



VILLAGE CAPITAL
— & INVESTMENT LLC —

Seller Guide

Correspondent



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CHAPTER 1. INTRODUCTION

1.1 Purpose

Village Capital & Investment LLC (hereinafter “Village Capital” or “VCI”) purchases loans from approved Correspondent Sellers. A Correspondent, as defined by VCI, is a Village Capital approved mortgage lender that originates, funds, and closes mortgages in their name. The Correspondent then submits the loan to VCI for review, purchase, and funding.

This Correspondent Seller Guide details the terms and conditions that govern Correspondent participation in the VCI Correspondent Lending Program. Occasionally, VCI will communicate updates and revisions to this Guide via email. Communication may also be issued to announce updates before this Seller Guide can be updated and/or to convey information not expressly stated in this Guide.

This Guide shall apply to VCI in its entirety including all divisions, departments, subsidiaries, and affiliates.

1.2 Process

All Correspondents should use this Guide to ensure that loans are prepared in accordance with Village Capital requirements, thus increasing the chance of acceptance, purchase, and funding. After the Correspondent creates the loan, the loan package will proceed through the pipeline as follows:

1.2.1 Delegated

- Registered – Loan has been submitted through the Correspondent website and is in an active folder at VCI.
- Submitted for Review – Loan has been submitted to VCI and is awaiting review by the pre-purchase file reviewer.
- Purchase Suspended – Loan is missing critical documents needed for to audit.
- Purchase Rejected – The loan has been rejected for purchase.
- Purchased Approval – Loan is in review; pre-purchase conditions have been requested.
- Clear to Purchase – All pre-purchase conditions have been reviewed and cleared. The loan is progressing through the purchase queue, has been confirmed locked, and the required documents received.
- Purchased – Purchase Advise has been created and sent to Correspondent and Wire Desk.
- Cancelled Date – If the Correspondent cancels the file, the date will appear here.
- Withdrawn Date – If the Correspondent withdraws the file, the date will appear here.

1.2.2 Mini-Correspondent

A Seller approved as a “Mini-Correspondent” will follow the same process as described below for a Non-Delegated Correspondent, with the exception that VCI will draw the closing package and provide it to the Correspondent to be utilized at closing.

1.2.3 Non-Delegated

- Registered – Loan has been submitted through the Correspondent website and is in an active folder at VCI.
- AUS Ordered – AUS has been ordered on the file.
- Submit to UW – Loan has been submitted to underwriting.
- UW Suspended – Loan is missing critical documents needed to underwrite.
- UW Approval – Loan is conditionally approved.
- UW Clear to Close – Prior to Approval conditions have been cleared and loan may proceed to closing.
- Delivery Date – Closed Loan has been submitted through the Correspondent website and is in an active folder at VCI.
- Purchase Suspended – Loan is missing critical documents needed to audit.
- Purchased Approval – All pre-purchase conditions have been reviewed and cleared. The loan is progressing through the purchase queue, has been confirmed locked, and the required documents received.
- Purchased Date – Purchase Advise has been created and send to Correspondent and Wire Desk.
- Cancelled Date – If the Correspondent cancels the file, the date will appear here.
- Withdrawn Date – If the Correspondent withdraws the file, the date will appear here.

CHAPTER 2. CORRESPONDENT ELIGIBILITY

The requirements stated below, unless waived by VCI at its sole and absolute discretion, must be met by Sellers in order to be eligible for participation in the VCI Correspondent Program. VCI reserves the right, in its sole discretion, to determine whether a prospective Correspondent meets these eligibility requirements. Once approved, Correspondents are required to maintain the eligibility requirements. If a Correspondent fails to maintain one or more of the eligibility requirements, VCI may suspend purchasing mortgage loans from the Correspondent and/or terminate its business relationship with the Correspondent.

2.1 Correspondent Approval

The following items are required for consideration by VCI as an approved Correspondent Seller:

- Minimum \$2,000,000 audited net worth *or* meet FHA net worth requirements¹
- Mortgage Electronic Registration Systems (MERS) membership
- NMLS in good standing
- HUD Neighborhood Watch FHA Compare Ratio of 150% or less

2.1.1 Application

Sellers should carefully review and fully complete the VCI Correspondent Application. Applications that are incomplete and/or have missing documentation, will not be processed.

VCI's Correspondent Application Package includes the following:

- Affiliated Business Disclosure(s), when applicable
- Anti-Money Laundering (AML) and Red Flags Policies and Procedures
- Appraisal Policy to include Appraisal Independent Requirements (AIR) Plan²
- Audited Financial Statements for the most recent one (1) year
- Balance Sheet with Unaudited Financial Statements and Profit & Loss for the most recent quarter
- Certificate of Good Standing from Applicable State
- Company Organizational Chart
- Correspondent Loan Purchase Agreement, fully executed
- Correspondent Relationship Form (completed and signed by officer of the company)
- Errors & Omission (E&O) Insurance and Fidelity Bond with minimum \$300,000 coverage (the deductible may not exceed the greater of \$100,000 or 5% of the face amount of the bond)

¹ A minimum net worth is not required when requesting Mini-Correspondent approval solely.

² Documentation not required when requesting Mini-Correspondent approval solely.

- Evidence of Agency Approval Letters, if approved by Fannie Mac, Freddie Mac, Ginnie Mae, HUD, USDA, or VA (Approval Letters must state specific approval granted by the respective Agency)
- Information Security Policy & Procedure (Technology & Process)
- Investor Scorecards from the Correspondent's Top Three (3) Investors for the Most Recent Quarter²
- IRS Form W-9
- Notice of Assignment/Good-Bye Letter²
- Quality Control Plan and Most Recent two (2) months QC Reports with Management Responses
- Resumes of Senior Management
- Soc Report or Similar Report² (if available)
- Wire Funds Setup Instructions

Additionally, VCI requires the Seller to have qualified and adequate personnel in place, with sufficient knowledge and expertise of the mortgage industry.

Once VCI issues approval, the Correspondent will be assigned an Account Executive (AE) as the main point of contact and will receive instructions on delivering loans through TPO Connect. The Correspondent will be classified as Delegated, Mini-Correspondent and/or Non-Delegated based on VCI-established requirements. A Seller with Delegated authority is automatically authorized for Non-Delegated file submissions.

2.1.2 Annual Recertification

On an annual basis, Seller must complete a VCI lender recertification process. Seller is obligated to provide any changes or updates which may have occurred in its organization since its previous approval or renewal with VCI.

The following are required during annual recertification:

- Affiliated Business Disclosure(s), when applicable
- Audited Financials for most recent year-end
- Balance Sheet with Unaudited Financial Statements and Profit & Loss for the most recent quarter
- Certificate of Good Standing from Applicable State
- Errors & Omission (E&O) Insurance and Fidelity Bond with minimum \$300,000 coverage (the deductible may not exceed the greater of \$100,000 or 5% of the face amount of the bond)
- Investor Scorecards from the Correspondent's Top Three (3) Investors for the Most Recent Quarter³
- Quality Control Plan and Most Recent two (2) months QC Reports with Management Responses

³ Documentation not required when requesting Mini-Correspondent renewal solely.

- Resumes of Senior Management and Organizational Chart, if changed from previous approval or renewal with VCI
- SOC Report or Similar Report³ (if available)
- TPO Client List including Legal Name and NMLS ID, when applicable
- Updated Policies and Procedures³ (for any P&P's that changed since previous approval or renewal with VCI)
- VCI Annual Renewal Form
- VCI Loan Fraud Zero Tolerance Disclosure

2.1.3 Audits and Reporting

Seller shall maintain a complete set of files and records of all business activities and operations for a period of not less than 60 months from and after the date of termination of the Correspondent Loan Purchase Agreement.

From time to time, VCI may audit the Seller's loan origination operations and examine the documents and records relating to any mortgage loan sold by the Seller. Seller will facilitate such audits and provide VCI, and its agents access to the Seller's offices, books, and records at reasonable times during the Seller's normal business hours.

At any time, Seller may be selected for a quarterly Risk Assessment review by VCI. During such review, VCI will monitor loan quality, aging receivables, reputational risk, FHA Compare Ratio, and any possible issues or concerns regarding the Seller.

Seller must deliver copies of any notification of termination of license(s) or lending authority to VCI immediately. If a Seller is terminated, suspended, or under investigation from any governmental agency or quasi-governmental agency, Seller must immediately notify VCI and forward any associated notices and/or documentation.

2.1.4 Facilities

The Correspondent must have adequate facilities in which to originate first lien residential mortgages.

2.1.5 Pull-Through Ratio

VCI will monitor the three (3) month rolling average of Seller pull-through using Correspondent Scorecards. Expectation for pull-through is 75% for Delegated Correspondents and 60% for Non-Delegated Correspondents.

2.1.6 System Access

Upon establishing a relationship with VCI, the Seller will be added to TPO Connect at which time the Correspondent will establish a system administrative account per the Correspondents onboarding instructions. The system administrator for the Correspondent will be responsible to manage internal user access, including deactivation, as applicable.

Seller must comply with applicable law with respect to nonpublic personal information, including but not limited to the privacy provisions of the Gramm-Leach-Bliley Act.

2.1.7 Third-Party Origination (TPO) Approval

Sellers that wish to have Third Party Origination (TPO) approval will be required to submit their full Policy and Procedures including ongoing Monitoring, as well as a complete client list for consideration. Policies and the client list will be reviewed by a VCI Client Management Reviewer, and any questions or concerns will need to be addressed by the Correspondent.

For consideration of the Correspondent Seller for Third-Party Originations, the following documents are required in addition to the items referenced in the [Application](#) section:

- TPO Approval Policy & Procedures (including Monitoring)
- TPO Client List (including legal name and NMLS number)

VCI has the right to decline TPO business and/or remove TPO approval at any time.

2.2 Confidentiality

As a result of its relationship with VCI, and access to the Agreement, Seller will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, and other information in various forms, which such information is used or useful in the conduct of VCI's business, including its origination, purchase, sale, and servicing of mortgage products, collectively referred to as "Confidential Information." Seller acknowledges such Confidential Information is the exclusive property of VCI. Seller shall not, at any time, regardless of when and how its relationship with VCI may end, directly or indirectly use, disclose, publish, reveal, copy, disseminate, or otherwise make available such Confidential Information, other than as expressly set forth herein or in the Agreement.

2.3 Correspondent Obligation

The Correspondent must follow generally accepted mortgage lending practices with respect to its mortgage loan origination activities. The Correspondent's company must be an organization which is committed to, and engages in, responsible lending practices.

The Seller is responsible to ensure compliance with all aspects of this Guide, and attests to adherence with the below referenced topics, as applicable.

2.4 Delegation and Underwriting Authority

The Seller must evidence the proper approval delegation by the Agency for each loan type that Seller intends to deliver to VCI. Authority granted to a Seller by VCI is the approval to purchase loans.

The approval status and Agency designation of each Seller will be maintained in VCI's system of record, Encompass. This will enable VCI to prohibit a loan from being considered for purchase if VCI does not have evidence of Agency approval for the particular loan type.

VCI may terminate a Seller's authorization to perform Delegated Underwriting at any time by providing notice to the Seller.

2.5 Effect of Termination

Any termination of the Agreement shall not affect Seller's obligation with respect to mortgage loans previously sold or delivered to VCI prior to the effective date of such termination.

2.6 Funding Meets Applicable State and Federal Laws

The mortgage loan and the loan funding meets or is exempt from, applicable state and federal laws, regulations, and other requirements pertaining to usury, fees, and expenses incurred in the making of a mortgage loan. This includes, but is not limited to, usury, TILA-RESPA Integrated Disclosure Rule (TRID), Truth-in-Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA), applicable state disclosure laws, consumer credit protection, and the Equal Credit Opportunity Act (ECOA).

2.7 Good Standing

Seller is and will continue to be duly organized, validly existing, and in good standing under the laws of the United States and/or under the laws of the jurisdiction in which it has incorporated or organized, as applicable. Seller has and will continue to maintain all licenses, registrations, and certifications necessary to carry on its business as it is now being conducted. Seller is and will continue to be licensed, registered, qualified, and in good standing in each state where property securing the mortgage loan is located, if the laws of such state require licensing, registration, or qualification in order to conduct business of the type conducted by Seller.

Seller represents it employs, or will employ, a sufficient number of knowledgeable and capable individuals to perform the services required by the Agreement. Seller represents its employees who perform loan origination activities will be appropriately licensed and in good standing with the applicable licensing and oversight authorities at all times. Seller will continue to maintain minimum tangible net worth requirements per their level of approved issued by VCI.

Seller has the ability to perform each and every obligation of and/or satisfy each and every requirement imposed on Seller pursuant to the Agreement, and no offset, counterclaim, or defense exists to the full performance by Seller of the requirements of the Agreement.

There are no actions, litigations, suits, or proceedings, pending or threatened, against the Seller before or by any court, administrative agency, arbitrator, or governmental body with respect to any matter which, in the judgment of the Seller, if filed adversely to the Seller would reasonably be expected to materially and adversely affect the Seller's ability to perform its obligations under the Agreement and Guide. Seller is not in default with respect to any order of any court, administrative agency, arbitrator, or governmental body so as to materially and adversely affect the transactions contemplated by the Agreement.

2.8 Government Loans

The Seller represents and warrants compliance with the following for all FHA, VA, and USDA mortgages delivered to VCI:

- Each government loan conforms to and complies with all applicable HUD/FHA, VA, or USDA underwriting, lending, selling, and servicing requirements, and all Ginnie Mae requirements for the inclusion of the mortgaged loan in a Ginnie Mae MBS pool.
- Seller has not agreed to and will not agree to a planned refinance during the 12 month period following purchase by VCI.
- Any third-party with whom Seller contracts or otherwise permits to provide a service in connection with a mortgage loan complies with all said government agency requirements applicable to Seller, to said third-party, and to the mortgage loan.
- Seller agrees that any government loan not insured or guaranteed within 60 days of loan closing may be subject to repurchase or collection of an uninsured loan fee.
- For loans insured/guaranteed by the Correspondent, the Upfront Loan Guarantee Fee, Upfront Mortgage Insurance Premium (UFMIP) or the VA Funding Fee has been paid, as applicable, and the mortgagor is not entitled to any refund of any amounts paid or due under the Promissory Note or the mortgage security instrument/mortgage deed of trust, and:
 - If the loan is an FHA-insured mortgage loan, the loan is fully eligible for FHA Insurance and the Mortgage Insurance Certification (MIC) has been issued by HUD.
 - If the mortgage loan is to be guaranteed by VA, the loan is fully eligible for a VA Guaranty and the Loan Guaranty Certificate (LGC) has been issued by VA.
 - If the loan is to be guaranteed by USDA, the loan is fully eligible for a USDA Guarantee and the Loan Note Guarantee (LNG) has been issued by USDA.
- Seller's approval with HUD, VA, and/or USDA, as applicable, is current and in good standing.
- Escrow waivers are not permissible.

2.8.1 FHA Eligibility

In addition to the Purchase Eligibility requirements for FHA Loans, Correspondents must:

- Meet all other eligibility requirements, as applicable.
- Meet HUD's loan insurance requirements.
- Be HUD approved and have a DE Underwriter on staff (for Delegated delivery).
- Provide a copy of their HUD approval letter.
- Be in good standing with HUD and other applicable agencies.

2.8.2 FHA Test Cases

FHA Test Cases are eligible for delivery through the Delegated Correspondent channel subject to the following:

- Seller must follow FHA guidelines for test case qualification requirements.
- Request approval/provide information to VCI's Account Executive in order to deliver test cases for purchase.
- Provide copies of the DE Underwriter Resumes.
- Provide procedures for insuring activities.
- Once HUD grants the Lender Unconditional DE approval, the approval letter must be promptly provided to VCI.
- If the HOC discontinues accepting Test Cases, the Correspondent must promptly notify VCI.
- Correspondents approved by HUD for FHA Test Cases must provide the Mortgage Insurance Certificate (MIC) with the closed loan package. Files not containing the MIC will be suspended for purchase until the MIC is received.

2.9 Loan is Not Subject to Right of Rescission or Counter Claim

The mortgage loan is not subject to any right of rescission, set-off, counter claim, or defense and is not unenforceable under any terms. The Promissory Note, the mortgage, and any other agreement executed and delivered by a Borrower or guarantor, if applicable, are genuine, legal, valid, binding, and enforceable obligations of the maker thereof. All parties to the Promissory Note and any other agreement executed and delivered by a Borrower or guarantor, if applicable, had legal capacity to execute such documents and such parties have in fact, properly executed all such documents.

2.10 Maintaining Eligibility

Any Correspondent approved for participation in the VCI Correspondent Program must continue to meet the eligibility requirements herein to maintain its eligibility and approval to participate.

2.10.1 Notification of Significant Changes

The Correspondent must send VCI written notice of any contemplated major changes in its organization, including its notice copies of any filings with, or approvals from, its regulators. VCI requires notice of, among other things, the following significant changes relating to the Correspondent:

- Mergers, consolidations, or reorganizations.
- Direct or indirect material change in ownership. An "indirect change in ownership" includes any change in the ownership of the Correspondent's parent, any owner of the parent, or any beneficial owner of the Correspondent that does not own a direct interest in the Correspondent.
- Change in corporate name.

- Change from a federal charter to a state charter (or vice versa) if the Correspondent is a savings and loan association or a bank.
- Material changes in financial condition.

2.10.2 Compliance Reporting Requirements

If the Correspondent is subject to the jurisdiction of any governmental agency or quasi-governmental agency, including but not limited to state regulatory entities, the Consumer Financial Protection Bureau (CFPB), Fannie Mae, Freddie Mac, Department of Housing and Urban Development (HUD) or Federal Deposit Insurance Corporation (FDIC), any disciplinary action taken by any such Agency, including having its authorization to do business denied, suspended, revoked or restricted, the Correspondent must notify VCI within three (3) business days of such action.

Any reports or notices to be delivered to VCI pursuant to this section of the Guide should be delivered via email to [Theral Timpson](mailto:Theral.Timpson), or via U.S. mail to:

Village Capital & Investment LLC
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074

2.10.3 Periodic Reviews

VCI will routinely review each Correspondent's book of business to monitor performance. The reviews may include, but are not limited to:

- Product mix
- Best-effort commitment pull through rate
- Mark-to-market (MTM) exposure
- Delinquency data
- HUD Compare Ratios
- Repurchase activity
- Defective delivery rate
- Number of Early Payment Default (EPD) loans
- Number of Early Payoffs (EPO) and overall portfolio turnover
- Quality Control Performance

2.11 Mechanic Liens or Claims for Work

At settlement of the mortgage loan, and to the Seller's knowledge as of the transaction date, there were no mechanic liens or claims for work, labor or material affecting the mortgage property, which are or may be a lien prior to the lien of such mortgage except those which are insured against by the title policy.

The mortgage is a valid, existing, and enforceable first lien on the mortgaged property, including all improvements on the mortgaged property subject only to (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights of way, easements, and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specially referred to in the owner's title policy delivered to the originator of the mortgage loan and which do not adversely affect the appraised value of the mortgaged property, (iii) other matters to which like properties are commonly subject to which do not materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value, or marketability of the related mortgaged property. Any security agreement, chattel mortgage, or equivalent document related to and delivered in connected with the mortgage loan establishes and creates a valid, existing, and enforceable first lien and first priority security interest on the property described therein, and the Seller has the full right to sell and assign the same to Village Capital & Investment LLC.

2.12 Mortgage Acceptability

There are no circumstances or conditions other than what is consented to in writing by VCI with respect to the mortgage, the mortgaged property, the Borrower, or the Borrower's credit standing, that can be reasonably expected to cause private institutional investors, which invest in mortgage loans with commensurate credit grades consistent with a mortgage loan sold by Seller to VCI, to regard the mortgage loan as an unacceptable investment, cause the mortgage to become delinquent, or adversely affect the value or marketability of the mortgage loan.

The mortgage loan has not been satisfied, cancelled, subordinated, or rescinded, in whole or part (other than as to principal pre-payments in full, which may have been received prior to the transaction date) and the mortgaged property has not been released from the lien of the mortgage, in whole or in part, nor has any instrument been executed which would affect any such satisfaction, cancellation, subordination, rescission, or release.

2.12.1 No Servicing Restrictions

Seller warrants that at the time the file is submitted for purchase, the mortgage loan is not in default and all monthly payments have been made on time, including all taxes, assessments, insurance premiums, water, sewer, and municipal charges relating to the property secured by the mortgage.

There is no default, breach, violation, anticipated breach or event of acceleration existing under the mortgage or the related Promissory Note, and no existing or known event which, with the passage of time would constitute a default, breach, violation, or event of acceleration under such mortgage or the related Promissory Note.

2.12.2 Proceeds Fully Disbursed

The proceeds of the mortgage loan have been fully disbursed and there is no requirement or anticipation of future advances. All costs, fees, and expenses incurred in making, closing, or recording the mortgage loan have been paid in full.

2.13 Mortgage Insurance (MI) Contract Underwriting

Loans underwritten by a nationally recognized Mortgage Insurance (MI) contract underwriting company are eligible for purchase.

Correspondents must be aware of the following when utilizing MI contract underwriting:

- The Correspondent must establish and utilize its own contract underwriting agreement with the MI Company. VCI will not be a party to these agreements.
- The Correspondent is responsible for all representations and warranties to VCI for underwriting decisions.
- The Correspondent must perform normal due diligence in processing and underwriting the loan prior to submitting the loan to the contract underwriter.
- Even though the MI Company will be underwriting as an agent of the Correspondent, Correspondents are still responsible for all origination activities.
- Correspondents are responsible for complying with federal and state reporting requirements, including but not limited to, reporting under the Home Mortgage Disclosure Act (HMDA) and Nationwide Licensing System Mortgage (NLSM) call reports and financial statements.
- A contract underwriting decision issued by the MI Company on behalf of the Correspondent will not impact or change the Correspondent's responsibility and obligation to sell VCI loans that are in full compliance with this Guide and the Correspondent Loan Purchase Agreement.

2.14 Property and Improvements

All improvements, which are included for purposes of determining the appraised value of the mortgaged property, lie wholly within the boundaries and building restriction lines of such property, and there are no adverse material conditions which would affect the appraised value. No improvements on the adjoining property encroach upon the mortgaged property as insured against by the related title policy.

At settlement of the mortgage loan, and to the Seller's knowledge as of the transaction date, no improvement located on or being part of the mortgaged property was in violation of any applicable zoning law(s) or regulation(s).

To the best of the Seller's knowledge, there is no hazardous substance or toxic waste located on or under said property to affect the value of said property.

There is no proceeding pending, or to the Seller's knowledge threatened, for the total or partial condemnation of the mortgaged property, and said property is undamaged by waste, fire, earthquake, earth movement, subsidence, wind, storm, flood, water, tornado, or other casualty, and the mortgaged property is in good repair.

2.15 Purchase or Not Purchase

The Seller's decision to originate the mortgage loan or to deny any mortgage loan is an independent decision and is in no way made as a result of VCI's decision to purchase or not purchase any such mortgage loan, if originated.

2.16 Quality Control and Audit System

Seller has a quality control/internal audit system which reviews the authenticity of information utilized in underwriting mortgage loans, including verification of credit information, accuracy of appraisal, and verification of income and employment. Seller acknowledges VCI is relying on Seller as to the truth and accuracy of such third-party information contained in mortgage loans. Seller agrees to inform VCI of any irregularities discovered that affect the data integrity and quality of the loans, and to take appropriate remedial action, which may, in accordance with the terms of the Agreement, include re-purchasing the mortgage loan(s) or indemnifying VCI against associated losses in the event VCI is damaged as a result of the inaccuracy of such information. Seller must maintain applicable Agency quality control requirements.

2.17 Representations, Warrants and Covenants

By agreeing to sell loans to VCI, hereinafter referred to as "Buyer," in accordance with the provisions of the Correspondent Loan Purchase Agreement, hereinafter referred to as "Agreement," and in this VCI Correspondent Seller's Guide, hereinafter referred to as "Guide", the Correspondent Seller, hereinafter referred to as "Seller," hereby represents, warrants, and covenants to Buyer as of the date of the Agreement, and as of the date of Buyer's purchase of each mortgage loan to comply and maintain compliance with all provisions in the Agreement, Guide, and any other agreement by and between Buyer and Seller.

Seller represents it has all requisite power and authority to execute and enter into the Agreement and to perform the obligations required and contained within. The execution and delivery of the Agreement and all documents, instruments, and agreements required to be executed by Seller have been duly and validly authorized by all necessary action of Seller. The Agreement constitutes a valid, legal, and binding agreement of Seller, enforceable by Buyer in accordance with its terms, subject to bankruptcy, insolvency, re-organization, receivership, or other laws affecting rights of creditors generally, and general equity principles.

With respect to loans sold to VCI and in addition to the Correspondent Loan Purchase Agreement, and other legal agreements between VCI and the Correspondent, each Correspondent is bound by the provisions of this Guide.

2.18 Servicemember's Civil Relief Act

The Borrower has not notified the Seller, and the Seller has no knowledge of any relief requested or allowed to the Borrower under the Soldiers' and Sailors' Civil Relief Act of 1940 as amended, or other similar state statute(s).

2.19 Sole Owner and Holder of the Mortgage Loan

Seller must be the sole owner and holder of the mortgage loan, free and clear of any liens or pledges, except for the pledge of the Promissory Note by Seller with a warehouse lender which the Seller has disclosed and been approved by VCI, charges or security interest of any nature, and has full right and authority to sell and assign the same pursuant to the Agreement.

