



VA Renovation Program Guidelines

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Section 1 Program Summary

The VA Renovation Program allows borrowers to finance the purchase or refinance of a home and the cost of its rehabilitation through a single mortgage.

The underwriting information contained in these guidelines is intended for use in conjunction with Plaza's **VA Fixed and ARM program guidelines** and the **VA Lenders Handbook - VA Pamphlet 26-7**. VA requirements for Loans for Alteration and Repair are outlined in **VA Circular 26-18-6**.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
VA Renovation 15 Year Fixed	VA150A	180
VA Renovation 30 Year Fixed	VA300A	181-360
VA Renovation 5/1 Treasury ARM	VA51TA	360
VA Renovation Jumbo 30 Yr Fixed	VAJUMBO30A	181-360
VA Renovation 30 Year Fixed w/2-1 Buydown	VA300ABD21	360
VA Renovation 30 Year Fixed w/1-0 Buydown	VA300ABD10	360

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Section 3 Program Matrix

Purchase - Primary Residence						
Program	Property Type	Credit Score	LTV/CLTV	Loan Amount	DTI	
					AUS	Manual
Conforming	1-4 Units	620	100% ¹	See Loan Limits section	Per AUS	50%
	Manufactured Housing ³	620				
Jumbo	1-4 Units	620				
Refinance ² - Primary Residence						
Program	Property Type	Credit Score	LTV/CLTV	Loan Amount	DTI	
					AUS	Manual
Conforming	1-4 Units	620	90% ^{1,2}	See Loan Limits section	Per AUS	50%
	Manufactured Housing ³	620				
Jumbo	1-4 Units	620				

1. The maximum LTV allowed may be lower in cases where the veteran does not have full entitlement; the maximum LTV is the lesser of the amount listed in this table or that which is required to obtain a 25% Guaranty. For more information on loan Guaranty limits refer to **VA Loan Guaranty** section in these Program Guidelines.
2. On Refinances, the LTV is determined by dividing the Total Loan Amount, including any financed VAFF, by the reasonable value on the NOV. The LTV must not be greater than 90%.
3. Manufactured Housing not eligible for jumbo loan amounts.

Section 4 Loan Limits

Maximum Base Loan Amount				
Unit	Contiguous States		Alaska & Hawaii	
	Conforming	Jumbo ²	Conforming	Jumbo
1	\$766,550	\$1,149,825	\$1,149,825	N/A ¹
2	\$981,500	\$1,472,250	\$1,472,250	N/A ¹
3	\$1,186,350	\$1,779,525	\$1,779,525	N/A ¹
4	\$1,474,400	\$2,211,600	\$2,211,600	N/A ¹

1. There are no properties in Alaska and Hawaii with loan limits higher than the applicable base conforming limits for 2024. As a result, there are no Jumbo limits specific for these states.
2. Manufactured Housing not eligible for jumbo loan amounts.

Section 5 Transactions

- Purchase
- Refinance (non-IRRRL)

Purchase: To acquire and rehabilitate an existing structure that has been completed for at least 1 year. The initial certificate of occupancy must have been issued over 12 months ago.

Refinance: To rehabilitate an existing structure that has been completed for at least 1 year and to refinance the outstanding indebtedness.

All VA Refinances must meet the requirements outlined in **VA Circular 26-19-5**.



Type I Cash-Out Refinance: For refinances of loans guaranteed by the VA, the new loan amount, including the VA Funding Fee, does not exceed the payoff amount of the loan being refinanced. VA Renovation loans do not meet the definition of Type I Refinances.

Type II Cash-Out Refinance: The loan amount, including the VA Funding Fee, exceeds the payoff amount of the loan being refinanced.

- **Note:** Type II refinances will be labeled as Cash-Out refinances in BREEZE until BREEZE is updated with the Type II refinance purpose label.

Refinance LTV:

For all refinance loans, the LTV is determined by dividing the total loan amount, including any financed VAFF, by the reasonable value per the NOV. The VA guaranty plus the Veteran's equity must always be at least 25% of the Notice of Value (NOV).

