

## VETERAN Energy Efficient Mortgage EEM

POLICY	GUIDELINE
<b>GENERAL DESCRIPTION</b>	The VA Energy Efficient Mortgage EEM enables Veterans up to a maximum \$6,000 for energy efficiency improvements to an existing property.
<b>CORE PROGRAM</b>	Unless specifically addressed in this product matrix, all standard VA requirements apply.
<b>PRODUCT TYPE &amp; TERMS</b>	<ul style="list-style-type: none"> <li>• 30 year and 15 yr fixed rate mortgage</li> </ul> Temporary buy downs are not permitted.
<b>GENERAL EEM GUIDELINES</b>	<ul style="list-style-type: none"> <li>• Maximum amount improvements: \$6000</li> <li>• Over \$6000 on Exception basis with <b>only 1 bid</b>, for one improvement and acceptable energy study meeting guide</li> <li>• Improvements must be completed within 90 days of closing</li> <li>• Escrow funds held by the lender in a non-interest bearing account</li> <li>• No more than one/Final escrow disbursements paid to contractor allowed</li> </ul>
<b>ESCROW ACCOUNT</b>	The escrow account consists solely of the repair costs not to exceed \$6000 <ul style="list-style-type: none"> <li>• Escrow holdback agreement can be found in the Repair Escrow Holdback procedures</li> </ul>
<b>CONTINGENCY RESERVE</b>	A contingency reserve is not required to be held
<b>ELIGIBLE PROPERTY IMPROVEMENTS</b>	<ul style="list-style-type: none"> <li>• Solar heating systems, including solar systems for heating water for domestic use;</li> <li>• Solar heating and cooling systems;</li> <li>• Caulking and weather-stripping;</li> <li>• Furnace efficiency modifications limited to replacement burners, boilers, or furnaces designed to reduce the firing rate or to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency, devices for modifying flue openings which will increase the efficiency of the heating system, and electrical or mechanical furnace ignition systems which replace standing gas pilot lights;</li> <li>• Clock thermostats;</li> <li>• New or additional ceiling, attic, wall and floor insulation;</li> <li>• Water heater insulation;</li> <li>• Storm windows and/or doors, including thermal windows and/or doors;</li> <li>• Heat pumps; and</li> <li>• Vapor barriers</li> </ul> <p>** Items in addition to this list will need to be reviewed by Underwriting for acceptability; this product is <u>not to be used</u> in lieu of the VA Reno program that will allow for \$35000 in improvements.</p>
<b>CONTRACTS</b>	<ul style="list-style-type: none"> <li>• We will require the actual contract from the contractor that is going to complete the work.</li> </ul>
<b>MINIMUM FICO</b>	<ul style="list-style-type: none"> <li>• Minimum <b>620</b> credit score for all borrowers.</li> <li>• Tri-merge credit report is required.</li> </ul>
<b>LOAN PURPOSE</b>	<ul style="list-style-type: none"> <li>• Purchase</li> </ul> <p>***Not Eligible with VA IRRL's or VA Cash outs</p>
<b>MAXIMUM LOAN AMOUNT</b>	Assuming full entitlement: <b>PURCHASE: <u>100 LTV / 100% CLTV</u></b>  The maximum mortgage amount for purchase transaction is based on the lesser of 1) or 2) below: <ol style="list-style-type: none"> <li>1) the purchase price plus the cost of repairs; or</li> <li>2) the "after-improved" value as evidenced by the appraisal</li> </ol>
<b>LOAN AMOUNTS</b>	<b>Maximum total loan amount cannot exceed conforming loan limits.</b>
<b>FEES</b>	The following fees must be included on the Loan Estimate and Closing Disclosure <ul style="list-style-type: none"> <li>• Final Inspection – estimate of \$150</li> <li>• Improvements exceeding \$3000 will require an energy audit to be completed and Underwriter analysis of savings.</li> </ul>
<b>GEOGRAPHIC RESTRICTIONS</b>	Available for any ULG approved states
<b>AUTOMATED UNDERWRITING</b>	LP/DU approve eligible /no manual UW's allowed
<b>TITLE COMMITMENT</b>	<ul style="list-style-type: none"> <li>• Mechanic's lien coverage is not required.</li> <li>• Title Company needs to be aware that the loan has an escrow hold back.</li> </ul>
<b>APPRAISAL REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• The appraisal is completed "subject to" repairs.</li> <li>• The appraiser must be provided with a contractor's contact information.</li> </ul>