2.20 Third Party Originated (TPO) Loans

Mortgage loans originated by Seller must be properly closed in the Seller's name and in compliance with all applicable laws, rules, and regulations. Sellers that have been approved to sell Village Capital & Investment LLC mortgage loans originated by Third-Party Sellers (TPO Loans) must make all of the representations, warranties, and covenants set forth in this Guide to the same extent as if the Seller were the originator of the mortgage loan. Sellers must own the third-party originated mortgage loan as of the date such mortgage is delivered to VCI for purchase.

2.21 VCI ID Numbers

- FHA Lender ID: 2444100009
- VA Lender ID: 5598980000
- MERS: 1004919
- FHA Servicer ID: 24441
- USDA Servicer ID: 20-0192872
- VA Servicer ID: 551001

2.22 VCI Important Addresses

The submission process for documents (General, Collateral and Final/Trailing) is covered in detail in this Guide. For quick reference, applicable addresses are as follows:

Collateral Documents

Village Capital & Investment LLC
Attention: Collateral Department
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074

Final Documents Delivery

Village Capital & Investment LLC
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074
Toll Free 800-919-0068

Borrower's General Correspondence

Village Capital & Investment LLC
PO Box 531667
Henderson, NV 89053
1-800-919-0068

Borrower's First Payment

Village Capital & Investment LLC
PO Box 679118
Dallas, TX 75267-9118

Principal Payment Reductions

Village Capital & Investment LLC
PO Box 531667
Henderson, NV 89053

Overnight Payments

Village Capital & Investment LLC
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074
Toll Free 800-909-0068

Qualified Written Requests (QWR)

Village Capital & Investment LLC
PO Box 531667
Henderson, NV 89053

Property Taxes & Tax Bills

Village Capital & Investment LLC
PO Box 2505
Covina, CA 91722-2505
1-877-820-2521

Insurance Policies/Premiums

Homeowner, Fire, Hazard, Wind
Village Capital & Investment LLC
ISAOA/ATIMA
PO Box 29217
Phoenix, AZ 85038
1-888-515-8035

CHAPTER 3. COMPLIANCE

Mortgage loans delivered to VCI for purchase consideration must comply with all applicable laws, including without limitation, those laws prohibiting discrimination such as the Fair Housing Act, the Equal Credit Opportunity Act, and other similar fair lending laws and their implementing regulations, including any applicable state fair lending laws such as New York Executive Law Section 296-a which addresses unlawful discriminatory practices in relation to credit.

3.1 Ability To Repay and Qualified Mortgage (QM) Rule

3.1.1 Ability to Repay

In accordance with the Consumer Financial Protection Bureau's (CFPB) Ability-to-Repay (ATR) Rule, Lenders are prohibited from closing a loan covered by the ATR Rule without first making a good-faith determination that the consumer has a reasonable ability to repay the mortgage loan. At a minimum, the following eight specified factors must be considered and verified:

- Current or reasonably expected income or assets, excluding the value of the property that secures the loan;
- Current employment status (if Seller relies on employment income as part of the assessment);
- Monthly payment on the proposed mortgage (must be calculated using the higher of the introductory or fully indexed rate);
- Monthly payment on any simultaneous loans secured by the same property;
- Monthly payment for mortgage-related obligations such as property taxes, hazard insurance, homeowner association fees or ground rent;
- Current debt obligations, alimony, and child support;
- Monthly debt-to-income (DTI) ratio or residual income; and
- Credit history.

VCI will only purchase loans that are documented with the Borrower's ability-to-repay (ATR) as defined by the Truth in Lending Act (Regulation Z). This requirement applies to owner occupied as well as non-owner-occupied properties.

3.1.2 Qualified Mortgages

VCI will accept Qualified Mortgages (QMs) that meet the TILA requirements for either Safe Harbor or Rebuttable Presumption QMs.

- Qualified Mortgages that are not Higher-Priced Mortgage Loans have a "safe harbor" and will be presumed to have conclusively satisfied the consumer's ability to repay.

- Higher-Priced Mortgage Loans (HPML) made under the Qualified Mortgage (QM) rules are presumed to have determined in good faith that the borrower had an Ability To Repay the loan per Qualified Mortgage standards.

Correspondents should consult with their compliance and/or legal counsel for more information on compliance with the ATR-QM rule.

3.1.3 ATR-QM Compliance Requirements

Loans must be originated, underwritten and closed in accordance with the ATR-QM regulations. Lenders must evidence compliance with the ATR-QM rules by:

- Ensuring underwriting documentation clearly defines how income, liabilities and resulting DTI were calculated.
- Identifying any affiliate business relationships on the Affiliate Disclosure Form.
- Identify loan application date information.
- Identify loan lock information (lock with the Borrower, not with VCI).
- Accurately identify the proper ATR-QM designation.
- Identify how points and fees were determined and provide documentation the points and fees test successfully passed.
- Identify any bona fide discount points excluded and provide information to support them.

3.2 Aggregate Escrow Analysis

VCI requires all aggregate escrow analysis and all initial escrow account disclosure statements to be calculated and prepared in full compliance with the requirements of RESPA and all relevant state laws and regulations.

3.3 Anti-Money Laundering Laws

The Seller must comply with all applicable anti-money laundering laws and regulations, including without limitation the USA Patriot Act of 2001 and the Bank Secrecy Act (collectively, the “Anti-Money Laundering Laws”); the Seller must have an established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws with a designated BSA Officer.

3.4 Compliance Test

VCI requires a compliance test be included on all loans delivered for purchase review. All applicable tests, including but not limited to ATR/QM, TILA, High Cost, Licensing, etc. must pass.

3.5 Fair and Responsible Lending

Correspondents must engage in fair and responsible lending in accordance with all applicable state and federal laws, including but not limited to the federal Equal Credit Opportunity Act (ECOA), the Federal Reserve Board's Regulation B (which implements ECOA) and the Fair Housing Act. Correspondents must work to ensure fair lending and equal access to credit and prevent unlawful discriminatory practices in relation to its lending activities.

3.6 Fraud, AML/BSA, SAR Filing and Reporting

VCI has a Zero Fraud Tolerance Policy and a commitment to reporting and cooperating with investors and government agencies, including regulators and law enforcement. VCI will only do business with Sellers that are in good standing with the appropriate licensing authorities.

Sellers are required to comply with all applicable Anti-Money Laundering (AML), Bank Secrecy Act (BSA), and USA Patriot Act laws, rules and regulations, including relevant FinCEN rules and requirements for the filing of Suspicious Activity Reports (SARs).

VCI does not tolerate dishonest activity, material misrepresentation or omission(s) of fact, criminal acts, fraud, or any other suspicious activity or theft by any Borrower, Seller Company, Seller employee, mortgage related service provider, mortgage broker, or vendor at any time in the mortgage loan lifecycle. Sellers are required to immediately report any such event or suspicious activity related to any mortgage loan purchased, serviced, or intended for sale to VCI.

VCI participates in reporting any such findings to investors, governmental agencies, regulators, and other interested counterparties to the mortgage loan transaction, as required and applicable, and requires Sellers to cooperate in the filing, investigation, or prosecution of same.

3.7 General Appraisal Requirements

Any and all appraisals prepared for purposes of the mortgage loan to verify and validate the value of the mortgage property must have been prepared for the Seller in accordance with Appraisal Independence Requirements (AIR) and performed by an unbiased third-party that is a duly qualified and licensed appraiser, and each such appraisal validly and accurately represents the current market value of the mortgaged property at the time the appraisal was performed. Each appraisal will meet and be delivered in a format consistent with Fannie Mae, Freddie Mac, HUD, VA and USDA requirements, as applicable.

3.8 High-Cost Loan

The Seller must warrant that each mortgage loan sold to VCI is not a "high-cost" or a "predatory" loan. The mortgage loan is not (i) a "high-cost" loan under the Home Ownership and Equity Protection Act (HOEPA) of 1994, specifically Section 32 of Regulation Z or (ii) a "high-cost," "threshold," "covered," "predatory," or similar loan under any other applicable state, federal, or local law, or similarly classified loan using different terminology.

High Priced Mortgage Loans (HPML) are considered for purchase review with no additional overlays, so long as the mortgage loan complies with all requirements under Regulation Z and applicable state law, including underwriting and consumer protection requirements.

3.9 Non-Discrimination

Village Capital complies with all applicable laws and regulations regarding non-discrimination. VCI is fully committed to the principle that all lending policies, procedures, and practices will not in any way discriminate against any person on the basis of race, color, religion, national origin, sex, marital status, familial status, age (provided the applicant has the capacity to enter into a contract), handicap or disability, or other prohibited basis. This policy of non-discrimination covers all aspects of operations including the application for, consideration of, granting, servicing, and collection of extensions of credit, and also includes marketing practices, advertising, and product design.

3.10 Predatory Lending

VCI does not participate in predatory lending practices and adheres to, and requires compliance with, all applicable federal, state, and local anti-predatory lending laws and other similar credit-related consumer protection laws designed to prevent or regulate abusive and deceptive lending practices and loans terms (collectively, “Anti-Predatory Lending Laws”), which includes Truth-in-Lending laws, licensing laws, doing-business laws, usury laws, anti-predatory lending, and similar laws.

VCI does not originate or purchase mortgage loans that are subject to the Home Ownership and Equity Protection Act, as described in Section 32 of Regulation Z. VCI follows Fannie Mae and Freddie Mac’s principles on responsible lending and fee limitations.

3.11 Privacy

Seller must comply with applicable law with respect to nonpublic personal information, including but not limited to the privacy provisions of the Gramm-Leach-Bliley Act.

3.12 Regulation C – Home Mortgage Disclosure Act (HMDA)

Sellers are required to report HMDA Information on all loans sold to VCI. For HMDA purposes, VCI is considered a Mortgage Bank (Type of Purchaser: Code 7).

3.13 Unfair, Deceptive, or Abusive Acts or Practices

Seller must implement and maintain (i) an Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) compliance policy; (ii) an adequate and appropriate program for assessing compliance with such UDAAP compliance policy and (iii) a system for reviewing and responding to customer complaints.

3.14 Texas Home Equity – 50(a)(6)

Village Capital accepts Texas Section 50(a)(6) mortgages for conventional products. By sale of these mortgages to VCI, the Seller represents and warrants compliance with the following for all Texas Section 50 (a)(6) mortgages delivered to VCI:

- All Texas Section 50(a)(6) mortgages were (or will be) originated pursuant to the Texas Constitution applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, as amended from time to time.
- The Seller has in place a specific process for the receipt, handling, and monitoring of notices from Borrower(s) that the Seller failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages. Such processes must be adequate to ensure the Seller will correct the failure to comply by one of the authorized means, no later than the 60th day after the date the Seller is notified of the failure to comply by the Borrower.
- An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted prior to the origination of the Texas Section 50(a)(6) mortgages) in connection with the development and implementation of the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages.
- To ensure ongoing compliance with the law applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages will be reviewed by the Seller regularly and will be updated and revised, as appropriate pursuant to clarifications of the law, on a regular and continual basis.

Upon delivery of a Texas 50(a)(6) loan, the Seller represents and warrants that each loan complies with all Texas 50(a)(6) regulations as well as Fannie Mae or Freddie Mac policies including but not limited to:

- The Notice Concerning Equity Loan Extension of Credit has been signed by all parties with an interest in the property at least 12 calendar days prior to closing. Disclosure has been provided to Borrower(s) in the language for which the application was taken.
- Fees do not exceed two percent (2%) of the principal balance.
- Loan has been closed using the appropriate, most recent, Fannie Mae Texas Home Equity Note, Security Instrument, and Rider.
- Borrower was given a copy of all closing documents.
- Borrower was given the final itemized fees prior to closing.
- Borrower has been given the Texas Home Equity Right to Cancel form, in addition to the Federal Right to Cancel form.
- Loan file contains an Acknowledgement of Fair Market Value signed by the Correspondent Seller and the Borrower.
- File contains a Texas Home Equity Certificate from Originating Lender regarding compliance with Section 50(a)(6), Article XVI of the Texas Constitution form signed by the Seller.

- LTV/CLTV does not exceed 80%.
- No new subordinate financing has been obtained.
- Subject is a one-unit dwelling.
- No other Texas 50(a)(6) financing has been secured by the subject property within the last 12 months.
- Subject property is Borrower's homestead.
- Subject property is a separate parcel and does not exceed 10 acres.
- A full appraisal has been obtained, regardless of AUS findings.
- Loan was not closed in the name of a Irrevocable Trust.
- Property must be used for residential purpose (no agricultural use).
- If the Borrower owns more than one dwelling, file contains an Affidavit of Non-Homestead for all other dwellings owned.
- If consumer debt was paid off at closing, file contains a certification from the Borrower indicating the payoff of debt was voluntary and not a condition of the loan approval.
- There are no non-occupying co-Borrowers, guarantors, or co-signers.

CHAPTER 4. LOCK POLICY

All loans are required to be locked with the lock desk at VCI prior to authorization to clear a loan for purchase. Loan files that have a lock expired must be relocked prior to purchase.

For requests not addressed in these guidelines, email the VCI [Secondary Desk](#).

4.1 Rate Sheets & Pricing

The target time for rate sheet distribution is 10:30am Eastern Standard Time (EST). Pricing will be driven by economic indicators and current levels in the capital markets. Therefore, rate sheet distribution is subject to occasional delays during times of market volatility. Pricing will be available through the TPO Connect system during posted hours. Lock period options are posted on the rate sheet.

VCI Lock Desk business hours are Monday to Friday 11:00am EST to 7:00pm EST.

4.2 Lock Request

All lock requests must be submitted electronically through TPO Connect and require a MISMO v3.4 file to register and lock. PDF Lock Confirmations are available for download from TPO Connect after the commitment is confirmed.

4.3 Lock Confirmation

Typically, the Lock Confirmation is available within an hour of the Lock Request. The Lock Confirmation will contain the lock period, expiration date, loan data used to price the loan, and the final price.

The Seller is responsible for accuracy of the loan to be delivered and the final price and terms stated on the Lock Confirmation available in TPO Connect. VCI should be notified of any discrepancies or changes to the locked loan as soon as possible in order for the loan to be purchased. The final purchase price will reflect pricing based on loan data at time of purchase.

4.4 Lock Corrections and Substitutions

Corrections consisting of social security numbers or property addresses are not allowed after the close of business on the day the loan is locked. If either correction is made after the day a loan is locked, the loan will be subject to the VCI [Re-Lock Policy](#). Substitutions are only allowed for Mandatory Bulk Commitments and are subject to prior approval from the VCI [Secondary Desk](#).

4.5 Lock Cancellations

It is the responsibility of the Seller to immediately notify the Secondary Desk of any locked loan that will not be delivered. If the loan was locked as a Mandatory Commitment, the Correspondent may substitute a similar loan, or the Correspondent will be subject to pair-off fees.

4.6 Lock Expiration Date

When the initial lock expiration date falls on a weekend or holiday, the lock expiration date is automatically moved to the next business day.

4.7 Lock Extensions

Extension terms and costs are published on the VCI rate sheet daily. Extensions may be requested through TPO Connect and are available seven (7) calendar days after the original lock request through the day of expiration. A granted lock extension will be applied from the expiration date. An updated Lock Confirmation will be available to download from TPO Connect as soon as the lock extension is accepted.

It is the responsibility of the Seller to request an extension if the loan will not be delivered by the expiration date. A lock extension request must be submitted no later than the date of the lock expiration date to avoid cancellation. Extension periods of one (1), seven (7) and fourteen (14) calendar days are available with no more than five (5) extension requests to a maximum of 100 lock days permitted for each loan.

4.8 Lock Transfer

A Lock Transfer is available when system issues or restraints prevent the original loan from being funded in its current state.

All lock transfers will be based on the original loan locked rate sheet. Any differences in loan attributes from the original loan to the new loan will be reviewed and pricing updated accordingly.

All extensions and pricing exceptions will be carried over to the new loan and the expiration date updated to match the expiration date of the original loan.

4.9 Duplicate Locks

Correspondent Sellers must monitor their pipeline to prevent duplicate loans and double locks (same borrower, same property address, etc.).

A lock commitment is associated with one specific physical property address. If a property address changes, a new lock is required and will not be considered a duplicate lock.

If a Seller locks a duplicate loan, the following procedures will apply:

If two loans are registered and locked with the same borrower(s) and property address, and...	Then...
Both loans have locks that are active,	The original loan will remain active and VCI will apply worse case pricing between the two (2) locks. The second loan will be cancelled.

The original loan is cancelled and a new loan with the same property address is locked within 30 days of the cancellation date,	Worse case pricing and applicable re-lock fees will apply, in addition to all previous re-lock and extension fees. The second loan will be cancelled.
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The above applies to Best Efforts. If the Correspondent obtains a duplicate lock for Mandatory Commitments and both locks are active, the second loan will be cancelled and subject to a pair-off fee.

In all situations, cancellation of the second loan will count against the Seller’s pull-through percentage.

4.10 Pricing Exceptions

Pricing exceptions are required on anything that differs from the guidelines listed within this policy or as listed on the rate sheets. All pricing exception requests must be submitted to the VCI [Secondary Desk](#), and include the reason for the request as well as the amount of concession requested in either rate or bps.

If an exception is requested, concessions can only be granted provided it is for the one of the following reasons:

- Competitor Price Match
- Customer Service Issue - Process Delay
- Customer Service Issue - Errors/Omissions
- Extension Waiver
- Lender Credit Concession - Market based changes
- Prevent High-Cost Trigger
- Re-Lock Waiver
- Renegotiation - Market based changes
- Satisfy Net Tangible Benefit (NTB) Requirement

Requests must include sufficient documentation to verify/validate the exception reason. Examples include, but are not limited to:

- Competitor Loan Estimate (LE) providing proof of competitor rate for price matching.
- Documentation showing deviations in market price change such as rate sheets from original lock date to current.
- Documentation describing how a customer service issue prevented the loan from progressing timely, causing a delay in processing.

4.11 Re-Locks

A re-lock is a new lock request for a loan that has expired or was previously cancelled. A re-lock may be requested by submitting an email to the VCI [Secondary Desk](#). The re-lock price is calculated using the corresponding option below:

- For re-locks requested less than 30 days after the rate lock expiration date or cancellation date, the lowest price of the following scenarios will be used to reinstate the lock:
 - ‘Original lock price’, minus an additional 12.5 bps; or
 - ‘Current market’, defined as the rate sheet price on the day the re-lock is processed for the applicable program, rate, and commitment period, minus an additional 12.5 bps. If desired re-lock is not reflected on the rate sheet, pricing from the next sequential commitment period offered will be used. LLPAs will apply per loan criteria.
- For re-locks requested 30 days or more after the rate lock expiration date or cancellation date, the policies for initial locks will apply. Pricing will be subject to current market and no re-lock fees will be applied.

The re-lock will reflect on the Purchase Advise as a price adjustment in addition to the initial lock price and extensions already incurred, the total of which will equal the price from the applicable pricing option above.

A re-lock will be subject to the following:

- All re-locks are subject to current VCI product eligibility guidelines. Loans not meeting current product guidelines will not be eligible for re-lock. Rates that are not listed on the VCI rate sheet will not be eligible for re-lock.
- Available re-lock periods are 15, 30, or 45 days and are subject to the same extension policy as initial locks.
- Only one re-lock is permitted per loan. If a 2nd relock is needed, submit an exception request to the VCI [Secondary Desk](#).
- If the loan is cancelled prior to the lock expiring then re-established as a new loan, the same relock policy and fee structure will be applied.
- Loans initially locked Best Effort may not be re-locked as Mandatory.
- In the event of re-lock, current posted Agency LLPAs and delivery guidelines may be applied if not considered in the original Commitment Confirmation.

Mandatory Commitments are not eligible for a re-lock using the calculation above. If a client requests to re-establish an expired Mandatory Commitment, VCI will update pricing in lieu of a traditional pair-off invoice for the original Commitment. In this case, pricing will be calculated as follows:

- (Current market) - (Pair-off adjustment of original commitment)
- Definition of *Pair-off adjustment* may be found in the [Pair-Off Fees](#) section of this Guide.

4.12 Best Effort Commitments

A Best Efforts Lock is an agreement between VCI and the Correspondent Seller for the purchase and sale of specified eligible Mortgage loans by a specific date for a specific price. Seller commits to provide their best efforts to sell the loan to VCI.

- Best Efforts locks are borrower and property specific.
- For loans that do not close, Correspondent Sellers may cancel the lock without incurring a pair-off fee.
- VCI expects delivery of all loans that close. VCI reserves the right to collect a pair-off fee in the event the lender closes the loan and delivers it to a competitor.
- VCI also reserves the right to collect a pair-off fee in the event the lender withdraws a best-efforts loan after closing package has been delivered.
- For Re-Locks, Correspondents are obligated to perform within the [Re-Lock](#) terms of this policy.

Best Efforts is the default lock option. A loan initially locked as Best Efforts will remain as Best Efforts and may not be re-locked as Mandatory.

4.13 Mandatory Commitments

A Mandatory Commitment is an agreement between VCI and the Correspondent Seller for the purchase and sale of specified eligible Mortgage loans by a specific date for a specific price. Seller commits to sell the loan(s) to VCI and failure to do so may result in a pair-off.

The Mandatory election must be made when the loan is initially locked through TPO Connect and at no time can a loan be converted to a Best Effort lock. If a loan is locked Mandatory and not purchased by VCI, the Seller will be subject to pair-off fees. Reference the [Pair-Off Fees](#) section below for the calculation.

4.13.1 Mandatory Bulk Commitments

When approved for bulk trades, a Seller may request Bulk Pricing by sending a bid tape to the VCI [Secondary Desk](#). The expected Commitment delivery date will be identified by the Seller when pricing is requested; this date will be the lock expiration date on the Lock Confirmation.

Loan-level pricing will be returned to the Seller and the Seller will have the option to accept single loan prices or the loan-level pricing on the entire bid tape. Prices are subject to market movement and must be accepted before the Bond Market closes.

VCI allows a one percent (1%) tolerance for each Commitment accepted. If the amount purchased is below the Commitment amount (less tolerance), the Seller will be subject to pair-off fees.

The expiration date on the Lock Confirmation is the last day to deliver loans without incurring additional extension fees; the portion of the Commitment not delivered prior to the expiration date will be charged 15 bps for every seven (7) calendar days, or a portion thereof, past the original expiration date.

Commitments not delivered within 14 calendar days of the original expiration date may be cancelled at the sole discretion of VCI. Sellers must deliver the full loan package (Credit & Legal) in fundable condition on or before 11:59pm EST on the lock expiration date. Pair-off fees will be assessed at such time. Reference the [Pair-Off Fees](#) section below for calculation.

4.14 Pre-Delivery

Sellers must deliver the full loan package (Credit & Legal) on or before 11:59pm EST on the lock expiration date. In the event of pre-delivery lock extension, current posted Agency LLPAs and delivery guidelines may be applied if not considered in the original commitment confirmation.

4.15 Post-Delivery

Loans must be Approved for Purchase prior to the lock expiration, which includes:

- The full loan package was received by VCI; and
- The loan has been reviewed and cleared of all prior to purchase conditions.

For loans that are delivered to VCI by the lock expiration date, an automatic 10-day extension at no cost to the Seller will be applied. The 10-day extension will provide additional time for the file review and satisfaction of conditions (as applicable).

If the loan has not been cleared for purchase after the no-cost 10-day extension, automatic extensions will be charged per the rate sheet in increments of five (5) days.

After 45 days of automatic extensions at a charge, the lock will expire, and the loan will be subject to re-lock or pair-off fees per this Lock Policy.

Note: This section does not apply to Mandatory Commitments.

4.16 Bid Tape Assignment of Trade (AOT) Commitments

When approved for AOT commitments, a Seller may execute Assignment of Trade (AOT) Commitment, which is a Commitment for delivery of an unspecified set of loans that are deliverable into one or more trade assignments comprised of a single security type, security coupon, security settlement date, security maturity term, and pool prefix, offered by VCI on a Mandatory Bulk Commitment lock date by sending it to the VCI [Secondary Desk](#). VCI must review and approve each trade assignment. Sellers must utilize the Trade Assignment Agreement located on the Securities Industry and Financial Markets Association (SIFMA) [website](#). VCI will not accept trade assignments on any other document.

Each trade assignment agreement must be submitted to VCI, and the terms of the trade confirmed with all parties by the close of business on the second (2nd) business day following the assignment date. VCI reserves the right to cancel any trade assignment for which the assigned trade's terms cannot be confirmed within this time frame.

VCI may delay execution of the trade assignment agreement until a minimum of percent (50%) of a commitment, by the loan amount balance, has been delivered through TPO Connect. VCI will not purchase any loan(s) in a commitment until each trade assignment agreement associated with such commitment agreement is executed by VCI. Each trade assignment must have a minimum assigned amount greater than or equal to Five Hundred Thousand U.S. Dollars (\$500,000) and in increments of Five Hundred Thousand U.S. Dollars (\$500,000) thereafter. Posted Mandatory Bulk tolerance applies to AOT Commitments.

Loans delivered into AOT commitments must meet pooling eligibility requirements for the applicable security and posted VCI guidelines. Sellers must fully deliver a commitment within fourteen (14) calendar days of assignment. Bulk AOT commitments must be delivered by the delivery date indicated on the bulk confirmation provided or will be subject to posted extension or [Pair-Off Fees](#).

