceptable. The loan must be fully underwritten by the Participating Lender's approved underwriter.

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4.1002 APPRAISAL REQUIREMENTS

The VLB requires Participating Lenders to follow the requirements established by Fannie Mae or FHA/VA for qualified appraisers. The Participating Lender is responsible for determining whether or not an appraiser's qualifications are acceptable.

The Participating Lender must obtain Fannie Mae Form 1004 appraisal, in accordance with Fannie Mae or FHA/VA, and the VLB requirements on each property.

4.1003 ESCROW DEPOSIT ACCOUNTS

An escrow account for taxes and insurance is required on all loans. The Primary Lender may waive this requirement on conventional loans with LTV's less than eighty percent (80%) subject to the following terms and conditions: (a) the standard escrow provision must remain in the mortgage documents; and, (b) the Primary Lender must retain the VLB's right to enforce the requirement if the borrower fails to act responsibly.

4.1004 MORTGAGE INSURANCE

Standard PMI coverage is required on all Conventional loans with LTV's greater than eighty percent (80%).

Applicable FHA mortgage insurance and VA guaranty is required on all government loans. The FHA insurance must cover the VLB Program Loan amount. The VA Loan Guaranty Certificate must reflect the VLB Program Loan amount, and the percent of guaranty and/or down payment must equal twenty-five percent (25%) of the lesser of the sales price or appraised value.

4.1005 HAZARD/FLOOD INSURANCE

The coverage must meet Fannie Mae or FHA/VA and applicable state requirements.

4.1006 SUBORDINATE FINANCING

- Maximum combination of 80/10/10 for conventional loans (i.e., 10% borrower investment required and the VLB loan amount cannot be greater than 80% LTV).
- The VLB does not permit subordinate financing on FHA/VA loans.

4.1007 DOWN PAYMENT ASSISTANCE

Borrowers can obtain a gift from a relative, domestic partner, fiancée, or a grant from an employer, or a public agency.

Gifts, grants, soft seconds and secured/unsecured loans provided by non-profit organizations or government agencies are not acceptable without prior written approval from the VLB. Requests for approval may be sent to the Administrator to spa@gatewayloan.com. Approval requests should include the following:

PROGRAM GUIDELINES

- Link to the agency's website
- Guidelines to the DPA program
- Copies of all required documentation for the program (note/mortgage,) if applicable

Mortgage Credit Certificate (MCC)

MCC's cannot be used with the TVLB program. MCC regulations prohibit their use with other tax-exempt mortgage bond or tax-exempt veterans mortgage bonds.

Please direct requests to the Administrator as early as possible to avoid closing delays.

4.1008 MERS DELIVERED LOANS (SERVICING RETAINED)

MERS ready Participant Lenders, approved by the Program Administrator, may deliver servicing retained Mortgage Loans to the VLB using the Mortgage Electronic Registration System (MERS). The Submission Guidelines and Checklists have been updated with the MERS process and are incorporated herein.

The VLB reserves the right to discontinue acceptance of loans through MERS at any time.

Below are the approval, origination and delivery guidelines for submission of MERS registered loans to the VLB. Servicing Guidelines are provided in Chapter 11, Section 11.504.

MERS Lender Requirements

The following requirements must be met in order for a Primary Lender to deliver servicing retained mortgage loans to the VLB through MERS:

- Lender must be a MERS or MERS Lite member in good standing.
- Lender must be approved by the Program Administrator to deliver loans through MERS.

In order to obtain approval from the Program Administrator, the Primary Participant Lender must submit a copy of its Policies and Procedures related to MERS that show the Primary Participant Lender is actively reconciling the beneficial interest holder's rights (as indicated in the MERS system) to its own servicing records.

It is the Primary Participant Lender's responsibility to ensure that any Correspondent Participant Lender it approves to originate MERS or MOM loans is a MERS or MERS Lite member in good standing and is in compliance with all rules and regulations of MERS except as otherwise outlined in this guideline.

PROGRAM GUIDELINES

MERS Delivery Requirements

The VLB will purchase mortgage loans that are otherwise eligible under this guideline, from approved Primary Participant Lenders that are either:

- A MOM (MERS as Original Mortgagee) loan; or
- A MERS registered loan already assigned to MERS

In addition, the following requirements must be met to deliver a MERS loan to the VLB for purchase:

- The Participant Lender must assign a Mortgage Identification Number (MIN) to the Mortgage Loan.
- The loan must be a MOM or a MERS registered loan already assigned to MERS.
- The loan must be registered with MERS on or before the date it is submitted to the Program Administrator for review.
- All loan documentation (Note, Security Instrument and Riders) must contain the MIN number as described below.

Preparation of Security Instrument

- MERS must be named as nominee for the lender as outlined in Appendix B of the MERS Integration Handbook.
- The MIN must be placed to the right of or below the form title, but not within the top recording margin, or on the right side margin of the security instrument, unless such placement is not in compliance with the recording jurisdiction's requirements. The MERS VRU Number (888-670-MERS) must be included with the MERS, Inc. address when listing MERS as the Mortgagee of Record on the Security Instrument.
- Participant Lenders must include in the Security Instrument all language specified by the applicable Agency for the State of Texas. Such language should be obtained from the MERS Corporate Office.

MERS Timelines

All timelines, as required by MERS for MERS and MERS Lite Members must be adhered to, as stated in the MERS Integration Handbook. The Primary participant Lender must transfer the beneficial interest in the Mortgage Loan to the VLB within 24 hours of receipt of the purchase confirmation, according to the MERS Procedures Manual and the MERS Integration Handbook. For this purpose, the Participant will show the beneficial interest holder as Org ID 1014191. Failure to properly transfer the beneficial interest in the Mortgage Loan in a timely manner may result in penalties and/or suspension of delivery of loans under the MERS system. (See Chapter 2 of the Servicing Guidelines).

PROGRAM GUIDELINES

MERS Discrepancies

The Primary Participant Lender is obligated to correct any discrepancies including but not limited to the MIN or MERS registration data prior to the transfer of the beneficial interest in the Mortgage Loan to the VLB. In addition, the Primary Participant Lender will be responsible for notifying the Program Administrator of any mortgage loans transferred in error.