Refinance Seasoning:

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 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
- If the subject loan is refinancing a modified loan, the seasoning is based on the modification, not the original loan that was subsequently modified
- If the loan being refinanced was in forbearance, the 6 months consecutive payments start post-forbearance

Refinance Net Tangible Benefit (NTB):

All refinances (Type I and Type II) must pass a NTB test and a NTB disclosure must be provided to the Veteran no later than the third business day after receiving the Veteran's loan application, and again at loan closing.

Type II Refinance NTB - One of the following NTB must exist for all Type II Refinances:

- The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance;
- The term of the new loan is shorter than the term of the loan being refinanced;
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced;
 - Fixed Rate to Fixed Rate refinance requires an interest rate reduction of at least .5%
 - Fixed Rate to ARM refinance requires an interest rate reduction of at least 2%
- The monthly principal and interest payment on the new loan is lower than the monthly principal and interest payment on the loan being refinanced;
- The new loan results in an increase in the borrower's monthly residual income (refer to the [VA Type II Cash-Out Refi – Residual Income NTB Calculator](#));
- The new loan refinances an interim loan to construct, alter, or repair the home;
- The new loan amount is equal to or less than 90 percent of the reasonable value of the home, or;
- The new loan refinances an adjustable rate loan to a fixed rate loan.

Properties Listed for Sale:

Refinances on properties that are listed for sale are not permitted. In all circumstances, the listing agreement must be cancelled prior to the application date.



Ineligible Transaction Types:

- Type I Cash-Out Refinances
- Texas (a)(6) refinances
- Properties listed for sale at time of application
- Investment or Second Home occupancy
- Builder spec foreclosures

Section 6 Property Eligibility

Eligible Properties:

The property must be a structure that has been completed for at least 1 year.

- Attached/Detached SFRs
- Attached/Detached PUDs
- VA-approved Condos
- 2-4 Units
- Manufactured Housing

Manufactured Housing:

- Must be classified as Real Property
- Single-wide and multi-wide allowed
- Manufactured homes must have been built on or after June 15, 1976
- Property Size:
 - Multi-wide: Must have a minimum 700 square feet of gross living area
 - Single-wide: Must be at least 12 feet wide and have a minimum 400 square feet of gross living area
- Leasehold properties are ineligible
- Condo projects comprised of manufactured homes are only eligible if they are VA approved
- The manufactured home may not have been previously installed or occupied at another location
- All manufactured homes must meet VA guidelines, restrictions in these Program Guidelines, and **Plaza's Manufactured Housing Guidelines**.
- Manufactured housing not eligible in states of Hawaii and Rhode Island.

Ineligible Properties:

- Commercial properties
- Cooperatives
- Condotels
- Properties listed on the National Historical Register
- Geothermal homes
- Geodesic dome homes
- Mobile homes
- Mixed Use Properties in commercial zoning
- Timeshares
- Working farms, ranches, orchards
- Homes that have never been completed
- Homes that have been completely demolished, including the foundation
- Homes being moved from one location to another
- Refinance transactions for properties listed for sale on or after the date of the application.

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Section 7 Borrower Eligibility

The borrower must be an eligible Veteran.

Section 8 Occupancy

Owner occupied primary residence.

Section 9 Subordinate Financing

- Existing subordinate financing is acceptable for as long as the veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA.
- New subordinate financing is not allowed.

Property Assessed Clean Energy (PACE) obligations:

- Any PACE obligations or liens must be paid and satisfied at or prior to closing.
- PACE liens may not be subordinated.

Section 10 Underwriting Method

Loans must be submitted to DU or LPA. Loans not receiving a DU or LPA approval may be manually underwritten if:

- The loan meets all published loan program guidelines AND
- The underwriter's evaluation has determined the loan is an investment quality mortgage AND
- The loan file contains documentation to support the underwriting decision.

Downgrade Policy:

In the event that credit terms or loan information was not considered in the AUS decision, an Approve/Eligible or Accept decision must be downgraded to Refer and be manually underwritten. Circumstances requiring downgrade, if not considered in the AUS decision, include but are not limited to:

- Delinquent federal debt, CAIVRS and suspended and debarred individuals
- Disputed accounts, significant inaccuracy or undisclosed debt
- Previous mortgage foreclosure or bankruptcy within 2 years of application
- Collection accounts, tax liens, charge-offs, judgments
- Bank statements that indicate multiple non-sufficient funds (NSF) charges. Example: More than one or two isolated incidents over a 60 day period. An explanation for such NSFs will be required and additional assets statements may be required to decision the loan.
- Failure to meet the specific conditions of an AUS approval



Section 11 Credit

Refer to the **Program Matrix** for minimum Credit Score requirements.