VCI will accept the following for GNMA II only: C 30-year GNMA II. AOT for Class C must be submitted by the 8th of the month for the current month.

VCI is free to pair-off, reassign, or to make any other disposition of the assigned trade at its sole discretion.

Reference the Documents → Forms section of the TPO Connect for approved AOT broker/dealers list.

4.17 Pair-Off Fees

Pair-off fees will be due from the Seller for the portion of Mandatory Commitments not purchased by VCI.

A Pair-off fee is calculated as follows:

- 1) Pair-off fee = (Amount subject to Pair-off) x (Pair-off adjustment)
- 2) Amount subject to Pair-off = (Trade amount confirmed – 1% tolerance) – amount purchased
- 3) Pair-off adjustment =

If...	Then Pair-off Adjustment is...
The market price has improved from date of original Commitment,	(Extension or re-lock fees) + (difference between market price at date/time of lock and at date/time of pair-off, subject to a minimum charge of 0.125%)
The market price has declined from date of original Commitment,	(Extension or re-lock fees) + 0.125%
A loan is cancelled after being suspended for 30 days or more,	(Extension or re-lock fees) + 0.125%

This amount will be billed by VCI after pair-off of the Commitment. The bill must be paid in full within ten (10) calendar days of receipt either by sending a check or wire, or VCI can net-fund the Seller's next loan purchased.

NOTE: Pair-off fees may be invoiced or deducted from amounts to be paid to the Correspondent by Village Capital on other loans.

CHAPTER 5. DISASTER POLICY

Disasters—including (but not limited to) earthquakes, fires, floods, hail, hurricanes, landslides, lightning, tornadoes—may impact a subject property adversely. While FEMA is the primary source for this information, it does not always issue declarations immediately following a disaster. Regardless of the issuance of a FEMA Disaster Notification, anyone with knowledge of potentially adverse conditions within the subject property should take action to ensure the property meets VCI’s requirements for purchase. Potentially affected property should be evaluated for habitability, marketability, and any adverse effect on valuation. VCI will purchase loans on properties located in FEMA Disaster Declaration Areas provided they meet the requirements as outlined in this policy.

It is the Seller’s sole responsibility to be aware of any mortgage loans in a disaster impacted area prior to sale to VCI. By sale of the loan to VCI, the Seller warrants the subject property is habitable, is in saleable condition, and there are no repairs or other detrimental conditions to the subject property at the time of the sale. If at any time after loan purchase, VCI or a subsequent investor determines that the subject property was damaged and not in fully marketable condition at the time of sale, the loan is subject to repurchase.

5.1 FEMA Search

A FEMA search must be performed to identify whether the subject property has been affected by a natural disaster. FEMA website: <https://www.fema.gov/disasters>.

5.2 FEMA Major Disaster Declaration

If the subject property is located in a county where a FEMA Major Disaster Declaration with Individual Assistance has been issued, Agency guidelines must be followed in regard to obtaining a property inspection. This is also applicable to an area in which VCI has identified a natural disaster.

5.3 Determining Affected Areas

It is the Correspondent’s sole responsibility to be aware of disasters within their lending area. Additionally, the Correspondent should use available contacts and resources to determine if a property has been impacted by a disaster and may require repairs. Any damage to the subject property will need to be repaired and property inspection completed to verify completion of repairs prior to purchase of the loan. VCI reserves the right to request additional documentation as proof/certification of the property’s habitability, marketability, or value.

In the event of a major, eminent disaster, VCI may issue a purchase moratorium, temporarily suspending funding in certain areas. VCI will communicate the suspension with all Correspondent Sellers, and subsequently will notify Sellers once the purchase moratorium has been lifted.

5.4 Property Inspection Requirements

If a property is in a FEMA Declared Disaster Area eligible for Individual Assistance and an appraisal was completed on or prior to the Incident Period End Date (or an Incident Period End Date has not yet been declared), VCI requires an acceptable property inspection. Additionally, transactions that do not require an appraisal, such as a Conventional loan in which AUS allowed an appraisal waiver prior to the disaster, are also subject to a property inspection.

5.4.1 Property Inspection Types

- Acceptable property inspection options include:
 - Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac 442)
 - Catastrophic Disaster Area Inspection Report (CDAIR)
 - Certified Home Inspection (excludes FHA)
 - Property Inspection Report (Fannie Mae 2075/Freddie Mac 2070)
 - [Lender Certification](#) (excludes FHA)
- Exterior photos are required

5.4.2 Inspection Report Results

If the inspection supports that the property is habitable, sound, and the property does not otherwise evidence any health, safety, or soundness issues, then the original collateral valuation can be used. If a property requires minor (cosmetic) repairs, the property may be acceptable at the sole discretion of VCI management.

If the inspection notes that the property is uninhabitable, unsound, or that the property exhibits damage affecting the health, safety, or soundness, then a new interior and exterior appraisal must be obtained showing that:

- All damage has been repaired prior to funding/purchase by VCI, and
- The property is habitable, sound and the property value is supported.

All inspection reports are subject to review by a member of the VCI review team. VCI reserves the right to require additional documentation prior to the purchase of any property in a Federally Declared Disaster Area.

5.4.3 Lender Certification

For all loan types with the exception of FHA, Correspondent Sellers may provide a Lender Certification by conducting a drive-by inspection, provided they are within reasonable proximity to the subject property and can adequately certify the condition of the collateral securing the mortgage loan.

When a Lender Certification is provided in lieu of an inspection, the following requirements must be met:

- The employee of the Correspondent Seller who performs the property inspection must not receive direct compensation from the subject transaction;

- The drive-by inspection and certification must be completed after the date the subject property county was impacted by the natural disaster;
- Photos of the subject property exterior and neighborhood must be taken and provided with the certification (the photos may not be obtained from an online search such as MLS, Zillow, etc.); and
- If the inspection reveals apparent damage to the subject property, proceed with a property inspection.

The Lender Certification must:

- Address the specific disaster and indicate any apparent damage to the subject property.
- State that an acceptable inspection of the subject property was completed and certify the Seller represents and warrants that the subject property is free from damage;
- Confirm that the subject property is marketable, habitable, sound and the property value was not negatively impacted;
- Be prepared on the Seller's company letterhead with execution by an officer that will not receive loan-level compensation of the Seller's company;
- For a VA loan, the Lender Certification must include the specific language as required in the [VA Guidance on Natural Disasters](#).

Receipt of a Lender Certification does not release the Seller from any required representations and warranties related to compliance with Agency or VCI guidelines.

5.5 Agency Criteria

- For all Agencies other than FHA, the inspection must be performed after the date the subject property county was impacted by the natural disaster. If the effective date of the appraisal (or the AUS appraisal waiver initial offering) is on or after this date, a separate damage inspection report is not necessary.
- FHA loans require the inspection to be performed after the Incident Period End Date or 14 calendar days from the Incident Period Start Date, whichever is earlier.
- The disaster inspection fee may be charged to the customer for all loan types with the exception of VA transactions. If a Correspondent passes this fee to the Borrower, the Correspondent must include evidence of timely re-disclosure with the loan file.
- If the loan has already been funded or purchased by VCI, but not yet delivered by the VCI Purchase team, the VCI Purchase team will order the necessary inspection.

The following sections are intended for clarity; reference the respective Agency guideline for complete details.

5.5.1 Conventional

- Eligible for any of the [Property Inspection Types](#) referenced above.
- If a loan is eligible for an appraisal waiver per the automated underwriting system (AUS) findings, an inspection is required within 90 calendar days from the date the subject property county was impacted by the natural disaster.
 - Note: The Seller must resubmit AUS after the FEMA declaration to confirm the waiver remains eligible. If no longer offered with the AUS findings, a full appraisal is required.

5.5.2 FHA

- Loan Closed and Funded, but not yet endorsed prior to the FEMA Incident Period Start Date: Exterior only inspection from appraiser with exterior photos.
- Loan is not Closed or Funded prior to the FEMA Incident Period Start Date: Interior and exterior inspection from a roster appraiser with interior/exterior photos.
- The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the property, and the report must be dated after the Incident Period End Date or 14 calendar days from the Incident Period start date, whichever is earlier.
- If the original Appraiser is not available, another FHA Roster Appraiser in good standing with geographic competence in the affected market may be used. If the Mortgagee uses a different Appraiser to inspect the Property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.
- FHA loans are not eligible for the Certified Home Inspection or Lender Certification inspection options.
- FHA Streamline Refinance:
 - Property inspection is not required.

5.5.3 USDA

- Eligible for any of the [Property Inspection Types](#) referenced above.
- USDA Streamlined-Assist:
 - Property inspection is not required.

5.5.4 VA

- Eligible for any of the [Property Inspection Types](#) referenced above.
- VA Interest Rate Reduction Refinance Loan (IRRRL) will require an inspection when:
 - Loan has a Loan Disbursement Date prior to the date the subject property county was impacted by the natural disaster; or
 - Loan has a Loan Disbursement Date on or within 90 days after the date the subject property county was impacted by the natural disaster.

- Seller is required to confirm prior to closing that the Borrower(s) employment and income have not changed as a result of the disaster. If any applicant is no longer employed or income has been reduced, the file must be re-evaluated prior to closing/purchase.
- All requirements reflected in the Mortgage Lender section of the [VA Guidance on Natural Disasters](#) must be complied with.

CHAPTER 6. INSURANCE REQUIREMENTS

Each mortgage obligates the Borrower to maintain hazard insurance (and flood insurance, when applicable) at Borrower's cost and expense and allows the Mortgagee to obtain and maintain such insurance at Borrower's cost and expense, and to seek reimbursement from Borrower should there be any failure by Borrower to maintain such insurance polic(ies). Minimum insurance requirements (coverage, deductible, project, etc.) must meet the respective GSE/Agency guidance.

6.1 Insurance Provider

The insurance provider must be authorized by law or licensed by the jurisdiction to transaction business within the state where the subject property is located.

For Conventional loans, the insurance company issuing the policy must meet the Fannie Mae [Property Insurance Ratings Requirements](#).

6.2 Mortgage Clause and Loss Payee

Each insurance policy related to the mortgage loan, or the mortgaged property, must contain a standard mortgagee clause naming the Seller and its successors and/or assigns as a mortgagee and loss payee.

Upon purchase of the loan, the Seller is required to remit a change of loss payee to the insurance company. The Seller must be prepared to provide evidence the request was sent to the insurance company, if requested. An updated insurance policy listing Village Capital & Investment LLC. and its successors and/or assigns must be received within 90 days of purchase by VCI.

Village Capital & Investment, LLC
ISAOA ATIMA
PO Box 29217
Phoenix, AZ 85038

6.3 Policy Effective Dates

6.3.1 Purchase

For a purchase transaction, the hazard policy effective date may be up to 30 days prior to the Note Date and must be in effect no later than the Note Date. The policy must extend for a minimum of 12 months.

The Seller must provide either a hazard insurance binder with a paid receipt for one full year's premium paid in advance, or the final hazard insurance policy evidencing coverage is paid-in-full, and no payment is due.

6.3.2 Refinance

The current hazard policy must be in effect through the Note Date. If the expiration date is within 45 days of the Note Date on a refinance, a copy of the renewal policy must be provided. In either event, the policy must be in effect for a minimum of 12 months.

6.4 Earthquake Insurance

Earthquake insurance is required for any property located, or in close proximity to, a structural fault or in a special seismic study zone. If there is no mention made in the appraisal, survey, or title policy regarding earthquake exposure, earthquake insurance is not required.

VCI relies on Seller's representations and warranties that, as of the date a mortgage loan has been purchased, the applicable required dwelling insurance has been obtained and the premium for such insurance has been paid-in-full.

6.5 Hazard Insurance

The mortgaged property and all improvements thereon must be insured against any loss by fire and other such hazards as are customary in the area where the mortgaged property is located via a homeowner's policy, declarations page, or binder. A quote and/or application is not acceptable.

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion. Property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are prohibited.

6.5.1 Deductible

For all loan types excluding USDA, the maximum allowable deductible is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For USDA loans, the deductible cannot exceed the greater of \$1,000, one percent (1%) of the policy coverage, or the minimum deductible offered by the Borrower's chosen insurance carrier as stated in writing.

6.5.2 Replacement Cost Coverage

USDA requires replacement cost coverage in an amount equal to the guaranteed value of the improvements or the unpaid principal balance, whichever is less.

For all other loan types, follow the below guidance:

- If the HOI policy or declaration page includes one of the following types of replacement cost, the coverage is acceptable:
 - Guaranteed Replacement Cost, or

- 100% Replacement Cost
- If the HOI policy / declaration page does not evidence guaranteed or 100% replacement cost, the dwelling coverage must be equal to the lesser of the following:
 - Replacement cost value as determined by the insurer, or
 - Loan amount, as long as the loan amount is equal to or greater than 80% of the replacement cost value.
- The following table describes how to calculate the amount of required property insurance coverage that must be reflected on the HOI policy / declarations page:

Step	Description		
1	Compare the replacement cost value to the loan amount: A. If the replacement cost is less than the loan amount, the replacement cost is the amount of coverage required B. If the loan amount of the mortgage loan is less than the replacement, go to Step 2		
2	Calculate 80% of the replacement cost: A. If the result of this calculation is equal to or less than the loan amount, the amount of coverage required is equal to the loan amount B. If the result of the calculation is greater than the loan amount, this calculated figure is the amount of coverage required		
Examples			
Category	Property A	Property B	Property C
Replacement Cost	\$90,000	\$100,000	\$100,000
Loan Amount	\$95,000	\$90,000	\$75,000
80% Replacement Cost	-	\$80,000	\$80,000
Required Coverage	\$90,000	\$90,000	\$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained before the loan can be purchased.

The determination of required coverage for manufactured homes follows the same process as described above. It is not acceptable to use the actual cash value of the subject as the insurable value or replacement cost.

Hazard insurance policies that include optional coverage not required by VCI are acceptable provided that VCI is not obligated to renew any part of the coverage not required hereunder.

6.5.3 Condominium

Condominiums require a master or blanket policy covering the project, The policy must cover all insurable property elements, including common personal property and supplies belonging to the Homeowners Association (HOA) when applicable. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed.

Coverage must include, at a minimum, vandalism, sprinkler leakage, sinkhole collapse, volcanic eruption, falling objects, and weight of snow, ice or sleet, or water damage.

If the master or blanket policy maintained by an HOA for the condo project does not cover either the interior of the condo unit or the improvements made by the Borrower to the interior of the condo unit, a HO-6 policy is required. The HO-6 policy must provide coverage, as determined by the insurer, sufficient to repair the condominium unit to at least its condition prior to a loss claim event.

The certificate of insurance policy must contain the Borrower's name and unit number. The policy must include liability coverage of \$1,000,000 per single occurrence for the entire project (excluding Conventional loans eligible for a Limited/Streamlined Project Review).

6.5.4 PUD

Individual property insurance policies are required for each property in a PUD project unless the project's legal documents provide for a master property insurance policy that covers both the common elements and residential structures.

- When units located within a PUD are covered by individual property insurance policies maintained by their respective owner(s), verification of master property insurance coverage on PUD common elements is not required.
- When units located within a PUD are covered by a master property insurance policy maintained by the HOA, the insurance must provide coverage for both the common elements and residential structures.
 - The Homeowners Association (HOA) master insurance policy must contain the Borrower's name and unit number.
 - If the master property insurance policy does not cover the interior or improvements of a unit in a project development, the borrower must maintain an individual unit owner property insurance policy.

6.5.5 Coinsurance Clause

If the policy has a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% insurable replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost.

6.6 Flood Insurance

Flood Insurance is federally mandated for all residential buildings on the mortgaged premises if any part of the structure is located within a Special Flood Hazard Area (SFHA) which has federally mandated flood insurance purchase specifications. Properties located in SFHA designated by the symbols “A” and “V” on a Flood Insurance Rate Map (FIRM) require flood insurance which must be escrowed.

If the property is located in an SFHA requiring flood insurance, the Correspondent represents and warrants that, as of the date a mortgage loan has been purchased, flood insurance has been purchased and the premiums for flood insurance have been paid.

Sellers must ensure any statements made by the Borrower or Seller in applications for such policies were true, complete, and correct at the time the application was made and no events have occurred since the policy was issued which would affect the stated coverage of the policy.

6.6.1 Flood Certificate

Sellers are expected to provide a Life-of-Loan Flood Certificate containing the flood zone, community, community status, map date, certificate number, service type and certificate date for all loans. The VCI preferred vendors are CoreLogic and Service Link, however Sellers may utilize any vendor providing life-of-loan coverage.

Files with Life-of-Loan Flood Certificates provided by vendors other than CoreLogic or Service Link will be subject to a \$15.00 charge.

6.6.2 Non-Participating Communities

VCI does not purchase mortgages secured by properties which are determined to be in an SFHA, and which are located in areas where the community does not participate in the National Flood Insurance Program.

6.6.3 Flood Policy

Flood insurance generally should be in the form of the standard policy issued under the National Flood Insurance Program. Correspondents are required to notify Borrower(s) within a reasonable period prior to closing that the subject property is located in a Special Flood Hazard Area.

If flood insurance is required, the mortgage loan must close with one of the following:

- A complete flood insurance policy containing a standard mortgagee clause which must read as described in this Guide; or
- A complete application to the National Flood Insurance Program (NFIP) with evidence that the first-year premium on the policy has been paid (purchase transactions only).

VCI does not consider ACORD forms, a Certificate of Insurance, or Evidence of Insurance sufficient proof of flood insurance.

6.6.4 FHA/USDA Elevation Certificate

An elevation certificate ([FEMA Form 086-0-33](#)) prepared by a licensed engineer or surveyor is required for the following FHA and USDA transactions located in a flood zone (zones beginning with “A” or “V”):

- All manufactured homes in a flood zone.
- All proposed or new construction properties.

The elevation certificate must document that the lowest floor including the basement of the residential building, and all related improvements are built at or above the 100-year flood elevation in compliance with the NFIP criteria.

In lieu of obtaining a new elevation certificate, VCI will accept either of the following documents provided it supports the requirement directly above:

- A copy of the property seller's elevation certificate; or
- A copy of the property seller's flood insurance declaration page (provided the elevation information is on the declaration page).

6.6.5 Minimum Coverage

The insurance coverage amounts for all policies covering improvements on the subject property must be in an amount at least equal to the lesser of:

- The unpaid principal balance of the mortgage (if there will be a second mortgage subordinate to the proposed first mortgage, then the insurance must be calculated on the aggregate unpaid principal balance of the first and second mortgages); or
- The maximum amount of coverage available under NFIP (currently \$250,000); or
- The replacement cost of the insurable improvements, as determined by the property insurer.

6.6.6 Condominium Minimum Coverage

For attached condominium projects with five (5) or greater units, the master flood insurance policy maintained by the project must cover the subject unit's:

- Entire building including each of the individual units in the building; and
- All of the common elements and property, including machinery and equipment that are part of the building.

The coverage amount for the building must be at least equal to the lesser of:

- 80% of the replacement cost, or
- The maximum insurance available from NFIP per unit (currently \$250,000).

For loans secured by condominium units that are detached or part of an attached 2-4-unit project, the subject Homeowners Association is not required to maintain a master flood insurance policy. The Borrower may maintain an individual flood insurance dwelling policy that meets the [Minimum Coverage](#) requirements.

6.6.7 Private Insurance Policy

A private insurance policy is acceptable for all loan types. A policy meets the definition of “private flood insurance” if the following statement is included within the policy or as an endorsement to the policy: “This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation”.

For FHA loans, the insurance provider must confirm the policy meets the definition of “private flood insurance contained in 24 CFR 203.16a(3) for FHA-insured mortgages” in addition to the Federal Compliance Aid Statement. The Seller must confirm eligibility based on the criteria detailed in [Mortgagee Letter 2022-18](#).

6.7 Rent Loss Insurance

Borrower must maintain rent loss insurance for all two-to-four (2-4) unit investment properties.

CHAPTER 7. UNDERWRITING CRITERIA

In all cases, files submitted to VCI should be investment quality and saleable on the secondary market. Sellers are expected to prudently underwrite all loans and ensure the file contains adequate documentation to support information represented in the Borrower’s application.

7.1 Automated Underwriting System (AUS)

All loans must be submitted to the appropriate Agency’s Automated Underwriting System (AUS). All conditions noted on the underwriting recommendation must be addressed and be in compliance with eligibility guidelines as published by the applicable Agency.

Loans that are categorized as unacceptable based on the AUS recommendation will not be eligible for submission or purchase, as follows:

Acceptable Recommendations	Unacceptable Recommendations
DU Approve/Eligible (Conv, FHA and VA)	DU Approve/Ineligible (Conv, FHA and VA) ⁴
DU Refer/Eligible (FHA and VA)	DU Refer with Caution (Conv)
LPA Accept/Eligible (Conv)	DU Out of Scope (Conv)
LPA Accept (FHA and VA)	DU Refer Ineligible (FHA and VA)
LPA Refer (FHA and VA)	LPA Accept/Ineligible (Conv)
GUS Accept/Eligible (USDA)	LPA Caution with A-minus (Conv)
GUS Refer (USDA)	LPA Caution without A-minus (Conv)
GUS Refer with Caution (USDA)	GUS Ineligible (USDA)

7.2 Credit - FICO

To document each consumer’s credit score, the middle of three scores is used for qualifying purposes, or the lowest score if two scores are reported. Where only one score is reported, that score is the qualifying credit score. For two or more consumers, the lowest score of the qualifying scores is used to underwrite the file.

7.2.1 Conventional

All conventional loans require that each Borrower has a FICO of 620 or greater.

For Fannie Mae loans, in the event that no borrower has a credit score, DU may issue Approve/Eligible findings when the following applies:

⁴ A DU Approve/Ineligible may be acceptable on an FHA or VA loan—the Correspondent must analyze the file and determine whether or not the ineligibility is within the FHA or VA allowable parameters.

- Transaction is a purchase or no cash-out refinance with a fixed interest rate
- LTV, CLTV and HCLTV do not exceed 90%
- DTI is ≤ 40%
- Subject property is a one-unit primary residence (manufactured housing is not eligible)
- Loan amount is within the general loan limits (high-balance loans are not eligible)

7.2.2 Government

VCI follows FHA, VA and USDA guidance in relation FICO requirements.

Streamline products have no minimum FICO requirements.

Reference the [Weighted Average FICO](#) section of this Guide for Mandatory delivery requirements, and the Rate Sheet for loan pricing adjustments.

7.3 Debt to Income (DTI)

7.3.1 AUS Approve/Accept Eligible

- Follow AUS

7.3.2 Manual Underwrite

- Follow Agency guidelines

As a reminder, a manual underwrite is allowed on government transactions only. Compensating factors, as required by the respective Handbook, must be evident.

7.4 First Payment Date

Except for mortgage loans with interest credit up to seven (7) calendar days, the first payment date on the Promissory Note must be due no later than two (2) months from the disbursement date of the loan proceeds. For example:

If the disbursement date occurs in:	Then the first payment due date must be no later than:
January	March
April	June
July	September

The one exception to this rule is a Texas 50(a)(6) in which the first payment due date cannot be more than two (2) months from the Note Date.

Loans that do not meet the above guidance are not eligible for purchase by VCI.

7.5 Interest Credit at Closing

Mortgage loans with an interest credit up to seven (7) calendar days on the Final Closing Disclosure are acceptable; loans with greater than seven (7) days will not be purchased.

7.6 Loan Amount

7.6.1 Minimum Loan Amount

VCI does not impose a minimum loan amount; reference the Rate Sheet for loan pricing adjustments.

7.6.2 Maximum Loan Amount

- Conventional
 - Loan amount must be within the Federal Housing Finance Agency (FHFA) [Conforming Loan Limit](#)
- FHA
 - Loan amount cannot exceed [FHA Mortgage Limits](#)
- USDA
 - Established by the maximum allowable income limits
- VA
 - Contact the lock desk for pricing when loan amount > \$2MM.
 - When the veteran has less than full entitlement **or in the event of a veteran/non-veteran loan**, the amount of entitlement plus the amount of downpayment/equity must equal at least 25% of the purchase price or reasonable value, whichever is less.

7.7 Loan Term

Loans are offered in terms between 120-360 months, in one (1) year increments.

7.8 Loan Type

VCI offers Fixed Rate and Constant Maturity Treasury (CMT) ARMs. Reference the daily rate sheets for the ARM product options.

Village Capital explicitly follows the guidance referenced in the respective Agency Handbook regarding ARM loans, including but not limited to the qualifying rate, interest rate adjustment schedule, etc.

7.9 Loan Programs

The following is a list of loan programs acceptable for submission to VCI.

7.9.1 Conventional

- Purchase

- Limited Cash-Out Refinance
- Cash-Out Refinance

7.9.2 FHA

- Purchase (including HUD Real Estate Owned (REO) §100 Down Section 203(b))
- Cash-Out Refinance
- No Cash-Out Refinance
- Simple Refinance
- Streamline Refinance
- 203(b), Title II

7.9.3 USDA

- Purchase
- Non-Streamlined Refinance
- Streamlined Refinance
- Streamlined-Assist Refinance
- VCI will accept manufactured homes under the USDA Manufactured Housing Pilot Program provided the requirements of the [USDA Federal Register](#) are satisfied.