Please see Chapter 2 of the Servicing Guide for other duties and obligations of all Participants who deliver service retained loans registered with MERS.

PROGRAM GUIDELINES

CHAPTER 5 - SPECIAL PROGRAM OPTIONS AND ENHANCEMENTS

5.100 VETERANS WITH DISABILITIES PROGRAM

This program provides an interest rate incentive to the qualifying Veteran with a Disability. To be eligible, the Veteran must have a compensable service-connected disability of thirty percent (30%) or greater as verified by the U. S. Department of Veterans Affairs. The VLB will accept the following as evidence the veteran qualifies for the veterans with disabilities rate reduction:

- VA Award Letter dated within 12 months of the date the note is executed; or
- VA Form 26-8937 (Letter of Indebtedness) dated within 12 months of the date the note is signed. (Note: The veteran may request this form by calling (800) 827-1000 or by visiting vba.va.gov).
- VA Certificate of Eligibility dated within 12 months of closing that includes the disability compensation amount
- Department of Defense Disability Retirement Orders with a permanent disability rating of 30% or greater or a Department of Defense Disability Retirement Order with a temporary disability rating of 30% or greater dated within 12 months of the date the note is signed

Note: An unmarried surviving spouse of a veteran who is missing in action, or who died in the line of duty, or died from a service-connected cause and had a compensable service-connected disability rating of 30% or greater (as verified by an Award Letter from the VA) at the time of death is also eligible for the discount.

Participating Lenders are responsible for determining that the Veteran is eligible for the Veterans with Disability Program prior to requesting an interest rate commitment through the Administrator.

At the time of delivery of the loan file to the Administrator for purchase, the Primary Lender must include a copy of the document used to determine qualification for this rate reduction.

5.200 RATING VALUES

The following rate reductions are currently allowed for the above programs:

Veterans with Disabilities Program .50% Rate Reduction

- **The rate reductions are subject to change or elimination by the VLB at any time.**

PROGRAM GUIDELINES

CHAPTER 6 – LOAN REGISTRATION PROCEDURES

6.000 GENERAL

Requests for Rate Lock Commitments on mortgage loans from the Administrator, Gateway First Bank are accepted by fax or email from the Primary Lender’s authorized personnel.

Note: Any changes in personnel authorized to obtain Commitments must be reported to the Administrator *immediately*.

6.100 BEST EFFORT COMMITMENT

Primary Lenders will be monitored as to the average purchase rate of loans to ensure a minimum lock vs. delivery rate of seventy percent (70%).

The table below contains information about Best Efforts/Mandatory if Closed Commitments.

If ...	Then ...
The loan is in the application stage	the Primary Lender ensures to the best of his/her ability that the specified Mortgage Loan closes within the agreed upon time frame, and upon closing, the loan is delivered to The Administrator for purchase.
There are any changes to loan information prior to closing	the changes must be reported to The Administrator in a timely manner and may result in repricing.
There is loan fall-out due to Borrower cancellation	it must be reported to The Administrator in a timely manner and is not subject to penalty.
Any loan is closed but not delivered to the Administrator	the commitment is subject to repricing upon delivery of loan to The Administrator

PROGRAM GUIDELINES

6.101 COMMITMENT RATES

Commitment Desk Hours

The VLB Administrator's Commitment desk hours are 8:00 a.m. to 5:00 p.m. CST, Monday–Friday, except holidays.

Weekly Rate Sheet

The first business day of each week, at the open of business, The Administrator will distribute via email to Primary Lenders the VLB Weekly Rate Sheet. The Weekly Rate Sheet lists the products and interest rates being offered that week. The weekly rate may also be found vlb.texas.gov.

Note: The VLB reserves the right to change rates at any time.

PROGRAM GUIDELINES

6.102 OBTAINING A COMMITMENT

The Primary Lender's authorized agent must review the VLB Program Guidelines regarding loan eligibility and the guidelines outlined below prior to negotiating an offer with the Administrator. Any loan delivered against a Commitment must conform to VLB guidelines and requirements.

Commitment Processing

The Primary Lender assumes responsibility for verifying that the Weekly Published Rate requested on the Registration Form is the most current information available.

Note: If uncertain, the Primary Lender should request a new rate sheet or check the VLB website prior to transmitting.

The Primary Lender faxes or emails a completed VLB Loan Registration Form (See Form 601) to 972-372-2561 or email spa@gatewayloan.com.

Upon receipt of the fax or email, the Administrator's Commitment Desk

- Reviews all critical information regarding the loan registration in order to issue the rate lock commitment,
- Verifies that the Veteran has been issued a Notice of Eligibility (NOE) from VLB
- Issues a written Commitment Confirmation valid for 90 days from issue date
- Forwards a copy to the Primary Lender

Note: If any of the critical information is unavailable, a Commitment cannot be issued.

Non-Qualified Texas Veterans

The VLB Administrator will not issue rate lock commitments unless the Veteran has been issued a NOE through the VLB. The VLB will deliver eligibility information to the Administrator daily. The NOE is good for one year from the date the NOE is issued. Therefore, no paperwork as to the eligibility status of the Veteran will be required from the Primary Lender. However, it is the Primary Lender's responsibility to verify that the Veteran's Texas residency status has not changed since the NOE was issued. A new NOE will be required for each loan purchased by the VLB after one year.

PROGRAM GUIDELINES

Changes to Critical Information

Changes to the critical information of the registration will require a re-negotiation or relock of the commitment. Once loan is locked with TVLB, worse case pricing will be used to determine pricing for new/updated lock request. Worse case pricing will be in effect for a year after original loan is locked.

Critical information is defined as:

- Veteran's Name
- Veteran's Social Security Number
- Loan Amount
- Lender Name

Property Address Change

Borrowers are permitted to change property address one time only within the one-year period following the original lock date at current market price. The original rate lock must have been expired for at least 30 days before a new rate lock may be issued. Any application for new rate lock following a change of property address will be considered a new loan application. If a loan undergoing the property address change process requires a rate lock before the required 30-day period passed, the rate lock will receive worst case pricing.