<b>ENERGY EFFICIENT STUDY</b>	<p><b>Energy efficiency improvements up to \$3,000:</b></p> <ul style="list-style-type: none"> <li>• Evidence of the cost of improvements by a copy of contract itemizing the improvements and their cost.</li> <li>• Provide copy of the contract to the appraiser and the appraisal will need to be completed subject to these improvements being completed</li> </ul> <p><b>Energy efficiency improvements more than \$3,000 up to \$6,000 max:</b></p> <ul style="list-style-type: none"> <li>• Evidence of the cost of improvements by a copy of contract itemizing the improvements and their cost.</li> <li>• Provide copy of the contract to the appraiser and the appraisal will need to be completed subject to these improvements being completed</li> <li>• Provide an Energy Efficient study/audit by a locally Utility company, municipalities, state agencies or other reliable sources, and document how the improvement to the home will provide savings for the proposed improvements and based on this:</li> <li>• The underwriter must make a determination that the increase in monthly mortgage payments does not exceed the likely reduction in monthly utility costs.</li> <li>• This will be done by comparing the contract, itemizing the improvements and their cost and the energy audit allowing the underwriter to note that the increase in monthly Mortgage payments does not exceed the likely reduction in monthly utility costs.</li> </ul>
<b>SELF-HELP</b>	<p>Self-Help is <b>NOT</b> permitted except under the scenarios listed below.</p> <ul style="list-style-type: none"> <li>• Borrower is working with a home improvement store such as Home Depot or Lowe’s where the store is acting as the contractor.</li> </ul> <p>Exceptions to this policy will only be granted on a case-by-case basis after evaluating the borrower and their work experience. Borrower to provide written statement of work plan, no labor added in.</p>
<b>DOCUMENT AGE</b>	<ul style="list-style-type: none"> <li>• Credit Docs, <b>120 Days</b></li> <li>• Appraisal, <b>6 months</b></li> </ul>
<b>OPERATIONAL NOTES</b>	<p><u>Underwriting</u></p> <ul style="list-style-type: none"> <li>• Analyze Energy study verse payment analysis to justify financing the energy efficient improvements, details documented</li> <li>• Complete 92300 Screen Completion</li> <li>• Once the final improvement figure has been calculated, enter this figure into the “Amount of Escrow” field. By entering this figure, the figure will appear on the Escrow Agreement.</li> <li>• Please enter the date that the improvements should be completed in the “Date” field (located directly under the Form HUD-92051 box). This date will appear on the Escrow Agreement. The “Completion Date” field is left blank.</li> <li>• Underwriter will utilize the following standard Condition: An escrow amount of \$_____ is being held from the _____ (borrower/seller) for the following repairs: _____ and a fee of \$150 is to be collected for the final inspection.</li> </ul> <p><u>Closing</u></p> <ul style="list-style-type: none"> <li>• Closing to complete the escrow agreement in accordance to the terms in Encompass. (Escrow Agreement Form currently in Encompass)</li> <li>• Indicate the appropriate escrow amount on the CD being paid either by the buyer or seller. If secured by Letter of Credit, escrow holdback amount will not be displayed on the Closing Disclosure.</li> <li>• Indicate a \$150 Fee on the CD for final inspection.</li> <li>• Escrow holdback amount and final fee are deducted from wire. Title Company will not hold the funds.</li> <li>• Instruct the title company to have the borrower and seller execute the Escrow Holdback Agreement.</li> </ul> <p><u>Construction Lending Department and Subsidiary Accounting</u></p> <ul style="list-style-type: none"> <li>• Construction Lending Department along with the Subsidiary Accounting Manager will monitor the pipeline of loans with outstanding escrow holdbacks.</li> <li>• Any escrow holdback that has aged beyond the completion date requires diligent communications with borrower and/or seller to express urgency/importance of getting repairs completed.</li> <li>• If repairs have not been completed prior to completion date set by the Underwriter, Construction Lending Department to document any contact and communications with the borrower and/or seller. Documentation to be archived in Encompass e folder.</li> </ul>
<b>FINAL DISBURSEMENT PROCESS</b>	<p><b><u>Completion of Repairs / Inspections / Release of Funds</u></b></p> <ul style="list-style-type: none"> <li>• After repairs have been completed, final inspection to be ordered by the Construction Lending Department to insure repairs have been completed in its entirety.</li> <li>• Inspections for the completed repairs will be conducted by the original appraiser who conducted the original appraisal report.</li> <li>• The required work for completion must be completed within the time frame mandated by the underwriter as stated on the escrow agreement</li> <li>• The final inspection will be forwarded to Underwriter for approval and ok for disbursement.</li> </ul>

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**FINAL  
DISBURSEMENT  
PROCESS (continued)**

- Construction Lending Department will complete the attached disbursement form and forward to Underwriting for approval, signature and then the Underwriting will forward to the Construction Lending Department with the final inspection.
- Construction Lending Department will follow disbursement process.