7.9.4 VA

- Purchase
- Interest Rate Reduction Refinance Loan (IRRRL)
 - Reminder: An IRRRL is a VA-guaranteed loan made to refinance an existing VA-guaranteed loan, generally at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing loan. In addition, on an IRRRL, the Veteran may not receive any cash back at closing unless allowed by VA or use the proceeds to pay off debt on any non-VA-guaranteed lien.
- Cash-Out Refinance
 - Reminder: A cash-out refinance is a VA-guaranteed loan which refinances any type of lien or liens against the secured subject property. This includes transactions where the Veteran is not receiving cash back after the payoff of liens. Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the Borrower or used to pay off additional debt.

7.9.5 Ineligible Loan Programs

- All Loan Types

- 1X Close
- Conventional
 - Manual Underwrite
 - Secured Overnight Financing Rate (SOFR) ARM
- Fannie Mae
 - HomeReady
 - HomeStyle Reno
 - MH Advantage
 - RefiNow
 - Student Loan Cash-Out Refinance
- Freddie Mac
 - HFA Advantage
 - HomeOne
 - Home Possible
 - GreenChoice Mortgage
 - Refi Possible
- FHA
 - HUD Hawaiian Homeland Section 247
 - HUD Indian Housing Loans Section 184
 - HUD Short Refinance Program
 - Section 203(h) Mortgage Insurance for Disaster Victims
 - Section 8 Homeownership Vouchers
 - 203(h)
 - 203(k)
- Government
 - Texas 50(a)(6)

NOTE: This section is not all-inclusive; reference the sections above for eligible loan programs.

7.10 Loan-to-Value (LTV)

The Loan-to-Value (LTV) is the ratio of the first mortgage loan amount to the property's appraised value (or the purchase price, whichever is less).

7.11 Combined Loan-to-Value (CLTV)

The Combined Loan-to-Value (CLTV) is the ratio of all the mortgage loan amounts outstanding on a property (usually a first and second mortgage balance) to the property's appraised value (or the purchase price, whichever is less).

7.12 Home Equity Combined Loan-to-Value (HCLTV)

The Home Equity Combined Loan-to-Value (HCLTV) is the ratio of all mortgage loan amounts outstanding on a property when the subordinate mortgage is a Line of Credit. The HCLTV adds the first mortgage balance plus the maximum Line of Credit limit available to be drawn in relation to the property's appraised value (or the purchase price, whichever is less).

7.13 Occupancy Type

Seller must ensure the occupancy of the subject property conforms with the Agency guidance based on the specific mortgage loan transaction.

7.13.1 Primary Residence

A primary residence is a property that is physically occupied by at least one borrower as their primary residence. Residency is defined by the following criteria:

- Borrower occupies the property as his or her principal residence
- Borrower occupies the property for a majority part of the year
- Property location is convenient to the borrower's principal place of employment
- Property address is of record for one or more of the following: federal income tax reporting, voter registration, occupational licensing, etc.

Note: The borrower must occupy the property within 60 days of closing and continue to occupy the property for at least one year.

If a borrower is purchasing a new primary residence but has recently closed on a transaction for his/her current primary residence, the new transaction must be carefully reviewed to ensure this is not an attempt to secure less restrictive financing terms for a property that will actually be an investment property. For example, a borrower that owns rental properties would require more scrutiny than one who is experiencing a job relocation and requires a new primary residence.

7.13.1.1 Non-Occupying Borrower

A non-occupying borrower transaction refers to a transaction involving two or more borrowers in which one or more of the borrowers will not occupy the subject property as their primary residence. When the application includes a non-occupant co-borrower, all Agency requirements must be met.

7.13.2 Second Home

For a property to qualify as a second home, the subject property must meet all of the following requirements:

- Occupied by the borrower for some portion of the year; and
- Restricted to one-unit dwelling; and
- Suitable for year-round occupancy; and
- Borrower(s) must have exclusive control over the property.
- It may not be subject to any timesharing arrangements, rental pools or other agreements which require the borrower to rent the subject property or otherwise give control of the subject property to a management firm.

7.13.3 Investment Property

An investment property is owned but not occupied by the borrower. Reserves and other requirements for the program must be satisfied as per Agency guidelines.

7.14 Pre-Payment Penalty

VCI does not allow loans with pre-payment penalties.

7.15 Property Type

Village Capital will accept the following property types:

- Single Family Residence
- 2-4 Unit
- Condo
- Planned Unit Development (PUD)
- Manufactured Home

7.16 State Restrictions

Properties in the state of New York are not acceptable. Properties in all other U.S. States and the territory of Puerto Rico are eligible.

7.17 Temporary Interest Rate Buydown

A temporary interest rate buydown allows the Borrower(s) to reduce the effective monthly payment for a limited period of time through a temporary buydown of the interest rate.

Eligibility requirements include, but are not limited to:

- The Borrower(s) must qualify based on the Note Rate, not the buydown rate.

- The interest rate and monthly payments shown in the Note must be calculated without reference to the temporary buydown.
- If the transaction requires reserves, the reserve calculation must be based on the Note Rate.
- The buydown must be funded by an acceptable source as permitted by the respective Agency.
- The funding of the buydown, as well as any additional seller concessions, must be within the respective Agency interested party contribution limit.
- The Closing Disclosure (CD) must reflect the amount of the buydown funded by the Seller/Builder.
- The Buydown Agreement must provide that the borrower is not relieved of his or her obligation to make the mortgage payments required by the terms of the Note if, for any reason, the buydown funds are not available.

Eligible buydown offerings are available as follows:

Conventional	FHA	USDA	VA
3-2-1, 2-1 and 1-0 Options	3-2-1, 2-1 and 1-0 Options	2-1 and 1-0 Options	3-2-1, 2-1 and 1-0 Options
Purchase Only	Purchase Only	Purchase Only	Purchase Only
Fixed and Adjustable Rate	Fixed Rate	Fixed Rate	Fixed and Adjustable Rate

Buydown Options
<ul style="list-style-type: none"> • 3-2-1 Option: 3 percentage buydown in first year; 2 percentage buydown in second year; 1 percentage buydown in third year. • 2-1 Option: 2 percentage buydown in first year; 1 percentage buydown in second year. • 1-0 Option: 1 percentage buydown in first year.

Loans utilizing a buydown must meet all other applicable Agency requirements including, but not limited to qualification, documentation of the buydown, and funding of the buydown.

7.18 Transaction Type

7.18.1 Purchase

A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property or to finance the acquisition and rehabilitation of a property. The borrower should not be on title to the property prior to the loan closing.

A fully executed sales contract is required for purchase transactions as is all addenda to the contract, including the FHA Amendatory Clause, FHA Real Estate Certification or VA Escape Clause, when applicable. Changes to the sales price and/or downpayment must be included in a contract addendum.

Both FHA and VA require that revisions to the sales price must be updated on the Amendatory Clause and Escape Clause, respectively, in addition to the sales contract/addendum.

VCI will not accept any type of assigned purchase contract where any party on the contract is assigning their rights to another individual.

7.18.2 Cash-Out Refinance

A cash-out refinance transaction is one that does not meet the definition of a limited cash-out refinance. If the subject property is currently listed for sale, it must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

7.18.3 Limited Cash-Out Refinance

A limited cash-out refinance transaction (aka no cash-out refinance or rate-term refinance) replaces the Borrower’s existing financing and the Borrower’s intent is not to extract equity from the subject property. The mortgage amount for a limited cash-out refinance may not exceed the sum of the following:

- Unpaid principal balance of the existing first mortgage including per diem interest,
- Closing costs (including prepaid items, i.e., interest, taxes, and insurance),
- Points, and
- Amount required to satisfy subordinate mortgage loans.

7.18.3.1 Maximum Cash Back

The following cash back allowances are acceptable on a limited cash-out refinance. When cash back exceeds the stated amount, the file must be reviewed by the Underwriter for a loan amount adjustment prior to closing.

Loan Type	Agency	Maximum Cash Back
Full Doc	Fannie Mae	Cannot exceed the lesser of \$2,000 or 2% of the loan amount
	FHA	Not to exceed \$500
	Freddie Mac	Cannot exceed the greater of \$2,000 or 1% of the loan amount
	USDA	\$0



	Texas Property	\$0
Streamline Refinance	FHA STL, VA IRRRL	\$500, as a result of incidental changes at closing
	USDA STL Assist	\$0

CHAPTER 8. UNDERWRITING DOCUMENTATION

8.1 Age of Documents

The credit policies for the age of documents are outlined in the applicable Agency product guidelines.

Note that Fannie Mae references a validity period of four months, which is considered as 120 days by VCI standards.

8.1.1 Document Expiration Date

For all loan programs with the exception of FHA, the document expiration date is based upon the Note Date. For FHA loans, the document expiration date is based upon the Disbursement Date.

8.2 Assets

All assets utilized to complete the mortgage transaction (downpayment, funds to close and reserves, when applicable) must meet the Agency/AUS requirement for seasoning, vesting, etc.

Assets in the form of crypto currency must be liquidated and deposited into an established U.S. depository institution for the minimum length seasoning as required per the Agency/AUS findings.

8.3 Citizenship

A borrower, who is lawfully residing in the U.S. as a permanent or non-permanent resident alien, is eligible for a mortgage on the same terms as a U.S. Citizen.

8.3.1 Permanent Resident Alien

A borrower with lawful permanent resident alien status may be eligible provided the borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens. The file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the Uniform Residential Loan Application (URLA). The U.S. Citizenship and Immigration Services (USCIS) Form I-551, also known as a Green Card, issued by the Department of Homeland Security provides evidence of lawful, permanent residency status.

8.3.2 Non-Permanent Resident Alien

A borrower who is a non-permanent resident alien may be eligible provided the documentation issued by the USCIS confirms the individual currently and lawfully resides within the U.S.

- If the Employment Authorization Document (EAD) is required and will expire within one (1) year and a prior history of residency status renewals exists, it may be assumed that continuation will be granted. If there are no prior renewals, the likelihood of renewal based on information from the USCIS must be substantiated.

- In the event the Visa is expired or not required per the classification, an acceptable I-797 Notice of Action/Notice of Approval form with valid extension dates and the I-94 Arrival/Departure Receipt must be provided.

The following table displays the non-permanent resident alien status' that are acceptable to VCI. In all situations:

- Non-U.S. citizens without lawful residency in the U.S. are not eligible;
- A borrower with diplomatic immunity is not eligible; and
- Foreign nationals are not eligible.

Symbol	Classification
A Series (A-1, A-2, A-3)	<ul style="list-style-type: none"> • A-1 and A-2 applies to ambassadors, public ministers, or career diplomatic or consular officers and other officials who have been accredited by a foreign government recognized by the United States and their immediate families • A-3 applies to attendants, servants, personal employees, and members of their immediate families, of the officials and employees who have A-1 or A-2 non-immigrant status • Only those without diplomatic immunity, as verified on the visa, are allowed
A05	<ul style="list-style-type: none"> • Asylee (granted asylum)
A12	<ul style="list-style-type: none"> • Temporary Protected Status • Must have valid EAD; an expired EAD will require evidence of the extension from the USCIS website
C08	<ul style="list-style-type: none"> • Asylum applicant who filed for asylum on or after January 4, 1995
DACA (C33)	<ul style="list-style-type: none"> • Deferred Action for Childhood Arrivals • For USDA loans, eligibility must be confirmed through the SAVE system • Not eligible for Freddie Mac
E-1, E-2, E-3, Treaty Trader/Investor	<ul style="list-style-type: none"> • Applies to nationals of countries with which the United States has a treaty concerning commerce and navigation who are coming to the United States to carry out "substantial" trade, between the United States and the treaty country, or to direct operations of an enterprise in which the national has invested • If the applicant is not the principal investor, he or she must be employed in a supervisory, executive, or highly specialized skill capacity

G Series (G-1, G-2, G-3, G-4, G-5)	<ul style="list-style-type: none"> • Applies to employees of international organizations that are located in the United States. • Some examples include the United Nations, Red Cross, World Bank, UNICEF, and the International Monetary Fund. • Verification that the applicant does not have diplomatic immunity must be obtained from the applicant’s employer and/or by viewing the applicant’s passport.
H-1B, Specialty Occupations	<ul style="list-style-type: none"> • H-1B applies to persons who wish to perform services in a specialty occupation, services of exceptional merit and ability relating to a Department of Defense (DOD) cooperative research and development project, or services as a fashion model of distinguished merit or ability.
K-1, K-3	<ul style="list-style-type: none"> • Applies to a borrower that is a fiancé or spouse of a U.S. Citizen.
L-1A, L-1B, L-2, Intra-Company Transferee	<ul style="list-style-type: none"> • L-1A and L-1B applies to professional employees who have been employed continuously for one year by a non-U.S. firm or corporation who are temporarily transferred to an office, branch, or subsidiary of that company in the United States. • The L-2 applies to the spouse and children of the L-1 nonimmigrant
O-1	<ul style="list-style-type: none"> • Individual of extraordinary ability in sciences, arts, education, business, or athletics • Work authorized for sponsoring organization
P-1A	<ul style="list-style-type: none"> • Internationally recognized athlete or athletic team • Work authorized for sponsoring organization
P-1B	<ul style="list-style-type: none"> • Internationally recognized entertainment group • Work authorized for sponsoring organization
P-2	<ul style="list-style-type: none"> • Artists or entertainers under reciprocal exchange program • Work authorized for sponsoring organization
P-3	<ul style="list-style-type: none"> • Culturally unique artists or entertainers • Work authorized for sponsoring organization
TN-1, Canadian NAFTA	<ul style="list-style-type: none"> • Used by Canadian citizens for professional or business purposes
TN-2, Mexican NAFTA	<ul style="list-style-type: none"> • Used by Mexican citizens for professional or business purposes

8.4 Credit Report

The evaluation of the consumer’s credit must be based on the consumer’s entire credit history. A tri-merged credit report is required for all credit qualifying products. The File ID and date of the credit report must match the Credit Report ID and Credit Report Date reflected in the AUS findings. When the credit report is updated during the loan process, the original credit report and updated version(s) must be provided. Alternative credit sources may be used (as permitted by Agency guidelines) for the credit evaluation.

For government loans, if the results of the tri-merge indicate a lack of established credit and/or credit scores, the file may be considered utilizing non-traditional credit references as allowed by the respective Agency.

For government non-credit qualifying streamline refinance transactions, a mortgage only credit report (with or without FICO scores) is acceptable.

8.4.1 Credit Report Alerts

When a credit report reflects a Fraud or Active-Duty Alert, the FACT Act and FCRA require the Borrower(s) identify be verified. The loan file must include evidence the alert was satisfactorily addressed.

8.4.2 Credit Report Freeze

When two or more repositories have a credit freeze, leaving only one repository to report, the Borrower(s) will need to “unfreeze” the information with the credit repositior(ies), and a new credit report obtained with at least two repositories reporting. A new credit report is not required if the original credit report has only one repository with a credit freeze while the other two repositories are reporting.

8.5 Debt Monitoring

Sellers are required to perform debt monitoring to span the timeframe subsequent to the original credit report and within ten (10) business days of the Note Date for all Conventional transactions.

8.6 Downpayment Assistance Programs

Down Payment Assistance (DPA) programs are designed to assist low-to-moderate income borrowers in purchasing affordable homes.

A traditional DPA program is typically administered by a state or local government Agency, or by a non-profit association to provide a grant or forgivable loan which a first-time home buyer may use to apply to the down payment and/or closing costs. Typically, these programs have specific requirements including but not limited to income thresholds (e.g., low-moderate income). Transaction types are generally limited to the purchase of the borrower’s first home.

A Down Payment Assistance program that requires lender approval and/or a designated servicer is not eligible.

8.6.1 Mortgage Credit Certificate (MCC)

A Mortgage Credit Certificate (MCC) is a certificate issued by certain state or local governments that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year. The MCC program is designed to help first-time homebuyers offset a portion of their mortgage interest on a new mortgage as a way to help borrowers qualify. The MCC reduces the amount of Federal income tax a homebuyer pays, thus giving more available income to qualify for a mortgage loan.

VCI will adhere to the relevant Agency/Investor guidelines with respect to the origination and purchase of loans qualified using MCCs.

8.7 Escrow/Impound Accounts

Unless prohibited by applicable law, Seller must, pursuant to the guidelines set forth in this section of the Guide, establish an escrow/impound account for each mortgage loan sold to VCI. The Seller is responsible for complying with all applicable federal, state, and local laws and regulations relating to the creation of escrow/impound accounts, and prior to the transfer of the escrow/impound account to VCI, the maintenance thereof. The escrow/impound account must contain a two (2) month escrow cushion for all items, with the exception of mortgage insurance, for which no cushion is required to be established.

Note: Nevada and North Dakota do not permit a cushion for escrows and Montana only allows for one (1) month cushion for escrows. Sellers must comply with the appropriate state requirements when delivering loans to VCI.

8.7.1 Allowable Escrow/Impounds

The following items are permitted for inclusion in the escrow/impound account:

- Real Estate Taxes
- Hazard Insurance Premiums
- HO-6 premiums
- Flood Insurance Premiums
- Mortgage Insurance Premiums

8.7.2 Unallowable Escrow/Impounds

The following items are not held or paid for from an escrow/impound account:

- Ground Rents
- Water and Sewer Taxes
- Homeowners Association Dues
- Fire Hydrant Taxes
- Refuse Taxes
- Tax Service Fees
- Special Assessments
- Hazard Insurance Premiums for Condo/PUD Properties when insurance is paid by the HOA

8.7.3 Escrow Waiver

VCI encourages the establishment of an escrow account for the payment of taxes and insurance on all loans. However, unless required by law, lenders may waive escrow account requirement on conventional loans if the loan to value (LTV) is 80% or less (90% in California), but the standard escrow provision must remain in the mortgage loan documents.

Sellers must ensure that escrow waivers are not based solely on the LTV ratio of a loan, but also on whether the Borrower has the financial ability to handle the lump sum payments of taxes, insurance, etc. As such, all loans are qualified with the inclusion of taxes, insurance, and HOA dues (if applicable), regardless of escrows being waived.

In the state of California, when taxes and insurance are not required to be escrowed, all Borrowers must execute the CA Loan Impound Disclosure and Waiver prior to closing. This document will establish the Borrower(s) preference for the escrow account.

Escrows cannot be waived for:

- A past due balance on the property tax or homeowner's insurance bill (must be brought current before an escrow waiver can be accepted);
- A refinance transaction where the Borrower is financing real estate taxes that are more than 60 days delinquent unless requiring an escrow account is not permitted by applicable law or regulation;
- The payment of premiums for Borrower-purchased mortgage insurance;
- Flood insurance unless the property is a Condo, and the HOA holds the master policy;
- Higher Priced Mortgage Loans (HPMLs); or
- Government loan products.

Seller's waiver of the right to collect escrow/impound funds must not impair the right of VCI to subsequently enforce the escrow provision contained in the mortgage loan documents, in the event the Borrower fails to pay taxes, insurance, or other required items.

8.7.4 Partial Escrows/Impounds

8.7.4.1 Conventional Loans

On a Conventional loan, an impound/escrow account for some hazard insurance premiums can be waived and a partial impound/escrow account may be established for flood insurance and real estate taxes only, at no additional cost. When flood insurance is required, federal law requires flood insurance premiums to be paid via an escrow account.

8.7.4.2 Government Loans

Partial or waived impound/escrow accounts are not allowable, and therefore, not available for purchase review.

8.8 Exclusionary Lists

Correspondents are required to adhere to all applicable Agency requirements, including those requiring lenders to check loan participants against exclusionary lists. Individuals or entities confirmed to be on an exclusionary list of the Agency of origination may not be a party to a loan sold to VCI. Agency exclusionary lists include, but may not be limited to:

- Federal Housing Finance Agency’s (FHFA) Suspended Counterparty Program (SCP)
- Fannie Mae’s Appraiser Quality Monitoring List (AQM)
- Freddie Mac’s Exclusionary List (FMEL)
- HUD Limited Denial of Participation List (LDP)
- Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List (SDN)
- System for Award Management (SAM)

VCI reserves the right to exclude a closing agent at any time during a transaction.

8.9 Foreign Documentation

All documents of a foreign origin must be completed in English, or the documentation must be translated. By delivering the loan file to VCI, the Seller warrants the translation to be true and correct.

8.10 Fraud Report

Village Capital requires a fraud detection report for each loan file. The fraud report, at a minimum, must include validation of these items:

- Borrower(s)
- Social Security Number is not:
 - Associated with a deceased individual;
 - Invalid;
 - Never been used;
 - Inconsistent with the name; or
 - Inconsistent with date of birth date range.
- Current address for each borrower(s) associated with the loan.
- Subject property information.
- MERS confirming no undisclosed real estate debt was obtained prior to closing the subject loan transaction.

The following are considered acceptable fraud reports (note, this list is not all-inclusive):

- Avantus – LoanShield
- Core Logic – LoanSafe Fraud Manager
- DataVerify
- InterThinX FraudGuard
- Kroll Factual Data – Risk Suite Fraud Reports
- Lexis Nexis

A copy of the report, along with the documentation used to resolve the deficiency and/or red flag(s), must be included in the closing package.

8.11 Conventional-Specific Requirements

- All conventional loans require that each Borrower has a FICO of 620 or greater.
- Reduced Mortgage Insurance (MI) coverage that requires a Loan-Level Price Adjustment (LLPA) is not eligible.
- Manual underwriting is not permitted; all loans must have acceptable DU or LPA findings.
- A POA cannot be utilized for a Conventional Cash-Out Refinance transaction (Fannie Mae prohibits; VCI prohibits for Freddie Mac transactions).
- To satisfy the Texas state law requirement that the indebtedness secured against the homestead does not exceed 80 percent (80%) of the fair market value of the homestead on the date the refinance of the extension of credit is made, VCI will require an Automated Valuation Model (AVM) for a Texas 50(a)(4) transaction when the AUS findings provide an appraisal waiver option.

8.11.1 Mortgage Insurance (MI)

The Correspondent is required to purchase a commitment/policy from an Agency-approved mortgage insurer prior to the mortgage loan closing for all conventional loans requiring Mortgage Insurance (MI). The MI Certificate must match final loan terms.

8.11.1.1 Proper Disclosure of MI Premium

If MI cost has not been properly disclosed to the Borrower(s), the Correspondent is responsible for correcting the error at no charge to the Borrower. VCI will order the correct mortgage insurance coverage amount and invoice the Correspondent for the actual cost if necessary.

8.11.1.2 MI Master Policy Numbers

Below are the VCI Master policy numbers for each Mortgage Insurance carrier:

- Arch MI: TBD
- Essent Guaranty, Inc.: TBD

- Enact (fka Genworth): TBD
- Mortgage Guaranty Insurance Company (MGIC): 27-025-4-4015
- National MI: TBD
- Radian: TBD

8.11.1.3 Acceptable MI Types

- Borrower Paid Monthly
- Borrower Paid Single Premium
 - Lender Paid Single Premium
- Split Premium

8.11.1.4 Unacceptable MI Types

- Lender Paid Monthly
- Reduced Coverage as a result of a Loan Level Price Adjustment (LLPA)
- Any MI type not listed as acceptable

8.12 Government-Specific Requirements

VCI will follow Ginnie Mae's requirements to ensure all government transactions are eligible for pooling. Note that Agency-specific requirements, outside of the below requirements, must be followed as stated in the respective Handbook, Circular, Mortgagee Letter, and/or Procedure Notice.

8.12.1 Applicable to All Refinance Transactions

8.12.1.1 Evidence of First Payment Due Date

For all refinance transactions, VCI will require a copy of the Promissory Note, Security Instrument or other documentation for the underlying mortgage with evidence of the first payment due date, when the subject property is secured by an existing mortgage lien that is aged for less than 12 months. The additional documentation will not be required when the mortgage being refinanced is aged 12 months or more unless there are red flags within the loan documents that indicate a modification or partial claim may have occurred with the transaction.

8.12.1.2 Refinance with a Modification on Existing Lien

Any and all subsequent loan modification documents must be provided when an existing mortgage has been modified from the original terms.

8.12.1.3 Refinance with a Partial Claim on Existing Lien

A refinance with indication of a partial claim on the lien being paid off will require the most recent mortgage statement for comparison of the current terms to the original loan documents. In the event the

interest rate, P&I and/or remaining unpaid principal balance do not reconcile from the current statement to the original loan documents, VCI will require that the Borrower has met the 210 day rule from the date the first payment after the partial claim is due and that the borrower has made at least six (6) consecutive timely payments.

8.12.2 FHA

FHA loans must comply with HUD policies as addressed in [Handbook 4000.1](#), as amended by FHA Mortgagee Letters, and as addressed in this Guide.

8.12.2.1 Case Number Assignment

HUD imposes requirements for ordering the case number, as well as seasoning guidelines relative to the date of the case number assignment. Sellers must comply with the requirements of [Handbook 4000.1](#) in relation to the Case Number Assignment.

8.12.2.2 Refinance Seasoning

The following requirements will apply to FHA Cash-Out and FHA Streamline transactions:

- The Borrower must have made at least six (6) consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and
- The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan.
- The Borrower cannot prepay payments to satisfy the six (6) consecutive monthly payments requirement.
- When refinancing a modified loan, the refinance transaction must be qualified based on the loan terms at the time of the note modification. All seasoning requirements must be based on the modification documentation and payment history.

Reference GNMA [APM 17-06](#) and HUD [Handbook 4000.1](#) for details.

8.12.2.3 Streamline Refinance

FHA Streamline loans can either be Credit Qualifying or Non-Credit Qualifying. With either option, an appraisal valuation is not required.