Supplemental Information

If any of the supplemental information is unavailable or not yet determined, it may be impossible to calculate the final rate on a loan. Therefore, the

- Commitment Confirmation will be issued quoting a price consistent with the standard loan profile, based upon the information provided, and,
- The buy price of the individual loan may be adjusted at purchase to reflect any variances in the actual loan profile.

Changes to supplemental information must be reported to the Administrator immediately using Form 601.

PROGRAM GUIDELINES

Changes to Supplemental Information

The table below outlines the procedures to be followed if changes to the supplemental information occur following the issuance of a Commitment.

If ...	Then ...
following the issuance of a reduced rate commitment, but prior to loan closing, the Veteran is unable to supply the required documentation for participation in: <ul style="list-style-type: none"> • The Veteran with Disabilities Program 	the Primary Lender will fax the amended Form 601 to the Administrator at 972-372-2561. The Administrator will adjust the commitment rate accordingly and provide the Primary Lender with a revised Commitment Confirmation.
following the issuance of a reduced rate commitment, but prior to loan closing, it is determined the Veteran qualifies for participation in: <ul style="list-style-type: none"> • The Veterans with Disabilities Program 	the Primary Lender will fax an amended Form 601 to the Administrator at 972-372-2561. The Administrator will adjust the commitment rate accordingly and provide the Primary Lender with a revised Commitment Confirmation.
following loan closing, it is determined that the Veteran is unable to supply the required documentation for participation in: <ul style="list-style-type: none"> • The Veterans with Disabilities Program 	the Primary Lender will be charged a buydown fee at purchase by The Administrator based on rate locked vs rate closed
following loan closing, it is determined that the Veteran is eligible for the discount and has supplied the documentation for participation in: <ul style="list-style-type: none"> • The Veterans with Disabilities Program 	the Primary Lender will need to reclose the loan at the lower rate to allow the Veteran to receive the discount

6.200 COMMITMENT CONFIRMATION

A **Commitment Confirmation** is the Primary Lender’s record of the agreement between the Primary Lender and VLB. Within twenty-four (24) hours of the receipt of the VLB Registration Form 601, a Commitment Confirmation is delivered to the Primary Lender via fax or email spa@gatewayloan.com.

A valid Commitment Confirmation must be obtained prior to closing a loan to be eligible for purchase by the VLB.

Funding for the Texas Veterans Land Board (TVLB) Veterans Housing Assistance Program (VHAP) is managed based on loan demand as evidenced by new rate locks. Closing loans without a valid rate locks in place, impairs the VLB’s ability to ensure the program is appropriately funded.

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The VLB recognizes the potential losses that lenders may suffer by not purchasing loans closed without a valid lock. In an effort to assist lender partners in avoiding these losses, the rate lock policy is being amended as follows:

- Exceptions for loans closed without a valid rate lock may be requested from the Administrator. Approved exceptions will be assessed a penalty equal to 1% of the purchase price of the loan in addition to any applicable buydown and pending fees currently in effect. Exceptions will be reviewed to ensure proper procedures are put into place to eliminate loans being closed without a valid lock. Lenders will be limited to five (5) occurrences per calendar year.

Inconsistencies

If any information contained in the Commitment Confirmation is inconsistent with the Primary Lender's understanding of the trade, the Primary Lender must notify the Administrator's Commitment Desk immediately of the discrepancy.

Note: The Administrator reserves the right to amend the Commitment Confirmation to be consistent with the information supplied at the time the Commitment was issued.

Contact Information

If the Primary Lender does not receive a Commitment Confirmation, or if there are unresolved questions, the Primary Lender must contact the Commitment Desk at spa@gatewayloan.com immediately.

Note: Failure to receive a Commitment Confirmation does not relieve the Primary Lender of the obligation to honor the Commitment.

6.300 LOAN DELIVERY

Loan files must be received by 10 a.m. on the Commitment Expiration Date. If the Commitment Expiration Date falls on a non-Business day, files must be received by the next Business Day.

Loans are reviewed within 72 hours after the day the loan was received

Fall Out Ratio

Primary Lenders must maintain an average purchase ratio of seventy percent (70%) on all Best Efforts Commitments to continue to qualify for program participation.

PROGRAM GUIDELINES

6.301 DELIVERY TOLERANCES

The Administrator will purchase without adjustment, loans whose current principal balance does not exceed one hundred five percent (105%) of the original Commitment Amount.

Note: The upward tolerance will not be honored on loans exceeding the VLB maximum loan limits which are as follows:

FHA/Conventional/VA: \$ 766,550, not to exceed applicable Agency guidelines for maximum loan amounts.

Note: Loans with balances outside the five percent (5%) tolerance are subject to re-negotiation of rate or a pricing adjustment.

Reference: For information on remedies for repricing a Commitment, refer to Section 6.302 of this Chapter.

PROGRAM GUIDELINES

6.302 REMEDIES

At the option of the VLB, the remedies below may be applied when issues or problems arise concerning a Commitment:

Extending Best Efforts Commitment

Best Effort Commitments may not be extended on non-delivered loans.

Suspended Loans

The table below contains remedies for pending loans. The pending fee is subject to change without notice.

If ...	Then ...
a loan is delivered yet not purchased by the Commitment Expiration Date	The price of the loan is adjusted downward by one basis point per day.
the loan is purchased by the Administrator within seventy-two (72) hours of the initial pending notification date	The pending charges are waived.
the loan file has been pended for a period of thirty (30) calendar days past the initial expiration date	The loan file will be repriced at worst case of current market or original rate plus accrued pending fees. If the loan is not repriced, pending fees will continue to accrue.
the pended loan does not clear within thirty (30) days of the initial pending date	The loan file may be rejected and returned for non-compliance with program guidelines.
the delay in purchase is due to the Administrator's failure to review the loan within seventy-two (72) hours of receipt	The pending charges will be adjusted accordingly.