8.12.3 USDA

USDA loans must comply with Rural Housing Development Guidelines and policies as addressed in [Handbook 3555.1](#), as amended by Procedure Notices (PN's), and addressed in this Guide.

8.12.3.1 Guarantee Fee

The Borrower may elect to finance only a portion of the Guarantee Fee. The Borrower will pay a fee that corresponds to the total loan amount that includes the partial fee. The remaining amount of the Guarantee Fee, which is not financed, will have to be paid by the Borrower from personal funds, seller concessions or

eligible gift assistance at settlement. In all situations, the “cents” from the Guarantee Fee may not be financed; the total loan amount must be a whole number.

8.12.3.2 Refinance Seasoning

The USDA requires that the existing loan must have closed 12 months prior to the Agency’s receipt of a Condition Commitment request. Additionally, a Streamlined Assist requires 12 months of consecutive timely payment history prior to the refinance loan application date. Satisfaction of these requirements will ensure compliance with GNMA [APM 17-06](#).

Note that when refinancing a modified loan, the refinance transaction must be qualified based on the loan terms at the time of the note modification. All seasoning requirements must be based on the modification documentation and payment history.

8.12.4 VA

VA loans must comply with VA policies as addressed in the [VA Lenders Handbook](#), as amended by VA Circulars, as required by GNMA, and as addressed in this Guide.

8.12.4.1 Guaranty

In all circumstances, the VA Guaranty, or a combination of VA Guaranty plus the downpayment and/or equity, must cover at least 25% of the purchase price or reasonable value, whichever is less, to meet the Ginnie Mae pooling eligibility criteria. Scenarios in which the transaction will require a downpayment or sufficient equity include, but are not limited to:

- Purchase price exceeds the appraised value
- Veteran has less than full entitlement
- Veteran/non-veteran joint loan

Reference [Chapter 3](#) of the VA Lenders Handbook and [Chapter 24](#) of the Ginnie Mae MBS Guide for details.

8.12.4.2 Funding Fee

Generally, VA cannot Guaranty a loan until the statutory Funding Fee associated with the loan is remitted to VA; however, a Funding Fee must not be collected from individuals who are, by statute, provided an exemption. Reference [Circular 26-21-11](#), *Updated Funding Fee Information for Lenders*, and [Circular 26-22-12](#), *Certificate of Eligibility Funding Fee State Update for Active-Duty Service Members With Pending Pre-Discharge Claims*, for processes related to the remittance or waiver of the statutory Funding Fee.

The Funding Fee calculation will be based on the percent of downpayment in the loan transaction:

- Utilize the amount of downpayment on a purchase transaction, regardless if the sales price exceeds the reasonable value;
- Equity in the subject property on a construction transaction contributes to the down payment.
- Reference [Circular 26-21-26](#), *Determination of the VA Funding Fee Percentage on Purchase Loans with Down Payment*, for complete details and examples.

8.12.4.3 Joint Loan

Any joint loan for which the veteran will hold title to the property with any person other than the veteran's spouse must follow the requirements of [Circular 26-22-09](#), *New Procedures for Loans where the Borrower Has a VA-appointed Fiduciary and for Loans Commonly Called "Joint Loans"*, and [Chapter 7](#) of the Lender's Handbook prior to the loan closing.

Additionally, the VA will only guaranty the portion of the loan that is allocable to the veteran's interest in the property. No portion of the Guaranty will be applied to the portion of the loan allocated to the non-veteran, non-spouse. As stated above, VCI will only purchase loans in which a combination of VA Guaranty plus the downpayment and/or equity covers at least 25 percent of the loan amount.

8.12.4.4 Loan-to-Value (LTV)

- For a purchase transaction, the maximum LTV is 100% excluding the VAFF.
- For a cash-out refinance, the maximum LTV is 100% including the VAFF.
- For an IRRRL, the Original Loan Amount reflected on the IRRRL Case Number is to be utilized as the Estimated Value for LTV purposes unless an appraisal is obtained.

8.12.4.5 Cash-Out Refinance

A full documentation refinance transaction for a VA loan is always considered a cash-out refinance transaction; VA does not offer a limited cash-out refinance.

- Type I: Loan amount does not exceed the payoff amount of the loan being refinanced
- Type II: Loan amount exceeds the payoff amount of the loan being refinanced

Type I transactions must reflect that the recoupment period of fees, expenses and closing costs (excluding the VA Funding Fee) do not exceed 36 months. All VA cash-out refinance transactions (Type I and Type II) must pass the Net Tangible Benefit test, meet seasoning requirements and include the proper disclosures at application and at closing, as detailed in [Circular 26-19-05](#), *VA-Guaranteed Cash-Out Refinancing Home Loans (AQ42)*.

8.12.4.6 Interest Rate Reduction Refinance Loan (IRRRL)

8.12.4.6.1 Net Tangible Benefit

For all VA IRRRLs, Sellers must adhere to the requirements in [VA Circular 26-18-13](#) and [Exhibit A](#), *Policy Guidance Update: VA Refinance Loans and the Economic Growth, Regulatory Relief and Consumer Protection Act*, specifically:

- For refinances in which the original loan being refinanced and the new refinance loan both have a fixed mortgage interest rate, the interest rate must be reduced by a minimum of 0.50%.
- For refinances in which the original loan being refinanced had a fixed mortgage interest rate and the new refinance loan has an adjustable mortgage interest rate, the interest rate must be reduced by a minimum of 2.0%.

- The lower interest rate may not be produced solely from discount points unless:
 - Such points are paid at closing, and
 - Such points are not added to the principal loan amount, unless:
 - The discount point is less than or equal to one (1) discount point, when LTV ratio is less than or equal to 100%.
 - The discount point is less than or equal to two (2) discount points when LTV ratio is less than or equal to 90%.
 - A valuation determination must be conducted when discount points are added to the principal balance of the loan; reference VA Circular 26-18-13 [Exhibit A](#) for the acceptable forms of appraisal reports.

8.12.4.6.2 Recoupment

For an IRRRL that results in a lower monthly principal and interest (PI) payment, the recoupment period of fees, closing costs, and expenses (other than the VA Funding Fee, escrow and prepaid expenses) incurred by the Veteran must not exceed 36 months from the date of the loan closing.

For an IRRRL that results in the same or higher monthly PI payment, the Veteran must incur no fees, closing costs, or expenses (other than the VA Funding Fee, escrow and prepaid expenses).

Reference [Circular 26-19-22](#) and [Change 1](#), *Clarification and Updates to Policy Guidance for VA Interest Rate Reduction Refinance Loans*, for complete details.

8.12.4.7 Refinance Seasoning

The seasoning requirements for all VA refinance loans are as follows:

- The Note Date of the refinance loan must be on, or after, the later of:
 - The date on which the Borrower has made at least six (6) consecutive monthly payments on the loan being refinanced; and
 - The date that is 210 days after the first payment due date of the loan being refinanced.

GNMA [APM 19-05](#) specifically requires that any VA-guaranteed refinance loan that is used to pay off another mortgage loan must meet these seasoning requirements to be eligible collateral.

Per GNMA [APM 21-06](#), when refinancing a modified loan, the refinance transaction must be qualified based on the loan terms at the time of the note modification. All Net Tangible Benefit (NTB) and seasoning requirements must be based on the modification documentation and payment history.

8.12.4.7.1 Seasoning Exemptions

Except as noted below, any VA-Guaranteed loan refinancing a mortgage without a VA Guaranty, including a refinance loan used to pay off a conventional mortgage, is subject to the seasoning requirements stated above.

- Re-Performing Refinance Loans: VA-guaranteed Re-Performing Refinance Loans are exempt from the Seasoning Requirements above. However, Re-Performing Refinance Loans are subject to the same restrictions applicable to all Re-Performing Loans identified in [Chapter 18](#) of the MBS Guide.
 - The term “Re-Performing Refinance Loan” means a Refinance Loan that is not more than 30 days delinquent, that was previously bought out from a pool or loan package backing a Ginnie Mae MBS, and that retains the same rate and terms as the rate and terms associated with such loan on the date the loan was initially securitized in a Ginnie MBS.
- Refinances of Modified Loans: Except as noted below, any VA-guaranteed Loan Refinancing a Modified Loan is subject to the Seasoning Requirement above.
 - The term “Refinance of a Modified Loan” means a Refinance Loan that is used to pay off a Modified Loan.
- Loans Refinancing Non-Mortgage Debt: VA-Guaranteed Loans Refinancing Non-Mortgage Debt are not subject to the Seasoning Requirements above.
 - The term “Loan Refinancing Non-Mortgage Debts” means a Refinance Loan that is made to pay off or satisfy a lien placed on the corresponding secured property other than a lien associated with a previous mortgage loan, including but not limited to tax, judgment, and mechanic’s liens.
- Loans Refinancing Mortgages Without Scheduled Monthly Payments: A Loan Refinancing a Mortgage Without Scheduled Monthly Payments, including for example a Refinance Loan used to pay off a reverse mortgage for which no monthly payments are scheduled, is not subject to the Seasoning Requirements above.
 - The term “Loan Refinancing a Mortgage Without Scheduled Monthly Payments” means a Refinance Loan that is made to pay off or satisfy an outstanding mortgage that provides, by its own terms, for no monthly payments.
- Permanent Financing Construction Loans: Effective with mortgage-backed securities issued on or after August 1, 2019, Permanent Financing Construction Loans are exempt from the Seasoning Requirements above.
 - The term “Permanent Financing Construction Loan” means a loan used to provide permanent financing for a newly-constructed or renovated single-family home and to satisfy an existing lien against a such home resulting from the corresponding construction or renovation project.

Reference [Chapter 24](#) of the Ginnie Mae MBS Guide for complete details.

8.13 IRS Form 4506-C

Correspondents are required to submit a fully completed Request for Transcript of Tax Return Form 4506-C (Rev. 10-22) signed by each Borrower and dated at closing.

Items to Note:

- A 4506-C must be completed for each self-employed income source as only one tax return form number can be requested per each IRS Form (i.e., 1040, 1065, etc.).
- The attestation box must be checked, and each 4506-C must be fully executed by the Borrower(s).
- Reference Fannie Mae B3-3.1-06 "[Completing and Submitting the IRS Authorization Form](#)" for complete details surrounding the 4506-C.

The IRS Form 4506-C is not required for the following:

- FHA Non-Credit Qualifying Streamline Refinance
- Fannie Mae Day 1 Certainty, when all income is validated with Fannie Mae's DU Validation
- Freddie Mac Income Modeler, when all income is validated with Freddie Mac's Asset & Income Modeler (AIM)
- VA Non-Credit Qualifying Interest Rate Reduction Refinance Loan

8.14 IRS Form W-9

VCI requires IRS Form W-9, Request for Taxpayer Identification Number and Certification, to be included with all loans for purchase. A W-9 form is not required for every borrower on the loan but must be supplied for at least one Borrower.

8.15 Net Tangible Benefit

All refinance transactions must evidence a Net Tangible Benefit (NTB) to the Borrower(s) meeting the applicable property state, regulatory and applicable Agency requirements for testing, disclosing and/or documenting a net tangible benefit to the Borrower(s).

NOTE: State specific requirements, such as Colorado which requires a net tangible benefit for purchase transactions, must be met. If a disclosure form is required, it must be included in the loan file.

8.16 Power of Attorney (POA)

VCI will accept a Power of Attorney (POA) which complies with all applicable laws and Agency requirements, provided the following conditions are met:

- A POA should only be used in extraordinary circumstances, such as a hardship or emergency situation.
- The POA may be used for closing documents only; it is not acceptable for loan application and/or credit verification purposes.
- The attorney-in-fact may not have any direct or indirect financial interest in the transaction.
- Authorization is for the attorney-in-fact to perform specific functions related to the real estate financing, or the POA must be specific to the subject property.

- The POA must be in full-force and effect on the date of the closing, must survive subsequent disability (durable), and has to be revoked in writing, unless a specific expiration date is stated which survives the closing date.
- The POA must be properly executed in accordance with the laws of the state in which the Borrower executes it.
 - Examples of state law requirements, while not exhaustive, include:
 - Number of witnesses
 - Particular witness attestation language
 - Particular state notarial act requirements
 - Disinterested witness requirements, including whether notary can serve as witness
 - Specific language required to be included in the POA
 - State laws requiring itemized authorization by principal
 - That there is no order of conservatorship that conflicts with the authority of the POA
- Unless it is a proper military POA under Title 10 of the United States Code, a POA signed outside of the United States must be acknowledged before the United States embassy or consulate.
- A POA cannot be utilized for a Conventional Cash-Out Refinance transaction.

NOTE: The VA has very specific requirements for loans closed using a POA—reference [Chapter 9](#) of the VA Lenders Handbook for complete details. All loans must be closed in accordance with VA’s policies, including completion of an Alive and Well Certification by the Correspondent Seller.

VCI does not require approval of the POA for the property seller when the seller is utilizing a Power of Attorney for closing.

8.16.1 Closing/Title Requirements

Prior to loan closing, the title company must review and approve the POA to ensure it complies with state and local requirements regarding validity, signature, and acknowledgment. In addition:

- The Title Company must ensure that the Seller is in first lien position, without exception to the POA.
- The name(s) on the POA match the name(s) on the relevant loan documentation.
- The POA must be dated as such that it is valid at the time the relevant loan documentation was executed.
- The POA must be notarized.
- The attorney-in-fact must execute all closing documents at settlement.
- The POA must be recorded immediately prior to the closing documents.
- The Final Title Policy must not contain any exceptions relating to the POA.

See also, [Power of Attorney Signature Specifications](#).

8.16.2 Initials

Where Borrower initials are required, the POA must do as follows (no exception): Write the Borrower's initials, followed by the POA initials, with the following verbiage next to the POA's initials "as attorney-in-fact" (e.g., JD by MD, as attorney-in-fact).

8.17 Purchase Contract

The purchase contract must be in writing, contain the full names of the buyer(s) and seller(s), identify the property address or legal description, identify the sales price, and include signatures by the parties. An assignment of a purchase contract is not acceptable.

8.18 Signature Specifications

Signatures on documents must meet the following specifications:

- Each Borrower's name and signature must be consistent on all closing documents, matching to the names appearing on the title insurance policy.
- Signatures must appear exactly as they are typed on the documents that are required to be wet signed. Each Borrower's signature must appear directly above his or her typed name in the signature portion of each signed document.
- VCI will accept electronic signatures on all documents other than the Note, Security Instrument, any related riders/addendums, Power of Attorney, Modification Agreement, Right to Rescind and Name Affidavit Disclosure.
- Loans closed under the Hybrid E-Closing method must follow the Electronic Signatures in Global and National Commerce Act. In addition, applicable local, state, and federal guidelines must be followed when loans are closed in this manner.
- If corrections to the documents are required, then only strikeouts are permitted, and any change must be initialed by each Borrower.

Note: All loans will be reviewed for these signatures as stated above. Reference the examples below.

8.18.1 Power of Attorney

The preprinted signature should indicate that the Borrower is signing through a Power of Attorney (POA) and preprinted signature should match the signature of the Borrower.

By way of example, the following is acceptable:



Mary Jones, by John Smith attorney in fact

Mary Jones by John Smith attorney in fact

Mary Jones as attorney in fact for John Smith

Mary Jones by John Smith attorney in fact

By way of example, the following is not acceptable:

Mary Jones, by John Smith attorney in fact

Mary Jones

Mary Jones

Mary Jones by John Doe, attorney in fact

Mary Jones

Mary Jones, attorney in fact

8.18.2 Inter Vivos Revocable Trust

The preprinted signature should indicate that the Borrower is signing in their capacity as a Trustee and the preprinted signature should match the actual signature of the Borrower.

By way of example, the following is acceptable:

NOTE:

Mary Jones, individually and as trustee of the Jones Family Trust

Mary Jones, individually and as trustee of the Jones Family Trust

MORTGAGE/DEED OF TRUST:

Mary Jones, trustee of the Jones Family Trust

Mary Jones, trustee of the Jones Family Trust

8.19 Social Security Number (SSN)

Each file must include documentation to evidence the Borrower(s) Social Security Number (SSN) or Individual Taxpayer Identification Numbers (ITIN). Validation of a borrower(s) Social Security Number (SSN) with the Social Security Administration (SSA) is required when the file contains conflicting information regarding the borrower’s SSN. A discrepancy with the ITIN must be validated through the [IRS](#).

An Individual Taxpayer Identification Number (ITIN) in lieu of a Social Security Number (SSN) may be acceptable—reference the GSE/Agency guideline to confirm acceptability. A borrower with an ITIN must provide sufficient documentation to support legal residence as required for non-permanent resident aliens.

Note that FHA will only allow an ITIN for a borrower employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD. USDA and VA do not explicitly allow an ITIN—consult with a senior underwriter or management if presented with this scenario.

8.20 Subordinate Financing

Subordinate financing is acceptable provided it meets all Agency specific requirements. All subordinate liens must be recorded and clearly subordinate to the first mortgage lien.

8.21 Tax Return Requirements

When tax returns are used to document income, the loan file must include the last tax return filed by the borrower and the minimum number of years of tax returns required, as established by AUS and/or the Agency guideline.

For Conventional loans, each tax return must be signed by the borrower unless one of the following signature alternatives has been obtained:

- Documentation confirming that the tax returns were filed electronically,
- A completed IRS Form 4506–C (signed by the borrower) for the year in question, or
- IRS transcripts that validate the tax return.

For Government loans, each tax return must be signed by the borrower unless the following has been obtained:

- A completed IRS Form 4506–C signed by the borrower(s) for the year(s) tax returns were utilized, and
- Tax transcripts directly from the IRS.

The following table describes the requirements for documenting the most recent year’s tax return based on the application date and disbursement date of the mortgage loan:

Application Date	Disbursement Date	Documentation Required
October 15 ⁵ , (current year minus	October 15 ² (current year minus 1) to April 14 ³ , current year	The most recent year’s tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted.

⁵ Or the April/October filing dates for the year in question as published or extended by the IRS.

1) to April 14 ⁶ , current year	April 15 ² , current year to June 30, current year	<p>If the borrower has filed the previous year tax returns with the IRS, a copy of the return must be provided.</p> <p>If the borrower has not filed the previous year tax returns with the IRS, a signed letter from the borrower stating he/she has not yet filed and returns for the last one or two years, as required.</p> <p>Completed and signed IRS 4506-C for transcripts must be obtained.</p>
	July 1, current year to October 14 ³ , current year	<ul style="list-style-type: none"> • The most recent year’s tax return, <p>OR, if borrower has not filed the most recent tax returns with the IRS, review all of the following:</p> <ul style="list-style-type: none"> • A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS, or proof of e-filing of IRS Form 4868, or payment confirmation (including the confirmation number) of all or part of the estimated income taxes due to support the borrower has filed an extension.
April 15, current year to October 14, current year	April 15, current year to December 31, current year	<ul style="list-style-type: none"> • The underwriter must review the total tax liability reported on IRS Form 4868 or paid by the borrower and compare it with the borrower’s tax liability for the most recent year as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with the previous years may make it necessary for the lender to require the current returns in order to proceed. • Validation of IRS Form 4506-C transcripts confirming that no transcripts are available for the applicable last year. • Tax returns for the last one or two years, as required.
	January 1, (current year plus 1) to April 14 ³ , (current year plus 1)	<p>The most recent year’s tax return is required.</p> <p>The use of a Tax Extension (IRS Form 4868) is not permitted.</p>

8.21.1 IRS Transcripts

IRS Validation will be required if necessitated by the AUS findings, program specific guidelines, USDA requirements or subject to underwriter discretion to resolve income/employment discrepancies.

⁶ Or the day prior to the April/October filing dates for the year in question as published or extended by the IRS.

If the Borrower filed an amended tax return and IRS validation is required, an IRS transcript of the amended return must be obtained.

8.21.1.1 IRS Transcript Rejections

When the IRS rejects the request for the Borrower’s W2 or Tax Return Transcripts due to identity theft (IRS rejection code 10), VCI will accept alternative documentation. The information noted below should not be used when a “no record found” or “data does not match” response is received from the IRS:

When the Reason for IRS Rejection is....	Then Provide...
Identity Theft	<ul style="list-style-type: none"> • A copy of the notification from the IRS alerting the taxpayer to the possible identification theft (IRS rejection code 10) • Validation of the reported income on the tax returns by providing the following documentation: <ul style="list-style-type: none"> ○ Borrower obtained Record of Account Transcript, in pdf format, for all applicable years missing from www.irs.gov, or all of the following: <ul style="list-style-type: none"> ▪ W-2 or 1099 transcripts which match the W-2 or 1099 income reflected on transcripts, ▪ Validation of prior tax year(s) income (income for the current year must be comparable to prior year(s))

8.21.1.2 IRS Validation Not Available

When IRS tax transcripts are required but not available for the most recent tax filing year, follow the requirements in the table below:

If borrower...	And Disbursement Date is...	Then...
Has filed most recent year tax return but transcripts are not yet available	On, before, or after the latest tax year filing cut-off date ⁷	Provide: <ul style="list-style-type: none"> • Prior two-year tax returns and transcripts, and • Most recent year filed tax return verified in one of the following ways: <ul style="list-style-type: none"> ○ Officially stamped by the IRS as received, or ○ Evidence that the return was electronically received, or ○ Evidence of a refund check or payment made. Note: When only one year is required per the respective Agency requirement, the oldest tax return and transcript will not be required.

⁷ The October filing date for the year in question as published or extended by the IRS.

The underwriter must apply appropriate due diligence to determine if the borrower's income is acceptable for the transaction:

- Analyze the prior year transcript(s) and most recent year filed tax return.
- If the loan file is an otherwise strong file with no other risk factors, and earning trends are stable or increasing, then the underwriter may average the income from the prior year transcript and most recent year tax return.

8.21.2 Taxpayers First Act

When tax return information is used during the origination process, Sellers must obtain express consent from the borrowers through the Consent to Use of Tax Return Information Disclosure. The disclosure must be included in the loan package delivered to VCI.

8.22 Title Insurance

The mortgage loan must be covered by an ALTA (American Land Title Association) lender's title insurance policy (version 2006 or 2021) or a title insurance policy which provides the same coverage as the equivalent ALTA form. The insurance policy must adhere to the following requirements:

- The policy must be issued by a duly authorized and licensed, as required, title insurer acceptable to the applicable Agency that is qualified to do business in the jurisdiction where the mortgaged property is located.
- The appropriate endorsements must be attached to, or where applicable, incorporated by reference into the policy.
- Policies which include gap coverage may be effective as of loan closing; otherwise, the effective date of the title insurance policy must be the same or after the date the mortgage security instrument/mortgage deed of trust was recorded.
- VCI will adhere to the expiration date listed on the title commitment. In the event the title commitment does not define an expiration date, the expiration period will be 90 calendar days.
- The minimum amount of title insurance coverage is the original principal amount of the mortgage loan being insured.
- The title insurance policy must show the name of the Seller, its successors and/or assigns in a first priority lien position (or Village Capital & Investment LLC, its successors and/or assigns) and there are no open liens or encumbrances that will impact first lien priority.
- The title to the property securing the mortgage loan must be good and marketable.
- The title policy must not be subject to any exceptions unless:
 - The lien of current real property taxes and assessments not yet due and payable.
 - Covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording acceptable to mortgage lending institutions generally and

specifically referred to in the lender's title insurance policy delivered to the originator of the mortgage loan and (i) referred to or otherwise considered in the appraisal made for the originator of the mortgage loan or (ii) which do not adversely affect the appraised value of the mortgaged property set forth in such appraisal.

- In the event a married Borrower wishes to take title to the mortgaged property without his/her spouse, the lien created by the mortgage must be superior to any interest in the mortgaged property the spouse may have under the law or otherwise.
- An ALTA Short Form policy is acceptable provided it includes coverage equivalent to the 2006 or 2021 ALTA Loan Policy.

8.22.1 Title Vesting

Borrowers may hold title individually, as joint tenants, as tenants in common, or inter vivos (with the exception of Texas Home Equity transactions).

Titles held in the following are not eligible for purchase consideration:

- Corporations;
- Partnerships;
- Real estate syndications; or
- Irrevocable trusts.

8.22.2 Endorsement Requirements

The following endorsements or equivalent are required, as applicable:

- ALTA Form 4: Condominium Unit
- ALTA Form 5: Planned Unit Development (PUD)
- ALTA Form 6: Adjustable Rate Mortgage (ARM)
- ALTA Form 7 or 7.1: Manufactured Home
- ALTA Form 8.1 Environmental Protection Lien Endorsement: All loans
- ALTA Form 9: Property Subject to a Restrictive Agreement or Covenant
- ALTA Form 13.1: Leasehold Property

8.22.3 Closing Instructions

Sellers are required to provide settlement agents/title companies with complete and accurate instructions. Settlement agents/title companies are required to adhere fully to all written closing instructions.

Non-compliance to the above will render loans ineligible for purchase by VCI.

8.22.4 Closing Protection Letter

Each loan file must contain an Insured Closing Protection Letter (ICPL) dated no more than 90 calendar days prior to the date of the Note unless a longer term is explicitly stated within the letter.

8.22.5 Survey Requirements

Unless a survey exception is covered by a master title insurance policy which insures against loss due to survey-related matters, a plat or improvement survey must be provided. The survey must indicate the location of the subject plot, any easements, encroachments, building lines, street lines, boundary lines, structures, and or improvements.