Repricing a Commitment

Commitments will be issued at par rates. The repricing of a Commitment can occur if the loan falls outside the allotted delivery tolerance.

Lenders desiring to deliver loans with expired commitments and closed less than one hundred eighty (180) days from the delivery date should fax a completed VLB Form 601 to the Administrator. Upon receipt the Administrator will re-price the loan. Loans must be received by the Administrator within three (3) business days of the repricing notice. Failure to submit the loan by the reprice expiration date will be subject to a second reprice. Loans with no conditions/defects will not incur pending penalties. Loans with conditions/defects will incur pending penalties, calculated at one (1) basis point per day, until all conditions/defects are cured. Loans with conditions/defects not cured by the final delivery date (360 days from loan closing) will be returned to the Lender.

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Repricing will be determined by calculating the difference between the;

- The Current VLB stated rate and
- The original VLB committed rate

And multiplying by a factor established by the VLB for a buydown price

- Plus pending fees of 1 basis point per day, calculated from the original commitment expiration date to the date the Administrator receives the re-price request.

Should the actual note rate be less than the re-price rate, the buy price may be adjusted by the Administrator at the time of purchase.

“Loan in Process”, not Closed

- Lenders may not relock the loan (same property address) until the lock has expired with The Administrator. Lenders should contact The Administrator at spa@gatewayloan.com to confirm the date the loan may be eligible for relock. A new registration form would be required at that time. NOTE: The rate stays with the veteran for one year. If relocking within a year of the prior lock, the new loan will be subject to worse case pricing at the Participating Lender’s expense.

6.303 PURCHASING EXCEPTIONS FOR SEASONED LOANS

The VLB will consider the purchase of loans seasoned in excess of one hundred eighty (180) days from closing within the following parameters:

- The dollar volume for each Primary Lender’s allocation under these exception guidelines will be based upon a percentage of the Primary Lender’s dollar volume purchased during the previous calendar year. This percentage will be established by the VLB annually.
- Loans seasoned in excess of three hundred sixty (360) days from closing are not eligible for this exception.
- Usage of the exception allocation rests solely with the Primary Lender.

PROGRAM GUIDELINES

CHAPTER 7 - FILE SUBMISSION PROCEDURES AND OVERVIEW

7.000 GENERAL

This Chapter contains a general overview of the guidelines for the delivery of First and Second Files on loans eligible for delivery.

First File Submission

First File submissions contain closing documents for the Administrator's pre-purchase review. All First Files submitted for purchase must be received by the Administrator prior to the expiration of the loan commitment. In addition, at the time of submission, the file may not be seasoned in excess of one hundred eighty (180) days following the Closing Date of the loan. (Note: Closing Date is defined as the date funds were disbursed by the title agent as indicated on the Closing Disclosure).

Second File Submission

Second file submissions contain the final recorded documents and must be received in the office of the Administrator within 180 days of the VLB Purchase Date.

7.100 FILE DELIVERY

It is strongly suggested to deliver all 1st files electronically by uploading to the Administrators Secure File Transfer site so there is a record that a file was delivered to the Administrator and to prevent loss of personal data. The original note and a check for the \$200.00 review fee must be delivered to:

Gateway First Bank
Attn: VLB Program Administrator
244 South Gateway Place
Jenks, OX. 74037

Original 2nd files must be delivered to:

Gateway First Bank
Attn: VLB Program Administrator
244 South Gateway Place
Jenks, OX. 74037

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7.101 GENERAL DOCUMENT REQUIREMENTS

All documents submitted to the Administrator must meet the following requirements:

- documents must be complete and correct
- white outs are not acceptable
- strikeouts must be initialed by the appropriate party
- holes must not be punched through recording information
- information in each document must agree with information in all other documents
- all signatures must be identical to the printed or typed name
- only authorized agents of the Seller may sign documents for the Seller, and
- the company name must match precisely on the Note, Deed of Trust, Assignments and Note endorsements

7.102 FILE SUBMISSION

The 1st loan file documents must be assembled and uploaded. The 2nd Loan file must be delivered to the TVLB Administrator in a legal size folder, will all documents “Acco” fastened. All files must be arranged in the order listed on the applicable File Delivery Checklist:

- First File Delivery Checklist (See Form 700)
- Second File Delivery Checklist (See Form 701)

(Note: Refer to Chapter 8 for specific information regarding First and Second Loan File Delivery)

7.103 ADMINISTRATORS REVIEW

The Administrator reviews each file to verify that:

- 1) all documentation is complete and correct (See Exhibit 3 for specifics on First File Deliveries, and Exhibit 4 for specifics on Second File Deliveries), and
- 2) the loan file is in conformity with the terms and conditions of the following (as applicable):

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- (a) this Guideline
- (b) the Fannie Mae Selling Guide
- (c) HUD and VA guidelines
- (d) Ginnie Mae guidelines
- (e) VLB Program guidelines
- (f) the Agreements executed between the Primary Lender and the VLB

7.104 PRIMARY LENDER'S RESPONSIBILITY

It is the Primary Lender's responsibility to ensure that all applicable guidelines have been met on each loan. Loans which do not meet the guidelines are subject to:

- Rejection by the Administrator, or
- Repurchase by the Primary Lender

7.105 PURCHASE OF ELIGIBLE FIRST LOANS

The Administrator purchases loans every Tuesday to be funded per ACH by the VLB on the following Wednesday. The net proceeds due to the participant will be the principal balance after amortization plus interest, less the service fee and any applicable re-price or pending fees. Purchase Advices are faxed weekly by Administrator for notification of loans purchased.

Refer to Exhibit 1 for a sample of the Purchase Confirmation.

Note: Loans subject to repricing may result in a below par purchase price.

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7.106 SUSPENDED FILES

First Files Suspended for Purchase

The Administrator will:

- email to the Primary Lender a Notification of Pending Status (See Exhibit 2) detailing any documents required to complete the file, or any corrections that need to be made to documents before the loan can be purchased within the terms of the Commitment, and
- email to the Primary Lender, on a weekly basis, a pending items report listing all loans in a pended status and the items required to cure the pended status

The Primary Lender must:

- include a copy of the Notification of Pending Status Exhibit 2 with the applicable documents when returned to the Administrator, and
- cure pending items prior to the Commitment expiration in order to avoid penalty.

The VLB reserves the right to cancel any Commitment for loans with pending items not cured within thirty (30) days of the Commitment Expiration Date. For further information regarding remedies, refer to the topic "Remedies" in Chapter 6, Section 6.302 of this guide.

Suspended Second Files

The Administrator will:

- return the file if the error/omission pertains to any of the original, recorded documents
- email to the Primary Lender, on a weekly basis, a pending items report listing all loans in a pended status and the items required to cure the pended status

The Primary Lender must:

- cure pending items prior in a timely manner in order to avoid penalty. (Refer to the File Review Fees below).

7.107 REJECTED FILES

The Administrator will immediately notify the Primary Lender of any rejected loan prior to the return of the loan file. Primary Lenders may request a waiver of the Administrator's decision from the Veteran's Land Board. Such waiver requests must be presented in writing to the Administrator.

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7.108 FILE REVIEW FEES

All First files must include a \$200.00 corporate check, payable to Gateway First Bank or the Primary Lender may request The Administrator to bill for these fees on a quarterly basis. This fee may not be charged to the veteran borrower.

The Administrator does not charge a Second file review fee. However, the Administrator will assess a Late Fee of \$50.00 on second files received later than 180 days from the Purchase Date. This fee may be charged on a quarterly basis for each loan in which documents remain outstanding greater than 180 days.

CHAPTER 8 - FILE DELIVERY GUIDELINES

8.000 GENERAL

This Chapter contains specific guidelines for the delivery of First and Second Files on loans eligible for delivery.

8.100 FIRST FILE DOCUMENT DELIVERY REQUIREMENTS

First File Delivery

This Section provides information about the submission documents required in the First Loan File. It also includes specific information on how to complete each document listed on the First File Checklist (See Form 700).

1. File Review Fee

\$200.00 File Review Fee must immediately follow by mail after delivery of the First loan file. Checks should be made payable to the Administrator, Gateway First Bank. This fee may not be charged to the veteran borrower.

2. Mortgage Submission Voucher (See Form 800)

This form is to be completed by the Participant for each loan submitted for purchase and signed by an officer. A separate, complete Voucher is required for each file submitted. See Exhibit 4 for instructions on the completion of this form.

3. VLB Commitment Confirmation (See Form 601) –Form B

A copy of the complete Form 601 is required with each loan file submitted. Critical Information supplied on the Form 601, defined as the veteran's name, property address and loan term, must agree with the loan documents. The commitment expiration date must be current at the time the submission file is received by the Administrator.

4. Pay History

A pay history of the program loan is required for each loan submitted. Delinquent loans will not be purchased until the borrower has brought the loan current. The following information must be correct:

- Borrower name must agree with Program Note and Deed of Trust.
- P & I payment must agree with P & I payment as found on the Program Note.
- All curtailments must be applied correctly

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5. Copy of VA form Evidencing Disability

The Administrator will accept a copy of any one of the noted documents on loans originated under the Veterans with Disabilities subsidy.

- VA Award Letter with a permanent disability rating or a VA award letter with a temporary disability rating of 30% or greater dated within 12 months of the date the note is signed
- VA Form 26-8937 (Letter of Indebtedness) dated with 12 months of the date the note is signed. (Note: The veterans may request this form by calling 800-827-1000 or visiting www.vba.gov.com)
- VA Certificate of Eligibility dated within 12 months of closing that includes the disability compensation amount
- Department of Defense Disability Retirement Orders with a permanent disability rating of 30% or greater or a Department of Defense Disability Retirement Order with a temporary disability rating of 30% or greater dated within 12 months of the date the note is signed

6. Original Program Note

The original Note must be included in the file and completed as follows:

- In the case of conventional and FHA loans, uniform documents acceptable to the applicable Agency must be used
- As VA no longer publishes a uniform note instrument, it is the Primary Lender's responsibility to ensure that the VA note form complies with current VA guidelines
- The originating Lender name and address must agree with the Deed of Trust.
- If the originating Lender differs from the Primary Lender, endorsement(s) reflecting the chain of ownership must be present
- Alpha and numeric information must be consistent
- The original loan amount, interest rate, borrower's name, property address, and P&I must be consistent with the Deed of Trust, Deed of Trust Rider, Assignment of Program Note, Closing Disclosure and Form 601.
- The first payment due date may not be later than the first day of the second month after the date of the Mortgage Note.
- The maturity date is one month previous to the first payment due date, plus 15, 20, 25, or 30 years and must be consistent with the Deed of Trust and Form 601.

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- The borrower's signature must agree with the Deed of Trust and all other documents and is identical to the name typed below the signature line. Name Affidavits will need to be included for any variation of signature.
- If an agent has signed the Note for the borrower, a certified copy of the Power of Attorney must be present in the file.
- ALL Program Notes must be endorsed with the Participant's name and signatures as follows:

"Pay to the order of Veterans Land Board of the State of Texas without recourse."

Typed Primary Lender's Name
Authorized signature
Typed name of authorized signer
Typed title of authorized signer

7. Specific or Limited Power of Attorney

A certified copy of the document filed of record is required if used by either borrower. The Power of Attorney must be drawn specific to the real estate transaction. In addition, lenders should follow VA guidelines pertaining to the acceptable use of POA's by veterans.

8. Alive and Well Certification (if applicable)

Applicable if a Power of Attorney is used on a VA loan.

9. Name Affidavit

A copy of the Name Affidavit is required if either borrower does not sign as the name as typed on either the Note or Deed of Trust or is not consistent throughout the file. The Administrator will accept a copy of this form.