8.23 Inter Vivos Revocable Trust

An inter vivos revocable trust is a trust that an individual creates during their lifetime, becomes effective during their lifetime, and can be changed or cancelled at any time for any reason, during their lifetime. Village Capital will accept inter vivos revocable trusts as an eligible borrower for first mortgages for 1–4 unit owner-occupied primary residences, 1-unit second homes and 1–4 unit investment properties. The subject property can be a single-family residence, condominium, or PUD as long as documentation and eligibility requirements are met.

To determine whether or not the trust meets all the criteria required by state and Agency standards, the following will be required:

- A complete copy of the trust including all referenced schedules and amendments except in those states where an executed Certificate of Trust is acceptable instead of the entire trust agreement. The trust should be signed, notarized, and dated by all applicable parties; and
- An attorney’s opinion stating the trust meets all secondary marketing requirements as set forth by Agency requirements, as applicable, and any applicable state requirements; or
- Certification from the title company evidencing compliance with all secondary marketing requirements as set forth by Agency requirements and any applicable state requirements.

The trust agreement must state the following:

- The trustee is authorized to borrow money for the purpose of purchase or refinance.
- The beneficiary does not need to grant written consent for the trust to borrow money. If consent is required, consent has been granted in writing for purposes of the mortgage.
- There is no unusual risk or impairment to the lenders’ rights.
- Holding title in the trust does not diminish the lenders’ rights as a creditor.

Title to the property must be vested:

- Solely in the trustee of the inter vivos revocable trust;
- Jointly in the trustee (s) of the inter vivos revocable trust and in the name of an individual borrower(s); or

- In the trustee(s) name if more than one inter vivos revocable trust.

The title insurance policy must not list any exceptions with respect to the trustee holding title to the property or to the trust.

See also, [Inter Vivos Revocable Trust Signature Specifications](#).

Note: Loans may not close in an Irrevocable Trust.

8.24 Uniform Residential Loan Application (URLA)

A fully executed Uniform Residential Loan Application (URLA) must be included with each loan file. All housing, employment, and income information on the URLA must be compared to the other documentation in the loan file. Discrepancies must be addressed, and corrections made for the final URLA.

The maximum number of applicants for a mortgage loan is four (4).

8.24.1 Joint Applicants

VCI will accept either individual Uniform Residential Loan Application (URLA) forms or a joint URLA from unmarried applicants; a joint credit report is acceptable as well.

Married borrowers that are joint applicants should utilize a joint URLA and joint credit report.

8.24.2 VA

The benefits provided by a VA loan are only available to eligible veterans who meet the criteria for length of service and character of service, or for an eligible surviving spouse. The primary applicant must be the veteran (or surviving spouse) and any non-veteran spouse or co-borrower is secondary to the loan application. Therefore, the veteran must be listed as the primary borrower on the Uniform Residential Loan Application (URLA).

8.25 Verification of Employment

Every loan for which income from a wage-earner and/or self-employed borrower is utilized must contain a valid verification of employment (VOE) performed and dated within the time frame stipulated by the respective Agency. Each source of self-employment income requires that the existence of the business is independently verified through a disinterested third party.

8.26 Verification of Rent

When a Verification of Rent (VOR) is required by AUS or the respective Agency Handbook, the VOR must be substantiated by third-party documentation to support the payment history (cancelled checks, bank statements, etc.) for the most recent three (3) months unless the VOR is completed by a verified property management firm.

CHAPTER 9. PROPERTY

9.1 Appraisal

VCI allows Correspondent Sellers to order appraisal reports following their own internal appraisal management policies. Each appraisal report submitted to VCI requires the individual appraiser to fully comply with all Uniform Standards of Professional Appraisal Practice (USPAP), Financial Institutions Reform Recovery and Enforcement Act (FIRREA) appraisal regulatory standards, and the Federal Housing Finance Agency (FHFA) which issued the Appraiser Independence Requirements (AIR). Additionally, all reports must meet all minimum appraisal requirements as set forth by the secondary market, including Government-Sponsored Enterprises (GSEs), Federal Housing Administration (FHA), Department of Veterans Affairs (VA) and U.S. Department of Agriculture (USDA).

Correspondent Sellers must comply with VCI standards for meeting AIR. They must have documented internal appraisal procedures, including, but not limited to, utilization of Appraisal Management Companies (AMCs) and/or a panel of approved appraisers. VCI will review Correspondent Seller policies and procedures for meeting AIR, to determine if the Correspondent's documented internal appraisal procedures utilized, meet all standards outlined in this Guide.

An appraisal is not required for the following transactions:

- FHA Streamlined Refinance (credit-qualifying or non credit-qualifying)
- USDA Streamlined or Streamlined-Assist Refinance
- VA Interest Rate Reduction Refinance (IRRRL)

9.1.1 Correspondent Certification

With every appraisal report submitted to VCI, the Correspondent certifies:

- The appraisal has been conducted by a licensed or certified appraiser. Correspondent certifies that it has adequate controls to ensure the appraiser is in good standing and all required licenses/certifications are current and in good standing.
- The appraiser is not known to be on any lender, Investor or GSE ineligible lists including but not limited to Fannie Mae Appraisal Quality Monitoring (AQM) and the Freddie Mac Exclusionary list.
- The Correspondent has thoroughly reviewed the appraisal report and has concluded that the property is adequate collateral to support the loan.
- The report complies with VCI requirements, Uniform Standards of Professional Appraisal Practice (USPAP) and Agency standards.
- Any information known to the Correspondent that could adversely impact the value or marketability was disclosed to the appraiser and adequately addressed in the appraisal report.
- The appraiser has adequately supported any assumptions, data, analysis, rationale, and conclusions utilized in determining the value and marketability of the subject property.

- The information within the appraisal report is accurate, consistent, clearly written, and sufficiently documented.
- Appraiser comments addressing changing market conditions, including declining property value (if applicable), are appropriately addressed.
- By delivering loans to VCI, the Correspondent represents and warrants that their appraisal process and appraisal reports are in compliance with all Agency and HUD requirements, as well as all applicable state or federal statutes in all aspects of ordering, evaluating, disclosures and processing appraisals.
- Appraisals provided by a third party, such as a mortgage or real estate broker, are not acceptable.

9.1.2 Appraisal Report

VCI will follow Agency guidance in regard to the type of appraisal performed. As with a Uniform Residential Appraisal Report (URAR), alternate appraisal options must comply with Appraiser Independence Requirements (AIR). All specific requirements as published in the Agency guidance as well as supporting material (HUD Mortgage Letters, VA Circulars, etc.) must be adhered to.

A full appraisal is required, regardless of AUS findings, if any of the following conditions exist:

- Purchase transactions of REO properties and all purchases of properties whose most recent transaction was a foreclosure sale.
- Apparent adverse physical deficiencies or conditions.
- Apparent adverse environmental conditions.
- The subject property does not conform to the neighborhood.

9.1.3 Appraisal Requirements

- The appraisal must be a first generation PDF, fully legible and include color photos.
- The Submission Summary Report (SSR) must be provided for appraisals submitted to Fannie Mae/Freddie Mac Uniform Collateral Data Portal (UCDP). The SSR document must have a status of “Successful” to be acceptable.
- Appraisals performed for FHA loans must be submitted through the FHA (HUD) Electronic Appraisal Delivery (EAD) Portal.

9.1.4 Appraisal Transfer

Transferred appraisals from Correspondent Lenders are acceptable to VCI as follows:

- When the appraisal was ordered through an Appraisal Management Company (AMC) which is evidenced in the Lender/Client section of the Appraiser’s Certification; or
- When a panel appraiser was utilized, an AIR Certification is provided with the transfer request.

If evidence of AIR cannot be established, the appraisal will not be eligible and a new, AIR-compliant appraisal must be obtained. This is applicable to all loan types with the exception of VA appraisals, in which AIR compliance is managed by the VA.

Appraisal Transfer Considerations require that:

- An appraiser cannot transfer an appraisal to another party once prepared and delivered to a client; this must be done by the transferring lender.
- The appraiser must not alter the title page, transmittal letter, borrower name, or the identity of the intended user within the appraisal report.
- An appraisal transferred to one lender and then transferred to a third lender is not acceptable.
- The AMC and/or appraiser must not be identified on the most recent version of any Agency exclusionary list.
- Material deficiencies that render the appraisal invalid will require a new appraisal.
- If the appraisal is expired at the time of transfer, or will expire prior to the closing date, the lender in receipt of the transferred appraisal reserves the right to require a new appraisal assignment or an Appraisal Update at no expense to transferring lender.
- VCI reserves the right to accept or deny the appraisal, require a new, full appraisal, or require an Automated Valuation Model (AVM) or other third-party verification (TPV), and to complete an internal appraisal review process including, but not limited to, a desk review to confirm consistency with regulatory requirements and Agency guidelines.

9.1.5 Value Acceptance/Appraisal Waiver

An appraisal waiver (aka Value Acceptance) is acceptable to VCI provided the parameters of the loan meet all GSE requirements for the appraisal relief option. The specific conditions and FAQ's under which an appraisal waiver may be offered are detailed in the [Fannie Mae](#) and [Freddie Mac](#) Seller Guide.

It is important to note that while the Automated Underwriting System (AUS) findings will offer an appraisal waiver based on historical property data, there are circumstances in which the waiver offering is invalid. In these situations, regardless of the AUS findings, a full appraisal is required. It is imperative that Sellers consult the respective Seller Guide to confirm acceptability of the waiver.

9.1.6 Receipt of Appraisal

The Seller must provide a copy of any and all completed (approved, defective) appraisal report(s) and all property valuation(s) to the borrower(s) promptly, but not less than three (3) business days prior to closing. If the transaction is denied, withdrawn, and/or cancelled, any completed appraisal and/or property valuation must be sent to the borrower within 30 days of denial, withdrawal, and/or cancellation, if not sent prior to the status change.

An example of how the three (3) days are counted is as follows:

- The borrower receives the appraisal on Tuesday.

- The three (3) day count begins on Tuesday. The days counted would be Tuesday, Wednesday and Thursday.
- Borrower can close on Thursday.

Regulation B stipulates that the borrower may be charged for the cost of the appraisal, but the lender cannot charge the borrower for providing a copy of the appraisal.

The purchase loan file must evidence that the appraisal was received by the borrower(s) at least three (3) days prior to closing or include an executed appraisal delivery waiver dated at least three (3) days prior to closing.

9.1.7 Texas 50(a)(4) with Appraisal Waiver

To satisfy the Texas state law requirement that the indebtedness secured against the homestead does not exceed 80 percent (80%) of the fair market value of the homestead on the date the refinance of the extension of credit is made, VCI will require an Automated Valuation Model (AVM) for a Texas 50(a)(4) transaction when the AUS findings provide an appraisal waiver (value acceptance) option.

9.2 Affordable Dwelling Unit (ADU)

An Affordable Dwelling Unit (ADU) is a property located in a specified community designed to promote low-to-moderate income homeownership by providing homes for sale at a substantially reduced price. Typically, ADU properties are subject to restrictive covenants related to the financing and transferability of the property.

VCI will adhere to the relevant Agency guidelines for properties located in an ADU community. Any appraisal/property requirements set forth in the ADU, Agency or Investor guidance must be adhered to.

A property with deed restrictions that survive foreclosure is not eligible.

9.3 Condominium

All condominiums must be analyzed for acceptance to Agency requirements.

For FHA loans:

- Single-Unit Approval as described in the 4000.1 is acceptable;
- Direct Endorsement Lender Review and Approval Process (DELRAP) is ineligible for condominium project review.

9.4 Escrow Holdback Requirements

VCI will accept an Escrow Holdback when property repairs or improvements cannot be completed prior to loan closing due to weather related delays or a documented shortage of building materials. In all situations, the subject property must be habitable and safe for occupancy at the time of loan closing.

It is the Correspondent Seller's responsibility to ensure the Agency guidance is followed when establishing an Escrow Holdback and to ensure the repairs are completed.

9.4.1 General Requirements

The following requirements apply to all loans with an Escrow Holdback:

- The reason for the postponed improvement(s) must be due to inclement weather or a documented shortage of building materials.
- The subject property must be habitable and safe for occupancy at the time of loan closing.
- The completion escrow may not adversely affect the mortgage insurance or title insurance.
- Sellers must obtain a final title report, which must not show any outstanding mechanic's liens, take exception to the postponed improvements, or take exception to the escrow agreement.
- If the final title report is issued before the completion of the improvements, lenders must obtain an endorsement to the title policy that ensures the priority of the lien.
- All repairs are to be completed within 120 days of the Note Date.

9.4.2 Correspondent's Responsibilities

It is the responsibility of the Correspondent to:

- Determine that the loan meets the applicable Agency requirements for incomplete/postponed improvements.
- Reflect the escrow holdback amount including contingency on the Closing Disclosure (CD) to establish funding of the escrow account.
- Monitor repairs and inspect the subject property for completion.
- Email the final inspection to the VCI [Purchase](#) team.
 - Note: VCI must review the final inspection and approve the release of funds.
- Upon approval from VCI, disburse escrow funds per the terms of the Escrow Agreement.

9.4.3 Conventional

- Freddie Mac will not accept an Escrow Holdback for manufactured homes.
- Once repairs are completed, Sellers are responsible to provide final documents, including the appraiser's certification of completion with photos, when applicable.

9.4.4 FHA

- The purchase file must contain the appropriate holdback documentation, including [HUD Form 92300](#), Mortgagee's Assurance of Completion, with part 1, 2, 3, and 5 completed prior to the purchase of the file by VCI.

- Once repairs are completed, Seller is responsible to provide final documents, including HUD Form 92300, part 4, and [HUD Form 92051](#), Compliance Inspection Report with photos.
- Escrow holdbacks for energy-efficient improvements are acceptable for the following FHA program offerings:
 - Energy Efficient Mortgages: Installations must be completed within 90 days of the mortgage Disbursement Date.
 - Solar and Wind Technologies: Installations must be completed within 120 days of the mortgage Disbursement Date.

9.4.5 USDA

- Sellers are responsible for ensuring that all repairs are completed and provide VCI with a copy of the Final Inspection with photos once repairs are completed.

9.4.6 VA

- The purchase file must contain the Escrow Agreement for Postponed Exterior Onsite Improvements, [VA Form 26-1849](#), Escrow Agreement for Postponed Exterior Onsite Improvements.
- Once repairs are completed, Sellers are responsible to provide final documents, including [VA form 26-1839](#), Compliance Inspection Report with photos.
- Energy Efficient Mortgages are acceptable as outlined in Chapter 7 of the VA Handbook.
 - The improvements must be completed within six (6) months of the Note Date.

9.5 Manufactured Housing

Loans secured by a manufactured home are eligible for purchase by VCI provided the manufactured home meets the requirements of the respective Agency guideline which includes, but is not limited to:

- The manufactured home must have been built on or after June 15, 1976 and be designed as a one-family dwelling.
- The manufactured home must be built to HUD Manufactured Home Construction and Safety Standards.
- The manufactured home must have either the HUD Certification Label/Tag or a HUD Tag Letter from the Institute for Building Technology and Safety (IBTS).
- The manufactured home and site must be considered a real estate entity in accordance with state law and meet all local zoning requirements for real estate.
- The manufactured home must be taxed as real property.
- The manufactured home must be placed on a permanent foundation, constructed to withstand both supporting loads and wind-overturning loads, and meet all state and local requirements.

- For FHA loans, the manufactured home must meet all Title II requirements.
- Reference the Agency guideline for minimum square footage requirements.

9.5.1 FHA/USDA Permanent Foundation Requirements

FHA and USDA stipulate that the foundation requirements for a manufactured home must meet the requirements of the [Permanent Foundations Guide for Manufactured Housing \(PFGMH\), dated September 1996](#) with:

- An inspection by the state administrative agency that inspects Manufactured Housing for compliance; or
- Certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

For a refinance transaction in which the prior loan was FHA-insured or USDA-guaranteed, a copy of the foundation certification from the previously insured mortgage may be obtained. The certificate must reflect that the foundation met the PFGHM guidelines that were in effect at the time of certification, provided there were no alterations and/or observable damage to the foundation since the original certification.

- If the Appraiser notes additions or alterations to the Manufactured Housing unit, the Seller must ensure the addition was addressed in the foundation certification.
- If the additions or alterations were not addressed in the foundation certification, the Seller must obtain certification using one of the above two options.

9.6 Private Transfer Fees

Properties encumbered by impermissible private transfer fee covenants created on or after February 8, 2011 are not eligible. An impermissible private transfer fee is a transfer fee, charge, or payment, imposed by a covenant, restriction, or other similar document that is:

- Required to be paid with a transfer of title to real estate; and
- Is payable on a continuing basis each time the property is transferred over a period of time, or indefinitely.

A private transfer fee does not include fees, charges, payments, or other obligations that are imposed by or payable to the federal, state, or local government; or that defray actual costs of the transfer of the property, including transfer of membership in the relevant covered association, as defined below.

Some private transfer fees are excepted from the general definition and are permissible. An *excepted transfer fee covenant* is a private transfer fee covenant that requires payment of a private transfer fee to a *covered association* and limits the use of such transfer fees exclusively to purposes which provide a *direct benefit* to the real property encumbered by the private transfer fee covenants.

- A *covered association* is a nonprofit mandatory membership organization comprised of owners of homes, condominiums, cooperatives, manufactured homes, or any interest in real property and created pursuant to a declaration, covenant, or other applicable law; or a “non-profit” organization under sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code. A covered association may include master and sub-associations, each of which is also a covered association.
- A *direct benefit* means that the private transfer fees are used exclusively to support maintenance and improvements to the encumbered properties, and acquisition, improvement, administration, and maintenance of property owned by the covered association of which the owners of the burdened property are members and used primarily for their benefit. Direct benefit also includes cultural, educational, charitable, recreational, environmental, conservation or other similar activities that are conducted in or protect the burdened community or adjacent or contiguous property or are conducted on other property that is used primarily by residents of the burdened community.

Additionally, Fannie Mae will allow for shared equity loans subject to private transfer fee covenants for all such loans with Note Dates on or after July 1, 2023. Reference [Fannie Mae Lender Letter 2023-02](#) for complete details.

9.7 Ineligible Property Types

The following property types are not permitted:

- >4-unit dwellings
- Bed and breakfast establishments
- Boarding houses
- Commercial enterprises
- Condo hotel / Condotels
- Cooperative (Co-op) Properties
- Group homes
- Hotels, motels and condotels
- Land Trust
- Methamphetamine Homes (unless certified safe for habitation)
- Non-Warrantable Condominiums
- Private clubs
- Properties located in Lava Zones 1 or 2 in Hawaii (Conventional only)
- Properties on an Indian Reservation

- Properties with Gross Living Area (GLA) less than 600 square feet per unit (unless a lesser GLA is allowed per the respective Agency Handbook)
- Properties with individual water purification systems required to make the water safe and potable
- Sinkhole homes
- Time shares
- Transient housing
- Unique properties in which the appraiser is not able to find any evidence of market acceptance and the characteristics of the property are so significantly different that a reliable opinion of market value cannot be developed.
- Working farms, ranches, and/or orchards

CHAPTER 10. NON-DELEGATED PROCESS

Correspondents approved for Non-Delegated loan delivery follow a slightly different procedure to allow VCI to properly review and underwrite submitted loans. As always, the Account Executive (AE) contact that was provided upon VCI approval is the primary contact for questions regarding the Non-Delegated Correspondent (NDC) process.

10.1 Set-Up

A Correspondent set-up as Non-Delegated follows the same procedure as outlined in this Guide. Upon approval for Non-Delegated Underwriting, the Correspondent will receive:

- Email notification from the VCI IT Department indicating approval and AE contact.
- Training provided.
- Log-in credentials to allow for file uploads as required.

10.2 Submission

Non-Delegated Correspondents are advised to provide a full, complete file at the time of submission; however, if some items are not available at the time of submission, packages will be accepted provided the minimum documentation requirements are met.

Minimum documentation required for submission:

- Initial URLA including Lender Loan Information to include the six (6) pieces of information (VCI will accept a TBD file for review for purchase transactions only)
- Credit Report (must be less than 90 days old and include credit report for non-borrowing spouse when a government loan in a community property state)
- AUS Findings
- Asset Verification, as required per AUS
- Income Verification, as required per AUS
- Net Tangible Benefit (refinance only)
- Purchase Contract (purchase only)
- Applicable supporting documentation for government loans (i.e., HUD Addendum, FHA Case Assignment, CAIVRS, etc.)

Be aware that the less documentation provided upfront for the initial Underwriter review, the more conditions will be added for loan approval.

10.3 Loan File Review

As the loan moves through the review process, TPO Connect will be updated with the current status. The Non-Delegated Correspondent should check the website for loan status updates and conditions.

The AE will monitor each loan and assist the Correspondent with any issues that require follow-up. The Correspondent may need to upload requested documents to TPO Connect to fulfill any requests for outstanding information.

Note: Conditions must always be uploaded through TPO Connect using the Conditions tab. Once all conditions are uploaded, Correspondent to “resubmit” the loan through TPO Connect.

10.4 Underwriting Conditions

Non-Delegated loans cannot close prior to the final approval issued by the VCI Underwriter. Loans sent for purchase can be rejected when the file is closed without VCI’s clear to close. If the documentation in the loan file changes after VCI has issued the clear to close, the file must be resubmitted to VCI for a re-underwrite before the Correspondent closes the loan.

10.5 Clear to Close

Once all underwriting conditions have been satisfied and the loan has been approved, the loan file will move to “UW Clear to Close” status until the closed loan package is uploaded. All outstanding underwriting conditions, such as prior-to-close and at-closing, must be satisfied prior to purchase.

10.6 Loan File Denials

VCI is required to provide the originating correspondent with a Statement of Credit Denial, Termination, or Change on all loans denied. VCI will upload the Statement of Credit Denial, Termination, or Change to TPO Connect. It is the Correspondent’s responsibility to provide the adverse action notification to the applicant in accordance with the following guidelines:

- If the loan was denied for non-credit history related reasons and the applicant expressly accepts the credit offered by another lender, a Statement of Credit Denial, Termination, or Change disclosure is not required to be sent to the applicant by the correspondent.
- If a loan denial is based either solely or partly on information derived from a consumer credit report, the completed Statement of Credit Denial, Termination, or Change disclosure must include the name, address and telephone number of the Credit Reporting Agency that provided the information used in the decision. The Correspondent lender is required to deliver the disclosure regardless of whether or not the loan is placed with another lender.
- The provisions set forth in the Fair Credit Reporting Act (FCRA) and the Equal Credit Opportunity Act (ECOA), also known as Reg. B, require creditors to provide applicants with notification of adverse action in a timely manner.

- The Statement of Credit Denial, Termination, or Change disclosure must be provided to the applicant within thirty (30) days of the date the completed application was received for underwriting.
- The term “completed application” is defined as a loan application inclusive of all of the necessary documentation needed to make a credit decision. The 30-day requirement does not begin until the final document that was used in the decision to deny the file was received.

10.7 FHA Loans

Correspondents approved by VCI for Non-Delegated loan delivery that are also approved FHA-mortgagees originating and closing loans in their own name may use VCI’s Non-Delegated underwriting services for loan review, decision, and clearance.

All Non-Delegated FHA loans must reflect the following on the Case Number Assignment:

- VCI as the Sponsor/Agent at the time the loan is submitted for the initial underwriting decision, and
- The Correspondent as the Originator or Sponsored Originator.

Items to Note:

- FHA Test Cases cannot be underwritten as Non-Delegated.
- VCI cannot perform Non-Delegated underwriting on loans originated by a Third-Party Originator (TPO) (Correspondent’s TPO production).
- VCI will only underwrite a Correspondent’s retail production through the Non-Delegated channel.

10.8 FHA Case Assignment

Reference the FHA Connection [Quick Start Guide](#) for resources to assist with Case Processing, Appraisal Logging, etc.

Requests may also be submitted directly to VCI; reference the FHA Case Number Assignment Instructions within TPO Connect for details, and utilize the respective email contact:

- [New Case Assignment](#)
- [Transfer of a Case Assignment](#)
- [Cancellation of a Case Assignment](#)

10.9 VA Sponsorship

To deliver a VA Non-Delegated file, Correspondents must be approved by the Veterans Affairs (VA) as an authorized agent with Village Capital & Investment LLC. The agent sponsorship requires a \$100 processing fee to be paid by the Correspondent to VCI who in turn will remit payment directly to the VA. The check for the processing fee must be annotated in the memo line with “VA Sponsorship Fee for (Correspondent

Lender)”. The processing fee is due to VCI at the time on onboarding for the initial request, and no later than December 31st of the most recently approved year for annual renewals.

10.10 VA Submission Requirements

- Correspondent must obtain Lender Appraisal Processing Program (LAPP) approval, which will allow for expedited loan processing.
- Correspondents should be set up as IND.
- The Correspondent will order the VA Case Assignments and appraisals.
- VCI reviews the VA Portal for completed appraisals of Non-Delegated VA loans.
- When Correspondent IND is transferred to VCI, a Lender Notice of Value (LNOV) will be issued.
- The VA Staff Appraisal Reviewer (SAR) will complete their review within the VA allotted time.

CHAPTER 11. LOAN DELIVERY

VCI accepts loans for purchase from approved Correspondent Sellers that meet the requirements of this Guide, any updates or announcements which amend such guidelines, and the Correspondent Loan Purchase Agreement executed by VCI and the Seller. All loans must be delivered with the requirements of this Guide and will be reviewed for purchase. In the event closing issues arise which are not addressed in this Guide, please reach out to the VCI Account Executive (AE) for assistance.