10. VLB Assignment of Program Note (See Form 804)

- Required if the loan is not registered in MERS.
- Borrower's name and lender's name must agree with Deed of Trust. If a Borrower does not sign the Note, but their name appears on the Deed of Trust {non-purchasing spouse}, their name should also be on the Assignment.)
- Date on Assignment must agree with the Deed of Trust.

PROGRAM GUIDELINES

- Assignment must be signed by an authorized officer of the Seller and the Officer's title must be present.
- Date of the Acknowledgment must not be earlier than the date of the Assignment.
- Notary Public signature and Notary Seal must be present on the document.
- The Lender's name on the Note endorsement must be consistent with that shown on the Assignment

11. Intervening Assignment (if applicable)

- Required on all third party originations unless MERS eligible.
- The date must be present and prior to the date of purchase of the Mortgage Loan by the VLB and on or after the closing date of the loan.
- The lender name conveying ownership must agree with the beneficiary recited in the Deed of Trust.
- An authorized officer of the lender must sign the document and the officer's title must be present. The typed name must agree with the signature of the authorized officer.
- The date of the notary acknowledgment must not be earlier than the date of the Assignment.
- Notary Public signature must be present along with the Notary Seal.

The Lender's name on the note endorsement must be consistent with that shown on the Intervening Assignment

12. Copy of Deed of Trust

- Borrower's name must be consistent with the name on the Note, Deed of Trust Rider, Assignment of program Note, Settlement Statement, and Form 601.
- Lender's name must be consistent with that shown on the Note
- Trustee's name must be present on document.
- Property address, county and legal description of the property agrees with title policy, survey, settlement statement, flood certificate and hazard insurance.
- Loan amount and maturity date agree with that shown on the Note

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- All applicable Riders (for loan type or property type) must be attached:
 - (a) Assumption Rider for VA Loans
 - (b) Condominium and PUD Riders must be present if the loan is a condominium or PUD.
- The “Other” Rider box should be "x'ed" and the following language should be typed in Section H:

“Reference is hereby made to the VLB Deed of Trust Rider which is incorporated herein for all purposes.”
- Borrower’s signature must be present.
- Date of acknowledgment must not be earlier than the document date.
- The document must be properly notarized with a notary public signature and notary seal.

VLB Specific Deed of Trust Rider (See Form 801)

The VLB Rider contains additional obligations that override these set forth on the Deed of Trust. In the event of any conflict between the provisions of the Rider and the provisions of the Deed of Trust or Notes, the provisions of the Rider shall control.

- Document must be executed as an attachment to the Deed of Trust and recorded as part of the Deed of Trust.
- Borrower’s Name must be present and consistent with all other documents.
- Document must be signed by Borrower.
- Rider must be properly notarized with the notary public signature and notary seal.

The VLB requires the correct Deed of Trust Rider be executed when VHAP loans are closed.

13. Take - Out Loan Affidavit (See Form 400)

- This document is required if the mortgage loan replaces any interim or short-term construction financing.
- A copy of the Take-Out Loan Affidavit is acceptable and must be included in the loan file
- The Borrower’s name, signature, and property address must match the Note and the Deed of Trust.

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- The document must be dated and properly notarized with the notary public signature and notary seal.

14. Mechanics Lien Contract/Deed of Trust

A copy of document is required if the mortgage loan replaces any interim or short-term construction financing. Document(s) required is listed on the renewal and extension rider

15. Title Policy or Commitment Binder

A copy of the final Title Policy or Commitment Binder is required.

16. Survey with hold harmless conditions

- Must contain the seal of a licensed surveyor or engineer.
- Legal description must agree with Deed of Trust, appraisal, settlement statement, flood certificate, and hazard insurance.
- Not required on a condominium or a HUD Repo.
- Hold harmless is required for any survey exceptions made in the title policy.
- Must be acceptable to the veteran borrower by signing the survey or providing a hold harmless

17. Uniform Residential Loan Application (Form 1003)

A complete, fully executed copy of final application is required.

18. VA Loan - VA Certificate of Eligibility

A copy required on VA loans.

19. VA Loan –VA Form 26-1820

The document should be fully completed and signed by the borrower and lender

20. VA Loan –VA Loan Analysis Form 26-6393

- Borrower's Name must be present and consistent with all other documents.
- Loan amount, term of loan, and interest rate are consistent with all other documents.
- The underwriter's signature is present
- Final Action indicates Approve Application

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21. VA Loan –VA Letter of Indebtedness Form 26-8937

- Veteran's name and social security number should agree with that reflected on the loan application.

22. Conventional Loan –Transmittal Summary –Form 1008

- Borrower's Name must be present and consistent with all other documents.
- Loan parameters (including loan amount, term of loan, interest rate, etc) are consistent with all other documents including DU and LP findings.
- The underwriter's signature is present if manually underwritten
- 1008 indicates loan has been approved

23. Conventional Loan - Private Mortgage Insurance Certificate

- Required if the loan to value exceeds 80%
- The Mortgage Insurer must be qualified to do business in the State of Texas.
- The Borrower's Name and Property Address should be the same as that reflected on the Note and Deed of Trust.

24. FHA Loan -Direct Endorsement Approval - FHA Form 92900-A

- Document should be complete and signed by the DU Underwriter
- Loan parameters (including loan amount, term of loan, interest rate, etc) are consistent with all other documents including automated underwriting findings.

25. FHA Loan –Mortgage Credit Analysis Worksheet FHA-9200LT

- Borrower's name agrees with the Note.
- The underwriter's signature must be present on all Direct Endorsements.

26. Automated Underwriting Findings

Copies of the last findings must be provided. Refer to the loan eligibility guidelines for additional information regarding automated underwriting guidelines.

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27. Conventional Loan –Second Lien Note and Deed of Trust

- Copy of the second lien Note and Deed of Trust are required if subordinate financing is used.
- Subordinate financing is limited to 10% under the VLB program. 80/10/10 loans are acceptable, 10% cash investment required and the VLB loan amount cannot be greater than 80% LTV

28. Earnest Money Contract

A complete, lender certified copy of the fully executed original is required.

29. VA –Lender Notice of Value (NOV) or VA Issued NOV

Form should reference the property address.