11.1 Closed Loan Package

The Closed Loan Package of any mortgage loan that is being considered for purchase by VCI must be delivered via TPO Connect **on or before 11:59pm EST on** the expiration date of the related Lock Confirmation.

Correspondents Sellers are advised to provide a full, complete package in purchasable format at the time of submission.

11.1.1 Accuracy of Documents

The documents, instruments, agreements, and other information submitted to VCI are not falsified and contain no untrue statement of material fact(s) or omissions of a material fact required to be stated therein, or necessary to make the information and statements therein not misleading. No fraud, error, omission, misrepresentation, negligence, or similar occurrence with respect to a mortgage loan has taken place on the part of any person, including without limitation, the Borrower, any appraiser, any builder, any developer, or any other party involved in the origination or servicing of the mortgage loan.

The Seller has reviewed all documents constituting the mortgage loan file and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations set forth therein. If Seller discovers the accuracy of the documents or the information represented therein changes at any time, Seller will immediately notify VCI.

11.1.2 Address Confidentiality Program

Several states have Safe at Home laws, also called Address Confidentiality Programs (ACP), which are designed to protect victims of domestic violence and other acts of intimidation and physical violence. One of the functions of these programs is to shield the individual's property address by providing them with a legal substitute mailing address to keep their physical address confidential.

When delivering a file for a customer who participates in ACP:

- The legal substitute mailing address should be reflected as the mailing address on the URLA Part 1; and
- An email should be sent to inquiry@villagecapital.com with the borrower's last name and loan number to advise of ACP participation.

11.1.3 Closing Documents

All closing documents must be error-free. Seller must use mortgage loan documents that comply with all requirements of the applicable mortgage loan program, as well as all applicable federal, state, and local laws and regulations. Sellers must use the most current Fannie Mae/Freddie Mac, FHA, VA or USDA Promissory Note and Security Instruments, including all applicable riders and addendums.

Corrective or curative items related to file documentation must meet Agency and Custodial guidelines including, but not limited to, Borrower name(s) supported by an AKA Affidavit or AKA Vesting as applicable.

VCI is unable to accept documentation notarized by a Remote Online Notary (RON) at this time.

11.1.4 Correction to Documents

No white-out or corrective coverings of any kind are allowed. Only a strikeout (strikethrough) that has been initialed by each Borrower may be used to correct clerical typing errors.

11.1.5 Pre-Dated Documents

VCI will not purchase loans in which the execution date by the Borrower(s) and notary precedes the date reflected within the document. This is applicable to any closing document which requires notarization, such as the:

- Security Instrument
- Name (AKA) Affidavit
- Compliance Agreement re: Errors and Omissions
- Occupancy Statement

11.1.6 Post-Dated Documents

Situations in which the documents are executed after the date reflected within the document (i.e., mail-away closing) are acceptable, provided they are executed within five (5) days.

11.1.7 Closing Disclosure

A completed and signed original/certified copy of the Closing Disclosure is required by VCI and must be included in the Closed Loan Package submitted for purchase.

VCI requires all seller paid “Loan Costs” and “Other Costs” to be disclosed on the Borrower’s version of the Closing Disclosure.

- “Loan Costs” includes sections A, B, C and the Total Loan Costs in section D.
- “Other Costs” includes sections E, F, G, H, the Total Other Costs in section I, and the Total Closing Costs in section J.

Purchase transactions that do not disclose all seller paid costs on the borrower’s CD will not be purchased. If a Borrower CD does not have seller paid costs, then the CD will need to be corrected and reissued to the Borrower. The following will be required to clear the suspense condition:

- Corrected post consummation CD evidencing the seller paid costs; and

- Letter of explanation detailing the changes on the post consummation CD; and
- Evidence of CD delivery.

11.1.8 Critical Documents

All documents, except for original Collateral documents (which are required to be submitted as original documents), must be delivered using the TPO Portal.

The following critical documents should be included in the imaged loan package upload:

- Copy of the original Promissory Note with intervening endorsements, endorsed “Pay to the order of Village Capital & Investment LLC, without recourse.”
- Copy of the original Mortgage/Deed of Trust, and any riders as indicated on the Mortgage/Deed of Trust. Deed of Trust copy must be stamped as a certified true copy of the original and include a signature along with the name of the company making the certification.
- Copy of the original Title Insurance Policy or if the original policy has not been issued, the irrevocable commitment to issue the same.
- Copy of the Power of Attorney, if used to execute Note or Mortgage/Deed of Trust. Power of Attorney copy must be stamped as a certified true copy of the original and include a signature along with the name of the company making the certification.
- Copy of the Mortgage Insurance Certificate, if required by program guidelines.
- Evidence of adherence to all applicable local, state, and federal regulations as well as compliance with all Fannie Mae, Freddie Mac, FHA, VA and USDA specific disclosures and forms.

11.2 Closed Loan File Review

Files will be reviewed by the VCI Correspondent Lending Department for compliance with federal and state regulations as well as underwriting guidelines. For each loan submitted for purchase, VCI will provide the Seller with a purchase decision and any conditions to be cleared prior to purchase of the loan.

The loan review includes, but is not limited to, the following (if applicable):

- Verification of all data that was submitted for each loan.
- Confirmation of the loan’s compliance with the applicable underwriting & product eligibility.
- Verification of Seller’s compliance with federal and state regulations.
- Verbal verification of employment, including third-party source confirmation.
- Review and confirmation of Closing Protection Letter and Final Closing Disclosure.
- Review of program specific forms and documents as required by the respective Agency.

For any loan failing to meet VCI delivery requirements, the Seller will receive written notification of the defects and shall submit corrected documentation to VCI by the applicable delivery deadline.

For loans with defects that cannot be corrected by the delivery deadline, the Seller may extend the commitment in accordance with this Guide.

11.3 Delivery to Purchase Turn Time

Loans must be Approved for Purchase prior to the lock expiration, which includes:

- The full loan package was received by VCI; and
- The loan has been reviewed and cleared of all prior to purchase conditions.

For loans that are delivered to VCI by the lock expiration date, an automatic 10-day extension at no cost to the Seller will be applied. The 10-day extension will provide additional time for the file review and satisfaction of conditions (as applicable).

If the loan has not been cleared for purchase after the no-cost 10-day extension, automatic extensions will be charged per the rate sheet in increments of five (5) days.

After 45 days of automatic extensions at a charge, the lock will expire, and the loan will be subject to re-lock or pair-off fees per the [Lock Policy](#).

Note: This section does not apply to Mandatory Commitments.

Loans that have outstanding conditions which are not Approved for Purchase within the above time frame will automatically be cancelled in VCI's systems and may be subject to pair-off fees, unless an exception has been approved.

11.4 Notary

The notary signature must be on the line provided for the notary. The notary must comply with all applicable state laws and the notary license must be current. The notary seal must be prominently displayed, and the expiration date must be visible. The notary stamp must be clear and legible.

11.5 Owner Occupancy Agreement

An owner occupancy agreement is required on all mortgage loans where the Borrower(s) are going to reside in the subject property. Generally, the Borrower(s) must occupy the property within 60 days of closing and at all times thereafter for a minimum of one year (12 months). In addition, the mortgaged property must be lawfully occupied under applicable law. Seller must ensure that all inspections, licenses, and certificates required to be made or issued with respect to all occupied portions of the mortgage property, and with respect to the use and occupancy of the same, including but not limited to, certificates of occupancy, have been made or obtained from the appropriate authorities and no improvement located on or part of the mortgaged property is in violation of any zoning law(s) or regulation(s).

11.6 Payments

11.6.1 Conventional Loans with MI

- A MI Certificate reflecting confirmation the policy is activated is required to be provided in the closed loan file presented for purchase review.
- The Correspondent must ensure that as of the date a mortgage loan is purchased, MI has been secured and any upfront premiums for MI have been paid.
- Seller must ensure that any monthly premiums due are paid through the month of transfer.
- Proof of Payment for upfront MI premiums to include:
 - CD indicating premium paid at closing or;
 - Paid receipt if paid outside of closing or;
 - MI Certificate showing premium paid in full.
- The Correspondent must forward a Change of Servicer notification to the MI Company within 15 days after VCI has purchased the loan, if the Correspondent's name appears in the mortgagee clause.

11.6.2 Escrow Payments

Seller must ensure that the origination, servicing, and collection practices with respect to the mortgage loan have accorded in all material respects with accepted mortgage origination and servicing practices of prudent lending institutions, applicable laws, and regulations, and have been in all material respects legal and proper.

With respect to escrow deposits and escrow payments:

- All such payments must be in the possession of Seller and no deficiencies exist in connection therewith for which customary arrangements for re-payment thereof have not been made.
- Seller must confirm that all escrow payments have been collected in full compliance with state and federal law, and the provisions of the related Promissory Note or Mortgage.
- Seller must ensure that an escrow of funds is not prohibited by applicable law and that such has been established in an amount sufficient to pay for every item that remains unpaid and has been assessed but is not yet due and payable.
- No escrow deposits or escrow payments, or other charges or payments, due the Seller have been capitalized under the Mortgage or the Promissory Note.
- Any interest required to be paid pursuant to state, federal, and local laws has been properly paid and credited.

11.6.3 Government Loans

11.6.3.1 Upfront Fees

11.6.3.1.1 Delegated Loans

It is the Seller's responsibility to remit the Upfront Loan Guarantee Fee and Technology Fee to USDA, the Upfront Mortgage Insurance Premium (UFMIP) to HUD, and the VA Funding Fee (VAFF) to VA within the time frame mandated in the respective Agency Handbook, and to obtain Insurance/Guaranty in compliance with Agency requirements.

11.6.3.1.2 Non-Delegated Loans

It is the Seller's responsibility to remit the Upfront Mortgage Insurance Premium (UFMIP) to HUD, and the VA Funding Fee (VAFF) to VA within the time frame mandated in the respective Agency Handbook on all loans that it funds. VCI will work with the Seller to complete the application for Insurance/Guaranty and submit a request for the MIC/LGC upon purchase of the loan.

For USDA loans, VCI will remit the Guarantee Fee and Technology Fee, and obtain the LNG. These fees will be net funded from the Purchase Advise.

11.6.3.1.3 Mini-Correspondent Loans

For Mini-Correspondent loans, VCI will remit the Guarantee Fee and Technology Fee to USDA, the Upfront Mortgage Insurance Premium (UFMIP) to HUD, and the VA Funding Fee (VAFF) to VA unless the file includes proof of payment. For loans in which VCI remits the fee, VCI will net fund the fee from the Purchase Advise. VCI will work with the Seller to complete the application for Insurance or Guaranty and submit a request for the MIC/LGC upon purchase of the loan.

11.6.3.2 FHA Monthly Mortgage Insurance Premium

On FHA loans, the Seller is responsible for payment of the monthly Mortgage Insurance Premium (MIP), from the initial MIP payment through the month that VCI purchases the loan. If the mortgage loan is purchased prior to the first payment due date, VCI will be responsible for all monthly MIP payments on the mortgage loan.

11.6.4 Misapplied Payments

Misapplied payments shall be processed as follows:

- All parties shall cooperate in correcting misapplication errors.
- The party receiving notice of misapplied payment which occurred prior to the purchase date and discovered after the purchase date shall immediately notify the other party.
- If a misapplied payment which occurred prior to the purchase date cannot be identified and such misapplied payment has resulted in a shortage in an escrow (or other) account, the balances of which are being transferred to VCI, the Seller shall be liable for the amount of such shortage. The Seller shall reimburse VCI for the amount of such shortage.
- If a misapplied payment which occurred prior to the purchase date has created an improper purchase price as result of an inaccurate outstanding principal balance, a check shall be issued, or funds will be wired to the party adversely affected by the improper payment application.

Whichever party discovers the misapplied payment will notify the other, and the parties will then comply promptly with this paragraph.

11.7 Principal Reduction on FHA and VA Loans

For loans insured by the Correspondent, if there are any principal reductions listed on the Final Closing Disclosure, the Seller must update the respective system of record (FHA Connection or WebLGY) and provide the MIC or LGC for VCI to consider the loan eligible for purchase.

In the event of a Post Close Closing Disclosure (PCCD) in which a principal reduction was applied, a copy of the PCCD must be provided to VCI for reconciliation with the Note and MIC/LGC. Funds applied toward a principal reduction must be sent directly to VCI unless the cure requires the funds be returned directly to the Borrower(s).

11.8 Promissory Note

11.8.1 Note Endorsement

The Promissory Note must be endorsed via an Allonge to Village Capital & Investment LLC and signed by an authorized Officer of the Company.

The Allonge must contain the Seller's name, loan number, loan amount, Borrower name(s), subject property address, date of Promissory Note and executed by an authorized Officer of the company. The data on the Allonge must match the Promissory Note exactly. Handwritten corrections are not acceptable.

All closing packages must include a scanned copy of the original Allonge. Original Allonges should be mailed directly to Seller's warehouse bank. If an Allonge was not provided, an original Promissory Note endorsed to Village Capital & Investment LLC. must accompany all collateral packages. Allonges must be properly endorsed to Village Capital & Investment LLC without recourse.

11.8.2 Note Date Tolerance (Aged Loans)

Promissory Note dates must be less than 30 days prior at the time of loan submission (complete Credit and Legal package). Note dates that exceed the 30-day tolerance may be subject to a pricing exception. Exception requests should be sent to the [VCI Support Team](#) prior to loan submission, including Borrower's last name, loan type, Note Date, and complete explanation of why the Note is seasoned. VCI Support will confirm approval and applicable pricing adjustment, subject to review and approval of complete loan package. Exception requests must be submitted and approved prior to end of business on the 35th day.

The following documents must be provided when submitted an aged loan to VCI:

- Note
- Payment History
- Mortgage Insurance Certificate (MIC) if FHA loan
- Loan Guaranty Certificate (LGC) if VA loan

- Loan Note Guarantee (LNG) if USDA loan
- Final Title Policy
- Recorded Security Instrument
- Recorded Assignments, if applicable
- Endorsement Chain, if applicable

11.8.2.1 VA Alteration & Repair

VA Alteration & Repair loans meeting posted guidelines are exempt from the above Note Date Tolerance process, subject to the following adjustments based on Note age at delivery:

- 30 - 90 days = -0.125 adjustment
- 91 - 180 days = -0.250 adjustment
- 180+ days = Subject to management review and exception

11.8.3 Promissory Note Modifications

Promissory Notes cannot be modified and/or altered after the loan has been purchased by VCI.

11.9 Lender's Title Insurance Policy

Seller warrants they are the named insured and sole insured of the Lender's Title Insurance Policy, such title insurance policy is and will remain in full force and effect and will insure to the benefit of VCI, and the assignment to VCI of Seller's interest in such title insurance policy does not require the consent or notification to the insurer.

Seller warrants no claims have been made under such title insurance policy and neither Seller nor any prior holder of the Mortgage Security Instrument/Mortgage Deed of Trust has done, by act or omission, anything which would impair the coverage of such title insurance policy including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by the Correspondent.

Seller further warrants that nothing contemplated in the assignment, or any transfer to VCI, will impair the coverage of such title insurance policy.

11.10 Uniform Closing Dataset (UCD) Requirements

Fannie Mae and Freddie Mac (collectively, "GSEs") require the collection and delivery of the Uniform Closing Dataset (UCD). Correspondent sellers represent and warrant compliance with Fannie Mae's and Freddie Mac's (collectively "GSEs") requirements surrounding this initiative:

- For all loans, UCD files must be submitted under the Agency product that aligns with the lock; the UCD submission must reflect the Casefile ID associated with the loan.

- The Closing Disclosure (Borrower only) must be embedded in the UCD file.
- All pages of both the Fannie Mae UCD Findings Report reflecting “Successful” with no fatal edit messages, and the Freddie Mac Loan Closing advisor (LCA) Feedback Certificate reflecting “Satisfied” with no Red (critical) messages, must be in the closed loan package.
- Correspondent Sellers unable to submit UCD files or obtain a successful transmission should work directly with the GSEs to remedy the issues. The FAQs published on Fannie Mae’s and Freddie Mac’s UCD websites provide an abundance of support and clarity for this initiative.
- If the loan was closed with a split disclosure (borrower vs. seller), each must be submitted independently to the GSEs.

CHAPTER 12. BAILEE LETTER

A Bailee Letter for which the warehouse bank or Seller asserts security interest must be delivered to VCI for each mortgage loan. Upon the purchase of the loan, the Seller must make the security interest of the mortgage loan effective to VCI, satisfying the following requirements:

- An individual Bailee Letter or Trust Receipt (aka Bailment Letter) must be delivered to VCI on each mortgage loan for which the warehouse bank or Seller asserts security interest.
- If a Bailee Letter covers more than one mortgage loan, a copy of the Bailee Letter must be included in each applicable mortgage loan file, with the relevant information for the related mortgage loan highlighted.
- The Bailee Letter must be signed as follows:
 - Correspondent Seller as Purchaser
 - Village Capital & Investment LLC as Accepted and Agreed
 - Warehouse Bank as Bailee
- The Bailee Letter must clearly identify:
 - Seller's name – the Lender
 - Investor – Village Capital & Investment LLC
 - Seller's loan number for each loan included in the bailee letter
 - Name or last name of the Borrower(s)
 - Principal balance of the mortgage loan
 - Exact wiring or payment instructions
- The Bailee Letter must be attached to the Promissory Note and delivered to VCI. If a Bailee Letter or Trust Receipt is sent separately from the applicable Promissory Note, a Bailee or Trust arrangement is not established and a security interest in the mortgage loan is not perfected.
- The Bailee Letter and the Promissory Note must be delivered to Village Capital & Investment LLC on or before the applicable delivery date.

NOTE: Incorrect delivery of a collateral package, Bailee Letter, and/or Promissory Note will not establish an agreement and may cause a delay in purchasing the mortgage loan file. If the collateral package provided is incomplete or contains inaccurate information, the Bailee Agreement will not be established and a delay of the funding of the related mortgage loan may result.

12.1 Reverse Bailee

VCI will accept Reverse Bailee from approved warehouse lines; however, the Seller must ensure that the original collateral is delivered to VCI within 72 hours of the purchase date.

CHAPTER 13. COLLATERAL PACKAGE

Every loan delivered and locked with VCI is conditioned for the following:

- Original Promissory Note (endorsed via Allonge or page three (3) of the Note to state: Pay to the order of Village Capital & Investment LLC)
- Certified copy of the Security Instrument/Mortgage/Mortgage Deed of Trust and all applicable riders and addenda
- Allonge to Note or final page of the Note to include the Endorsement
- Title Commitment
- Legal Description
- MERS Registration and Assignment/Recorded Assignment of Mortgage
- Wire Instructions or Bailee
- Power of Attorney, if applicable

13.1 Mailing Address

Submit collateral documents to the address below with the loan number clearly displayed on the outside of the envelope.

Village Capital & Investment LLC
Attention: Collateral Department
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074

13.2 Sweeps or Client-to-Client Transactions

If the Seller uses a joint warehouse bank with VCI (e.g., Customers Bank, LegacyTexas Bank or Texas Capital Bank), Seller must provide a print screen from the warehouse bank to indicate the collateral is delivered. If tracking is provided after the package has been delivered, the turn time on the loan may be delayed.

Sellers must request internal shipping to VCI through the warehouse bank in order for VCI to purchase the loan as a sweep transaction.

13.3 Tracking

Collateral packages received at VCI are processed within a 24 hour time frame. In the event a condition is not signed off after 24 hours from receipt of the collateral package by VCI, Seller may email tracking details to collateral@villagecapital.com.

When emailing the Collateral Team, include the VCI loan number and Borrower's last name.

CHAPTER 14. MORTGAGE LOAN PURCHASE

Loans must be purchased within the stated time frame, or the loan will be cancelled and not eligible for sale to VCI. To meet this commitment, VCI requires a mortgage loan file that is in a purchasable form. Loan submissions that are incomplete may delay the purchase of the mortgage loan. Reference the [Lock Policy](#) for delivery details.

14.1 Purchasable Form

VCI considers a delivered file to be in purchasable form if it meets all product and program parameters, federal, state and local laws and regulations, industry standards, including VCI-specific documentation requirements. All loans will be reviewed in a timely manner after receipt and the Correspondent will be notified of any issues which impact the purchase of the loan.

Note: VCI will not purchase any loan that is not current. Payments must be up to date.

14.2 Decline to Purchase

VCI may, at its sole and absolute discretion, reject any mortgage loan for purchase for any reason, including but not limited to:

- Failure of the mortgage loan to meet VCI's published loan parameters;
- Failure of the mortgage loan to satisfy all applicable underwriting standards;
- Improper documentation of the mortgage loan;
- Suspected fraud or suspicious activity in the origination of the mortgage loan;
- Any breach of any other representation, warranty, or covenant made with respect to the mortgage loan as stated in this Guide or the Agreement.

14.3 Suspense Conditions

Sellers may log into TPO Connect and view loan-level suspense conditions in one of the following ways:

- Locate the loan in TPO Connect and click on "View/Upload Condition"; or
- Locate the Seller-specific suspense report under the "Report" tab.

Suspense conditions and reports are updated throughout the day and should be monitored by Sellers.

14.4 Net Purchased Proceeds

VCI net funds loans based on the calculation of:

- Principal Balance Purchased times net lock price
- Addition of any applicable pricing incentives

- Decrease for any applicable price adjustments
- Increase or decrease for accrued interest
- Decrease for escrow accounts
- Decrease for temporary interest rate buydown funds reflected on the CD
- Decrease for escrow holdback funds when the Seller holds the escrow funds
- Decrease for any outstanding unpaid fees due to VCI
- Decrease for VCI's [fees](#)
- Decrease for Tax Service Fee, if not paid to VCI with Servicing Transfer

Reference the respective subchapter under [Upfront Fees](#) for details regarding the USDA Guarantee and Technology Fee, FHA Upfront Mortgage Insurance Premium (UFMIP), and the VA Funding Fee (VAFF).

Address any questions related to the wire or Purchase Advice calculation to the [VCI Support Team](#), being sure to include the PA and loan number.

14.5 Principal Balance Purchased

The principal balance of the loan on the Purchase Date will be calculated based on the effective date of the transfer of servicing or ownership as described below:

- Loans purchased on or before the 16th day prior to the end of the month will have an effective transfer of servicing or ownership date as of the first day of the month following the purchase date. The principal balance purchased will be the scheduled principal balance.
- Loans purchased on or after the 15th day prior to the end of the month will have an effective transfer of servicing or ownership date as the first day of the month subsequent to the month following the mortgage loan purchased date.

The principal balance purchased will be the scheduled principal balance minus any principal reductions minus any principal portion of such payment on or after the cutoff date noted above. The Seller will be entitled to retain the monthly payment due on the first day of the month following the month of purchase.

A copy of the payment history data for all payments collected by the Correspondent after closing must be provided whenever a payment has been received by the Correspondent prior to purchase of the loan by VCI.

14.6 Accrued Interest

VCI will either charge or credit accrued interest based on the purchase date and the first payment due to VCI.

- VCI will pay the Seller accrued interest at the interest rate stated in the applicable Promissory Note, from the first day of the month of purchase through the day prior to the date of purchase (and VCI

will be entitled to receive the monthly payment due on the first day of the month following the month of purchase). The purchase price proceeds paid by VCI will be increased by an amount equal to interest accrued at the interest rate stated in the applicable Promissory Note from the first day of the month of purchase through the day prior to the date of purchase.

- The Seller will pay VCI accrued interest at the interest rate stated in the applicable Promissory Note, from the date of purchase through the last day of the month of purchase (and the Seller will be entitled to retain the monthly payment due on the first day of the month following the month of purchase). The purchase price proceeds paid by VCI will be reduced by an amount equal to interest accrued at the interest rate stated in the applicable Promissory Note, from the date of purchase through the last day of the month of purchase.

Accrued interest to be paid by the Seller as described above will be calculated by multiplying the unpaid principal balance purchased by VCI by the loan's interest rate, divided by 360 and multiplied by the applicable number of days, as described above.

14.7 Right to Offset

Seller agrees VCI shall have the right to offset amounts owed to VCI and/or net and offset monies owed on any and all loans submitted to VCI.

When errors and/or discrepancies occur in the purchasing of a mortgage loan, they will be processed in one of three methods, depending on the specific discrepancy:

- (i) If VCI over-funds on a mortgage loan purchase, Seller agrees to reject the wire. Once the wire is rejected, VCI will process the correct wire amount from the warehouse bank;
- (ii) Seller agrees if they do not reject the wire, monies owed to VCI will be offset and/or netted from other mortgage loans in process with VCI;
- (iii) If VCI owes Seller additional monies on a purchased mortgage loan, VCI will process a check for the difference to Seller.

CHAPTER 15. FUNDING DOCUMENTATION

The mortgage file must contain each of the documents and instruments specified to be included therein as required under this Guide, and each such document or instrument must be in the form specified by this Guide.

The Seller is responsible to ensure compliance with all aspects of this Guide, and attests to adherence with the below referenced topics, as applicable.

15.1 Due-on-Sale

Unless otherwise provided for in the Guide, the mortgage loan contains an enforceable provision for the acceleration of payment of the unpaid principal balance of the mortgage loan in the event the mortgaged loan's subject property is sold or transferred without prior written consent.