30. FHA - Conditional Commitment

Form should reference the property address and case number and should be executed by the DE underwriter.

31. Uniform Residential Appraisal with Valuation of Conditions (VC) (Form 1004, Condominium Form 1073 or Two –Four Family Form 1025

- The Borrower's name and Property Address must agree with Note and Deed of Trust.
- The appraised value of the property must be indicated on document.
- The appraisal must indicate an Economic Life equal to or greater than the term of the loan.
- Document must be signed by an authorized appraiser.
- If not subject to plans and specs, the appraisal must be dated within six months of the closing date for FHA and VA loans, and within four months for conventional loans.
- For FHA/VA originations, the Valuation of Conditions (VC) Sheet and evidence the VC items have been met must also be included
- An appraisal is not required on a HUD Repo.
- If the appraisal is not made "subject to completion," front, rear, and street scene photos of the property as well as photos of all comparables must be present.

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32. Recertification of Value (if applicable)

Appraisals dated more than 180 days from the closing date of an FHA or VA loans, or more than 120 days for conventional loans must contain a recertification of value.

33. Final Inspection

- A final inspection is required on all appraisals made subject to completion. Lenders should follow the applicable Agency guidelines for photos on properties requiring a final inspection.
- A final inspection is required on all appraisals made subject to repair

34. Certificate of Occupancy (if applicable)

For new construction, Energy star may not be required if this document is dated prior to the Sales Contract.

35. Energy Star/HERS Certificate

New construction loans with sales contracts dated after March 4, 2005 must contain an Energy Star Certificate performed by a Resnet accredited Home Energy Rater or a copy of the HERS certificate with rating of 75 or less. A copy of the certificate must be present in all new construction loans.

36. Texas Official Wood Destroying Insect Report

- Applicable if required by the lender's underwriter or the appraiser.
- If the inspection reveals active infestation, evidence of treatment must be provided.
- If damage noted, evidence of repair must be provided

37. Closing Disclosure (CD)

- The buyer's name must be consistent with Borrower's name on the Note, Deed of Trust and Commitment.
- The Lender's name must agree with the Participant's Name on the Deed of Trust.
- The property address and legal description should be consistent with the all loan documents.
- The monthly insurance and tax reserves must match the payment distribution reflected on the pay history.
- All charges and credits to the buyer are present and are correctly identified.

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38. Hazard Insurance Policy

- Borrower name, property address, and legal description is consistent with other file documentation
- Mortgagee clause must be present and is consistent with the loan Participant Servicer
- Insurance company, agent name, telephone number and policy number must be present
- The amount of coverage should at least equal the lesser of 1) 100% of the insurable value of the improvements-as established by the property insurer or state law, or, 2) the unpaid principal balance of the Mortgage, as long as it equals the minimum amount, (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis, or applicable state law.
- The deductible may not exceed agency guidelines.

39. Life of Loan Flood Certificate

- Property address and legal description must agree with the Note and Deed of Trust
- Flood Certificate must indicate "Life-of-Loan"
- Flood Certificate must determine the zone of the property and state whether Flood Insurance is needed.
- Zones A and V must have Flood Insurance.

40. Flood Insurance Policy

- Borrower name, property address, and legal description must be consistent with other file documentation
- Mortgagee clause is present and must be consistent with the loan Participant Servicer
- Insurance company, agent name, telephone number and policy number must be present

PROGRAM GUIDELINES

8.101 SECOND FILE DOCUMENT COMPLETION

Document Completion - Second File Delivery

This Section contains information about the submission documents required in the Second Loan File. It also includes specific information on how to complete each document listed on the Second File Checklist (See Form 701). In addition, Lenders are encouraged to review the Administrator's Checklist (See Exhibit 4) for specific items verified by the Administrator.

1. Purchase Advice

The Purchase Advice with the Administrator's loan number must accompany the loan file so that Administrator may track all incoming second files.

2. Recorded Deed of Trust

- File must have the Original Deed of Trust, OR, if lost, Lender certified copy of the recorded instrument. The Lender certified copy must clearly show that the document has been recorded and the recording information must be legible.
- Deed of Trust must be recorded in the county clerk's office where the property is located. If property boundaries lie within multiple counties, the Deed of Trust must be recorded in all applicable counties.
- All applicable Riders (PUD Rider or Condominium Rider, VA Assumability Rider and the correct VLB Deed of Trust Rider must be recorded along with the Deed of Trust).

3. Recorded Intervening Assignment

If the Deed of Trust was closed with MERS as nominee for the original mortgagee, interim assignments will not be required if the loan is registered in MERS. If the Deed of Trust was not closed with MERS as nominee for the original mortgagee, but was subsequently registered with MERS, Lenders must provide original, recorded interim assignments from origination of the loan to assignment to MERS, OR, if lost, Lender certified copies of the recorded instruments. The Lender certified copies must clearly show that the documents have been recorded, and the recording information must be legible.

- The Intervening Assignment must be recorded in the correct sequence, i.e., after the Deed of Trust and before the Primary Lender's assignment to the VLB.
- Assignment must be recorded in the county clerk's office where the property is located. If the property boundaries lie within multiple counties, the Assignment must be recorded in all applicable counties.

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4. Recorded VLB Assignment of Program Note (See Form 804)

- If the Deed of Trust was closed with MERS as nominee for the original mortgagee, the Assignment of the Program Note to the VLB will not be required if the loan is registered in MERS. If the Deed of Trust was not closed with MERS as nominee for the original mortgagee, but was subsequently registered with MERS, Lenders must provide evidence the loan was assigned to MERS. The Administrator will accept the original recorded assignment to MERS OR, if lost, a Lender certified copy of the recorded instrument. The Lender certified copy must clearly show that the document has been recorded, and the recording information must be legible.
- Borrower's name and lender's name must agree with Deed of Trust. If a Mortgagor does not sign the Note, but their name appears on the Deed of Trust {non-purchasing spouse}, their name should also be on the Assignment.)
- Date on Assignment must be on or after the date of the Deed of Trust.
- Assignment must be signed by an authorized officer of the Seller and the Officer's title must be present.
- Date of the Acknowledgment must not be earlier than the date of the Assignment.
- Notary Public signature and Notary Seal must be present on the document.
- The Lender's name on the Note endorsement must be consistent with that shown on the Assignment

5. Final Title Policy

- File must have Original Final Title Policy, OR, a duplicate original title policy. A copy of the jacket, if applicable, must also be submitted.
- The insured amount and the legal description must be in agreement with the Note and the Deed of Trust.
- The filing of the Deed of Trust must agree with the filing information in Schedule A, Section 4.
- Schedule A, Section 4 should show the re-recording of the Deed of Trust. This requirement may be satisfied with a title policy endorsement.
- The title may be vested in the borrower "Fee Simple" or a "Leasehold" which must be at least equal to the term of the note.
- The borrower's name must be consistent with Deed of Trust and the Note.
- If the Title Policy indicates the presence of any covenants, conditions or restrictions on the title, the policy will state there has been no violation of the covenants, conditions or restrictions and that any violation of same will not result in forfeiture or reversion for title.

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- All exceptions are to be covered by applicable Agency Waivers
- The tax exception should read “Taxes for the year (___) and subsequent years not yet due and payable.”
- For easement exceptions, give the size, location, purpose, and recording date or status.
- If a major structural encroachment exists, an Agency waiver may be required as well as an executed HOLD HARMLESS statement from the borrower. Leaders should contact the Program Administrator for waiver of non-standard Agency title exceptions.
- Environment Endorsement must be present.
- Survey exception must be amended to read “shortages in area.”

6. Loan Guaranty Certificate OR Mortgage Insurance Certificate

- All fields displayed on the insuring certificate must agree with the corresponding fields reflected on the Note and/or Deed of trust.

a. Acceptable evidence of MIC:

In lieu of an original MIC signed by FHA, electronic confirmation from FHA Connection is acceptable. The Administrator will accept screen prints from FHA Connection that contain the following information:

- Borrower name(s);
- Property address;
- Mortgage amount;
- Interest rate;
- FHA case number; and
- Endorsement date

b. Acceptable evidence of LGC

The file must have a copy of the LGC or a screen print from VA's direct electronic notification for LGC's that contains at a minimum, the following information:

- Name of veteran/Borrower;
- Principal amount;
- Percent of guaranty (Note: Lenders must submit a copy of the final Closing Disclosure for VA loans with guaranty less than 25% of the lesser of the sales price or appraised value);
- Certificate number; and
- Certificate date

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NOTE: Screen prints from VA's Appraisal System (TAS) that reflect only the case number and guaranty date will NOT be accepted by the Administrator as evidence of guaranty.

- **The cash down payment and guaranty for VA loans must equal 25% of the lesser of the sales price or appraised value. A copy of the Closing Disclosure may be required if the percentage of guaranty reflected on the LGC is less than 25%.**
- If the LGC does not reflect 25% and a down payment was made, the lender can provide a completed VA Calculation Worksheet reflecting 25% as a secondary source

CHAPTER 9 - QUALITY CONTROL

9.000 GENERAL

The VLB reserves the right to conduct post-funding quality control reviews of any mortgages sold to the VLB. The Administrator will underwrite each mortgage selected for post-funding review to verify that it meets the applicable Agency standards and complies with VLB guidelines, policies and Participant warranties.

9.100 REVIEW OF AUTOMATICALLY UNDERWRITTEN MORTGAGES

For mortgages receiving an Accept (LPA) or Approved/Eligible (DU) rating, the borrower will be considered creditworthy and no further assessment will be made if:

- The Participant Lender has submitted all required information to the automated underwriting system and complied with the terms and conditions as outlined by Freddie Mac or Fannie Mae.
- The submitted information is accurate, true and complete

9.101 REVIEW OF MANUALLY UNDERWRITTEN MORTGAGES

The Primary Lender is responsible for the accuracy and authenticity of all documentation contained in the file.

9.102 NOTIFICATION OF FINDINGS

The Administrator will notify the Participant Lender in writing of loans that were found deficient. The notification will specify a thirty (30) day time frame within which any defect should be corrected. If it is not possible for the lender to correct the defect to the satisfaction of the VLB, the Participant Lender may be required to repurchase the loan. In addition, the VLB may also require the Participant Lender to indemnify and hold harmless the VLB for any loss, damage or expense that the VLB may incur as the mortgagee of record.

9.103 APPEALS

An appeal of a repurchase or indemnification requirement must be sent in writing to the Administrator within thirty (30) days from the notice of repurchase/indemnification. The appeal package should contain:

- A statement of all relevant facts regarding the underwriting

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- A statement of why the VLB decision should be reversed
- Supporting documentation, if any

The Administrator will forward all appeals to the VLB. The VLB will review all appeals and advise the Participating Lender in writing of its appeal decision. If the appeal is denied, the Participating Lender must complete the repurchase/indemnification of the Mortgage within twenty (20) days from the date of the VLB denial letter.

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Gateway First Bank
Attn: VLB Administrator
244 South Gateway Place
Jenks, OK. 74037

LOAN PURCHASING

Name	Title	Phone Number	E-mail Address
Heather Askew	TVLB Administrator	918-995-6170	spa@gatewayloan.com
Marjorie Furguson	TVLB Administrator	972-543-0674	spa@gatewayloan.com
Madison Childress	Gateway Bond Program Support	918- 858-9091	Madison.childress@gatewayloan.com
Jason McPherson	SVP, Post Closing and Transaction Management	918-526-5238	Jason.mcpherson@gatewayloan.com

These contacts may be updated from time to time by notice from the Administrator.

PROGRAM GUIDELINES

FORMS

Forms related to the program can be downloaded from the Administrator's website at <https://masterservicing.nationstarmtg.com/> within the Lender Guides section.

EXHIBITS

Exhibits related to the program can be downloaded from the Administrator's website at <https://masterservicing.nationstarmtg.com/> within the Lender Guides section.