15.2 Not Impaired, Waived, Altered, or Modified

The terms of the Promissory Note and the Mortgage Security Instrument/Mortgage Deed of Trust have not been impaired, waived, altered, or modified in any respect from the date of origination, except by a written instrument which has been recorded, if necessary, to protect the interest of VCI.

15.3 Qualified and Authorized Trustee

Any trustee named in the Mortgage Security Instrument/Mortgage Deed of Trust is duly qualified and authorized to serve as such in the applicable jurisdiction and has been properly designated and currently so serves. No fees or expenses are currently due to such Trustee other than any fees or expenses which may be incurred after a default.

15.4 Record Security Instrument

Each Mortgage Security Instrument/Mortgage Deed of Trust and all other Security Instruments securing the mortgage loan have been duly recorded in or submitted for recording in the office of the jurisdiction where the mortgaged loan's subject property address is located.

CHAPTER 16. POST PURCHASE

16.1 Borrower Notifications

Seller must issue all Borrower notifications no less than 15 days before the effective date of the transfer of servicing duties and must:

- Indicate the date on which the servicing duties are to be transferred, which shall be the same date as the date on which payments are to commence to the Servicer.
- Identify the date Seller will no longer accept payments on the mortgage loan and the date on which payments are to commence to the new Servicer.
- Identify the transferee of the servicing duties. Provide Seller's name, complete address, appropriate department name, and a toll-free or collect call telephone number, which the Borrower(s) may call with questions.
- Direct the Borrower(s) to forward future payments to the servicing processing center.
- Notify the Borrower(s) that the transfer does not affect any terms or conditions of the mortgage loan other than those related to servicing.
- Include a statement that, under Federal law, during the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by the old servicer on or before its due date may not be treated by the new servicer as late, and a late fee may not be imposed on the Borrower.
- Comply with all applicable federal and state laws.

16.2 Corporate Advances/Invoice Requirements

All advances paid during interim servicing (between purchase date and transfer date) by Correspondent should be posted to the loan and included in the final trial balance provided to VCI. Invoices related to advances during interim servicing must be submitted to VCI. VCI will not reimburse Correspondent for any advances incurred prior to purchase date.

Any escrow advance will be funded within five (5) business days of transfer date subject to appropriate substantiation.

16.3 Early Payment Default

Village Capital will monitor Early Payment Default (EPD) based on the calculation stated in the Delegated Correspondent Scorecard. EPD's will be subject to repurchase in accordance with the Correspondent Loan Purchase Agreement. Excessive EPD's could impact the good standing of the Correspondent.

16.4 Early Payoff

If a mortgage loan is paid in full prior to the end of the sixth (6th) full calendar month after purchase by VCI, Seller shall promptly refund to Purchaser all amounts paid by VCI in excess of PAR, plus the full amount of any premium paid to Seller related to such mortgage loan.

16.5 Escrow Reconciliation Requests

If the Correspondent is due escrow funds from VCI, then a written request including supporting documentation must be submitted to the [VCI Support Team](#) within 60 days following mortgage loan purchase date.

Correspondent must provide the following documentation:

- Request Escrow Funds or monthly payment
- Closing Disclosure
- Mortgage Loan History
- Copy of Check (If tax or insurance was paid, or if check was sent to Borrower)

If the required documentation listed above is not received, then the request will be denied pending further documentation. The Correspondent will have 15 days to respond to the denial letter. If the information is not received within 15 days, then VCI will remove all analysis and disbursement stops on the escrow account.

If VCI approves the request, then the funds will be forwarded to the Correspondent. If the request is denied, then VCI will send a letter to the Correspondent outlining the reason for the denial.

If VCI is due escrow funds from the Correspondent, then a request accompanied by a detailed explanation will be submitted to the Correspondent requesting the additional escrow funds. If additional information is required, then the Correspondent should contact the VCI Servicing Department. All requests receiving no response will be added to the Correspondent's monthly invoice.

After the 60-day timeframe, neither VCI nor the borrower is responsible for returning escrow funds to the Correspondent. VCI will not be responsible for reimbursement of escrow funds to the Correspondent for loans paid in full or sold.

VCI may request reimbursement from the Correspondent through 12 months after the purchase of the mortgage loan. Correspondent is responsible for escrow errors for a complete 12-month cycle after the date of purchase.

16.6 Hazard and Flood Insurance

Correspondent/Servicer is responsible for paying all items due up to 30 days after the date of transfer, and for providing the following:

- A report of payee codes and payee names for all loans.
- A report of loans that have temporary binder coverage as of the transfer date.

- A report of pending loss drafts, including amounts and servicing files.
- A file from a flood certification vendor containing the flood zone, community, community status, map date, certificate number, service type and certificate date for all loans.

All reports must include loan number, borrower name, policy number, and applicable dates. This information must be received by the transfer date.

16.6.1 Force-Placed Policies

Correspondent/Servicer is responsible for cancelling all force-placed policies on loans effective the date of transfer. For any force-placed policy, Seller must provide:

- A report of loans which had been covered under a force-placed policy, including carrier name address, and phone number.
- 15- and 45-day letters and the dates the letters were sent.

16.7 Loan Data Matching and Suspense

FHA, VA, and USDA loans purchased by VCI require that the electronic loan data received to purchase the loan be consistent with the records/data in the Agency's Insurance/Guaranty system. Data discrepancies can include but are not limited to: Original Principal Balance (OPB), Agency Case Number, Interest Rate, Maturity Date, and Property Zip Code.

In the event a correction is necessary on a government loan guaranteed/insured by the Correspondent, Seller to work with the respective Agency immediately to correct and submit the corrected documents to VCI. For example, FHA loans insured with a different loan amount compared to the Promissory Note will require the Seller to engage with HUD directly to make the corrections. The Seller will be responsible for submitting a MIC Correction form to HUD in order to update the Mortgage Insurance Certificate and FHA Connection. The same process applies to VA and USDA loans, as well as requiring the Seller to work with the Guarantor to revise the insuring certificate. VCI reserves the right to request that the Seller repurchase mortgage loans for aged data discrepancies.

16.8 Mortgage Record Change

16.8.1 FHA

Seller is responsible for executing a Mortgage Record Change to Village Capital & Investment LLC in FHA Connection. To report servicer/holder transfer, Seller must log into FHA Connection to complete the transfer. To get to the Mortgage Record Changes menu, sign into FHA Connection and follow this menu path:

- Single Family FHA - Single Family Servicing - Mortgage Record Changes.
- On the "Mortgage Record Changes" menu, click Servicer/Holder Transfer ([Form HUD-92080-OHF](#)) and the servicer/holder page appears.

- Enter the FHA Case using the format of 123-4567890, including the dash.
- Enter the original mortgage amount, including UFMIP; do not enter the dollar sign (\$) or a comma (,).
- Enter the first five digits of Village Capital & Investment LLC Seller ID of 24441 into **both of** the Holding Mortgagee and New Servicing Mortgagee fields.
- Enter date of transfer.
- Mortgage Record Changes must be completed within 15 days from the date of purchase.

Refer to the Mortgage Record Change topic within the [FHA Connection Guide](#) for additional instructions on how to complete the transfer.

16.8.2 USDA

Any changes made to the Servicer and/or upon the sale of a USDA mortgage loan, USDA must be notified within the USDA-required timeframes of the action so that their records can be updated to reflect the changes made, and so that future premium notices and other correspondence can be properly delivered.

Sellers must provide USDA with a Notice of Sale (Form RD 3555-11), within the USDA-required timeframe as described in Chapter 17 of [HB-1-3555](#), naming Village Capital & Investment LLC (Tax ID 20-0192872) as the new Holder and Servicer.

16.9 Mortgage Electronic Registration Systems (MERS), Inc.

In lieu of preparing and recording an assignment of mortgage in the name of Village Capital & Investment LLC (VCI), the Seller must register the mortgage loans in MERS within seven (7) days from the Promissory Note date and transfer the ownership after loan purchase to VCI using MERS.

All Mortgages and/or Deeds of Trusts must be MERS as Original Mortgagee (MOM)-originated and recorded in the name of MERS or its designee. Seller is required to close loans using MERS as the nominee, including a Mortgage Identification Number (MIN), a unique identification number assigned by MERS, placed on the Security Instrument.

16.9.1 Assignment of Mortgage

If a mortgage is registered with MERS and MERS is not the original mortgagee of record, the lender must ensure that:

- An assignment to MERS has been prepared, duly executed, and recorded prior to delivery for purchase.
- The chain of assignments is complete and recorded from the original mortgagee to MERS.
- The Mortgage Identification Number (MIN) is located on the bottom center of the assignment.
- The MERS phone number (888-679-6377) must be printed at the bottom of the page.

If a mortgage is registered with MERS naming MERS as original mortgagee of record, no assignments are necessary if:

- The mortgage is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns.
- The lender has ensured that the Security Instrument is properly executed, acknowledged, delivered, and recorded in all places necessary to perfect a first lien security interest in the mortgaged premises in favor of MERS, solely as nominee for the lender named in the Security Instrument and the Note, and lender's successors and assigns.
- The MIN must be placed on the Security Instrument to the right of or below the form title, but NOT within the recording margin of the document.
- Additional verbiage approved by the agency must be added to the Mortgage/Security Instrument. MERS Corporate Office can provide the correct state-specific verbiage.

16.9.2 MERS Rider

In the states listed below, Seller must use the MERS Rider ([Form 3158](#)) when a newly originated loan will be registered with MERS. Seller must also follow the Instructions to the MERS Rider and the applicable security instruments to make changes to the standard security instruments for the following states:

- Montana
- Oregon
- Washington

As the MERS Rider must be used in these specified states; post-closing assignments to MERS are prohibited.

16.9.3 MERS in Maine

In the state of Maine, Sellers must use the MERS Mortgage Assignment ([Form 3749](#)) to assign loans to MERS Loans in which the Maine Security Instrument has been modified to name MERS as the original mortgagee of record, solely as nominee for the Seller, are ineligible for delivery.

16.9.4 MERS TOB and TOS Transfer

A MERS Transfer of Beneficial rights (TOB) and Transfer of Servicing rights (TOS) must be initiated by the Seller to VCI (MERS Org ID #1004919) and will show in MERS as VCI (DE).

The Seller must be named as the Servicer and Investor at the time of registration with VCI. Once the Seller receives the purchase wire from VCI, the Seller must then initiate the MERS transfer of TOB and TOS to VCI by following the steps outlined in the MERS TOB and TOS Procedures Manual and the MERS Quality Assurance Manual found at <https://members.mersinc.org/>.

NOTE:

- The TOB and TOS must not be initiated until VCI has purchased the mortgage loan, and no later than **two (2)** calendar days following the mortgage loan being purchased by VCI.

- Transfer date entered when initiating the transaction is the VCI purchase date.

16.10 Non-MERS Transfers

With respect to each security instrument that is not recorded in the name of MERS or its designee, the assignment to VCI with respect to each mortgage loan must be in recordable form and acceptable for recording under the laws of the jurisdiction in which the related mortgaged property is located. The Promissory Note must contain all necessary intervening endorsements showing a complete chain of endorsement from the Seller (each such endorsement being sufficient to transfer all right, title and interest of the party so endorsing, as noteholder or assignee thereof, in and to that Promissory Note).

16.11 Post Purchase Borrower Payment

Borrower funds are funds received by the Seller after the transfer date that are to be posted to a loan, such as normal payments, bankruptcy trustee payments, payoffs, short payoffs, third-party payoffs and REO liquidations proceeds.

All payments/borrower funds received prior to the transfer date are to be properly posted by Correspondent/Servicer unless otherwise directed. Payments/borrower funds received after the transfer date should not be posted. All payments/borrower funds, including checks received after the transfer date, must be clearly identified with borrower name, VCI loan number, and date the payment is received. This must be properly endorsed to Village Capital & Investment LLC without recourse. The purpose of each check should be clearly identified (payment, payoff, etc.). The same information must be provided for any wires.

All payments/borrower funds must be forwarded via overnight delivery to VCI on a daily basis for a period of thirty (30) days following the date of transfer and weekly thereafter.

Village Capital & Investment LLC
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074
Toll Free 800-919-0068

All such payments that are received by the Correspondent after the first 60 days following the date of transfer shall be returned to the mortgagor. All other funds pertaining to the mortgage loans received by Correspondent, including recoveries of advances shall be forwarded by Correspondent, at Correspondent's expense, to VCI or its designee within two (2) business days following seller's receipt.

It is highly recommended that Sellers sign into TPO Connect after the loan has been boarded with VCI to find the new Servicing Loan Number and provide it to the Borrower(s). The number will be located under this column in TPO Connect:

Corr Loan Status -
Servicing Loan #

16.12 Post Purchase Adjustments

Village Capital reserves the right to levy post-purchase adjustments at any time for item(s) that have a direct impact on VCI. Such items may include pricing, escrows, UPBs, etc.

Correspondents should review the Purchase Advice upon purchase of each mortgage loan and promptly report any discrepancies to VCI within 30 calendar days of purchase for resolution and refund if applicable. Issues identified that are aged 60 days or more from time of purchase will not be invoiced or refunded however VCI will correct the account.

Sellers may request Purchase Advice Reconciliation at any time within 30 calendar days of the loan purchase date. Questions pertaining to post-purchase adjustments should be directed to the [VCI Support Team](#).

16.13 Right to Repurchase

In the event there exists a basis for VCI to demand indemnification from Seller with respect to any mortgage loan that: (i) adversely affects the value of a mortgage loan or VCI's interest in such mortgage loan; (ii) that is related to any investor's demand that VCI repurchase such mortgage loan from such investor; or (iii) that is related to an insurer's demand for indemnification or rescission of mortgage insurance, and Seller (if requested by VCI to cure such breach) cannot cure any mortgage loan or has not so cured within the provided timeline, Seller shall, at VCI's option, repurchase such mortgage loan, including the servicing rights, from VCI or the applicable investor or insurer at the repurchase price. The repurchase of a mortgage loan shall occur within 30 calendar days of the date of VCI's demand for repurchase.

Village Capital reserves the right to require Seller to repurchase mortgage loans with documentation outstanding for more than 180 calendar days (210 days if a 30-day extension has been granted) which results in VCI's inability to meet its investor or custodial document delivery requirements.

The repurchase price of the mortgage loan will be set forth in a letter forwarded to Seller.

16.14 Servicing Transfer

All disclosure and notifications to the Borrower(s) must meet current applicable federal, state, local, and regulatory requirements, including but not limited to, RESPA notices of transfer of loan servicing regulations.

16.14.1 Requirement for Notice

Each transferor servicer and transferee servicer of any mortgage loan shall provide to the borrower a notice of transfer for any assignment, sale, or transfer of the servicing of the mortgage loan as described below and in [12 CFR Part 1024.33 \(Regulation X\)](#).

- The notice must contain the information described in the [Contents of Notice](#) section.
- [Appendix MS-2 to Part 1024](#) contains a model form for the disclosure required under this regulation.

- VCI Payment Address:

Village Capital & Investment LLC
PO Box 679118
Dallas, TX 75267-9118

16.14.2 Time of Notice

16.14.2.1 Delivery

A servicer mailing the notice of transfer must deliver the notice to the mailing address (or addresses) listed by the borrower in the mortgage loan documents, unless the borrower has notified the servicer of a new address (or addresses) pursuant to the servicer's requirements for receiving a notice of a change of address.

16.14.2.2 Timing

The transferor servicer shall provide the notice of transfer to the borrower not less than 15 days before the effective date of the transfer of the servicing of the mortgage loan. The transferee servicer shall provide the notice of transfer to the borrower not more than 15 days after the effective date of the transfer.

16.14.3 Contents of Notice

The notices of transfer shall include the following information:

- The effective date of the transfer of servicing;
- The name, address, and a collect call or toll-free telephone number for an employee or department of the transferee servicer that can be contacted by the borrower to obtain answers to servicing transfer inquiries;
- The name, address, and a collect call or toll-free telephone number for an employee or department of the transferor servicer that can be contacted by the borrower to obtain answers to servicing transfer inquiries;
- The date on which the transferor servicer will cease to accept payments relating to the loan and the date on which the transferee servicer will begin to accept such payments. These dates shall either be the same or consecutive days;
- Whether the transfer will affect the terms or the continued availability of mortgage life or disability insurance, or any other type of optional insurance, and any action the borrower must take to maintain such coverage; and
- A statement that the transfer of servicing does not affect any term or condition of the mortgage loan other than terms directly related to the servicing of the loan.

16.14.4 Borrower Payments During Transfer of Servicing

16.14.4.1 Payments Not Considered Late

During the 60-day period beginning on the effective date of transfer of the servicing of any mortgage loan, if the transferor servicer (rather than the transferee servicer that should properly receive payment on the loan) receives payment on or before the applicable due date (including any grace period allowed under the mortgage loan instruments), a payment may not be treated as late for any purpose.

16.14.4.2 Treatment of Payments

Beginning on the effective date of transfer of the servicing of any mortgage loan, with respect to payments received incorrectly by the transferor servicer (rather than the transferee servicer that should properly receive the payment on the loan), the transferor servicer shall promptly either:

- Transfer the payment to the transferee servicer for application to a borrower's mortgage loan account, or
- Return the payment to the person that made the payment and notify such person of the proper recipient of the payment.

16.14.5 Preemption of State Laws

A lender who makes a mortgage loan or a servicer shall be considered to have complied with the provisions of any State law or regulation requiring notice to a borrower at the time of application for a loan or transfer of servicing of a loan if the lender or servicer complies with the requirements of this section. Any State law requiring notice to the borrower at the time of application or at the time of transfer of servicing of the loan is preempted, and there shall be no additional borrower disclosure requirements. Provisions of State law, such as those requiring additional notices to insurance companies or taxing authorities, are not preempted by section 6 of RESPA or this section, and this additional information may be added to a notice provided under this section, if permitted under State law.

16.14.6 Tax Service Fee

VCI will charge a Tax Service Fee for each loan purchased in accordance with the following tax payment rules:

- All payment of real property taxes and special or supplemental assessments must be current prior to closing the mortgage loan. Adequate escrow funds, when required, must be collected in compliance with all applicable laws to ensure the payment in full of real estate taxes and all other taxes and assessments by the due date.
- Seller must pay any unpaid taxes that will become due within 60 days of the closing of the mortgage loan as shown on the Final Closing Disclosure, *or* 45 days from the purchase date of the mortgage loan.
- The Legal Document Package must include a fully completed Tax Information Sheet, itemizing tax payee, amount of taxes, and next due date. In addition, a copy of the payment history must be provided with the delivery of the loan file as verification prior to purchase. Example: California Loans – In cases/scenarios where taxes are due on the same day the first payment date of the mortgage is due, VCI requires evidence the taxes are paid.

- For any loan requiring Seller to pay a tax bill subsequent to the closing of the mortgage loan but prior to the purchase of the mortgage loan by VCI, the mortgage loan file must include reasonable evidence that such tax bill was paid. VCI or its successors or assigns will pay all real estate taxes, which are not the responsibility of the Seller, as described in the preceding bullet points. Seller will be responsible for all tax penalties incurred by VCI arising from the delinquent payment of real estate taxes due.
- Seller must pay VCI within 45 days of the purchase of the applicable mortgage loan if such delinquency was caused by delays in procuring the available tax bills from the tax authorities. For mortgage loans with delinquent taxes prior to the purchase of the loan by VCI, Seller must provide reasonable evidence that such taxes, together with any applicable penalties, have been paid in full.

All funds collected for the purpose of paying real estate taxes by the Seller after the purchase of the loan by VCI or any third party must be submitted to VCI within three (3) days after receipt of the funds.

16.14.7 Tax Service Transfer

Correspondent/Service is responsible to notify their tax vendor of the file transfer, and to notify either VCI or Loreta for the life-of-loan and transfer the life-of-loan tax contract.

VCI Tax Service: Loreta. Customer ID: Life of Loan 77495

- Correspondent/Service is responsible for payment of all items due up to 30 days after the date of transfer.
- Correspondent/Service is responsible for providing the following:
 - A detailed report by state including loan number, borrower name, payee code, and tax parcel number for all delinquent taxes on non-escrowed loans.
 - A reverse adds file, or tax tape, shall be provided no later than five (5) days after the transfer date.
 - An open items report for escrowed loans for all pending activity through the transfer date + 30 days.
 - A detailed report of any outstanding tax issues including appropriate correspondence and explanation of the situation as of the transfer date.
 - A report of all open items and send any tax bills and original tax receipts that relate to such loans.
 - A report of all loans with multiple tax parcels.
 - A file from the tax service provider (Excel format) containing all loan-level tax data.
 - A report of payee codes and payee names for all loans.
 - Include code break for all reporting, as applicable.
- The tax bills and receipts must be sent daily to VCI via overnight mail.

If serviced in-house, Seller to provide all escrow tax details including but not limited to:

- Tax bills
- Payment dates
- Due dates
- Assessor's Parcel Number (APN)
- Legal Descriptions

16.14.8 VCI Servicing Division

The effective transfer of servicing date is essentially the date of first payment due to VCI. VCI will send a Welcome Letter to the Borrower(s) after the loan purchase. The Borrower(s) may contact VCI's Servicing Division at 800-919-0068.

16.15 Vendor Notification

Correspondents must notify all vendors associated with a loan within 15 days of the transfer date. All notifications must advise the vendor that the sold loan is now being serviced by VCI and all future notices, tax bills, insurance statements, and any other information must be delivered to the appropriate address.

16.16 Wire Instructions

Settlement funds include escrows, unapplied funds, tax contract fees, etc. See the instructions above for borrower payments.

- Gross escrow and suspense funds must be transferred; VCI does not permit netting of escrow or suspense funds.
- Any escrow advance will be funded within five (5) business days of transfer date subject to appropriate substantiation.

Please send a notification email to [VCI Support Team](#) referencing the total amount of the wire and the date sent. An electronic report providing loan level details for the wire amount must be provided. This report should be sent as an attachment to the wire notification email and include:

- Loan numbers
- Borrower name
- Loan level itemization of balances being transferred (escrow, restricted escrow, suspense, etc.)

16.17 Year-End Reporting

As required by the Internal Revenue Service, VCI reports mortgage interest only for interest paid by the borrower to VCI on or after the transfer of servicing from the Seller to VCI. All 1098 reporting for interest paid at closing or prior to the transfer of servicing to VCI is the responsibility of the Seller.

CHAPTER 17. FINAL DOCUMENTS (AKA TRAILING DOCS)

Final documents must include, but are not limited to:

- Original recorded Mortgage and any applicable Riders, Addendums, or Affidavits (or a certified copy if the original has not been returned from the applicable recording office)
- Original recorded Assignment of Mortgage and all original recorded intervening assignments if any (or a certified copy, if the original has not been returned from the applicable recording office)
- Original Assumptions, Extensions, Written Assurance or Modifications or Substitutions
- Original final Title Insurance policy and any required waivers, attorney's opinion, and/or applicable endorsements
- Certified copy of the recorded Power of Attorney, if applicable
- Mortgage Insurance Certificate (MIC) if FHA loan
- Loan Guaranty Certificate (LGC) if VA loan
- Loan Note Guarantee (LNG) if USDA loan

17.1 Delivery Address

Village Capital & Investment LLC
2550 Paseo Verde Parkway, Suite 100
Henderson, NV 89074
Toll Free 800-919-0068

Delivery of the MIC/LGC/LNG may be sent via to [VCI MI Cert.](#)

17.2 Document Delivery

VCI suggests that final documents be shipped via overnight mail. VCI will not be responsible for loss of or damage to documents during shipment. All documents must reflect VCI's loan number on the upper right-hand corner.

17.3 Final Title Policy Delivery

VCI will accept Original Final Title Policies with an electronic signature (eSigned) via email to [VCI Final Docs.](#)

If the Title Policy is:

- A photocopy of the original that contains a wet/live signature, or
- A photocopy of the original that contains an electronic signature,

Then it must contain a Certified True Copy stamp with a wet signature from an employee of the Correspondent or the Settlement Agent. This Title Policy must be delivered via FedEx, UPS or USPS; it will not be accepted via email.

17.4 Original Final Documents

Original final documents must be delivered to VCI within 90 calendar days following the purchase date. However, if an insurer, recording office or municipality is solely responsible for a missing or trailing mortgage loan document, VCI may extend the time to perform if provided satisfactory written evidence from Seller. Notwithstanding the foregoing sentence, if any such document is not delivered to VCI within 180 days following the purchase date, Seller shall, upon written demand of VCI, repurchase the related mortgage loan.

17.5 Outstanding Final Documents

VCI has the right to charge Seller for actual costs and fees incurred in order to obtain any and all required documents that have been outstanding for greater than 180 days (60 days for FHA Mortgage Insurance Certificate, VA Loan Guaranty Certificate, or USDA Loan Note Guarantee). VCI will assess a late fee of \$75, plus any search fees, along with any additional charge that may arise per document.

CHAPTER 18. FEES LIST

The review fees charged for each submitted loan package are based on the documentation level for each individual loan file. Once VCI completes a satisfactory review, the fees are deducted from the Correspondent's proceeds at the time of funding.

Description	Fee
Delegated Review Fee – Full Documentation	\$495
Delegated Review Fee – Streamline Documentation	\$250
Mini-Corr Review Fee – Full Documentation	\$1135
Non-Delegated Review Fee – Full Documentation	\$995
Mini-Corr and Non-Delegated Review Fee – Streamline Documentation	\$495
Tax Service Fee	\$65