Qualifying Credit Score:

- A tri-merge bureau is required on all loans
- The qualifying score is the lower of two or the middle of three scores
- The lowest qualifying score of all applicants is used to qualify
- Each borrower must have at least one credit score

Housing Payment History:

- The mortgage payment history may be deemed satisfactory when the mortgage credit rating is disclosed on the credit report and is evaluated by DU or LPA, and the loan receives an “Approve/Eligible” or “Accept/Eligible” finding.
- The rental payment history will be deemed acceptable, with no additional verification required, for loans that receive an “Approve/Eligible” or “Accept/Eligible” recommendation.
- When the housing payment history is not evaluated by an AUS, or for Refer/manually underwritten loans:
 - Housing Payment history must be documented by:
 - VOM received directly from an institutional mortgage servicer; or,
 - A 24 month rental history directly from the landlord (for landlords with no Identity of Interest with the borrower); or
 - Through information shown on the credit report; or
 - Cancelled checks that cover the most recent 24-month period.

CAIVRS Requirement:

Perform and document a CAIVRS screening on each veteran and any co-obligor. An applicant cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the Federal Government until the delinquent account has been brought current or satisfactory arrangements have been made between the veteran and the Federal Agency.

Refer to the **VA Lenders Handbook**, Chapter 4 Credit Underwriting for more details.

Section 12 Income and Employment

All VA loans must be fully documented. Employment must be verified for a minimum of 2 years. Refer to the **VA Lenders Handbook, Chapter 4** for more details.

- A verbal VOE is required for all borrowers.
- All transactions require a signed and dated IRS Form 4506-C for all borrowers completed prior to closing.
- Refer to Plaza’s **Credit Guidelines** to determine if transcripts are required.



Section 13 Qualifying Ratios

- **AUS Approved:** DTI allowed per AUS
- **Manual Underwriting:** 50%

Loans with DTI > 41% must always meet the compensating factor requirements per the **VA Lenders Handbook**, Chapter 4.

Section 14 Down Payment / Cash to Close

Down Payment:

Down payment is required when:

- The VA Guaranty does not equal 25% of the lesser of the sales price of Notice of Value (NOV), or
- If the acquisition cost exceeds the as-completed value.
- The VA Calculator worksheet and the **Max Mortgage Worksheet** must be completed on every loan.
 - **VA Calculator – Loan Amount > \$144,000**
 - **VA Calculator – Loan Amount <= \$144,000**
- Any funds required that exceed 100% of the reasonable value of the property.

The calculator assists in calculating any required down payment from the borrower on purchase or refinance transactions. Regardless of the loan amount, the VA guaranty plus the Veteran's down payment and/or equity must always be at least 25% of the lesser of the sales price or (NOV).

Gifts of Equity: Not allowed.

Section 15 Reserves

Cash Reserves:

- 1 Unit Subject Property: No reserves are required unless borrower is retaining their prior residence. If borrower is retaining their prior residence, refer to requirement for Additional Rental Properties.
- 2-4 Units Subject Property & rental income is not used to qualify: No reserves are required.
- 2-4 Units Subject Property & rental income is used to qualify: 6 months PITIA reserves required.

Section 16 Interested Party Contributions / Seller Concessions

Any seller contribution or concession or combination of concessions which exceeds four percent of the established reasonable value of the property is not allowed.

Normal discount points and payment of the buyer's closing costs is excluded for purposes of determining whether concessions exceed the four percent limit.



Section 17 Property Flips/ Resale Requirements

If the owner (individual or entity other than the Mortgage holder) sells a property within 12 months after the date of acquisition, the underwriter should ensure that value is supported.

- Non-Arm's Length or Identity of Interest transactions are not permitted.
- There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months.
- No double escrows or assignment of sales contract.
- Seller of record must own the property at the time of the purchase contract.

Section 18 Eligible/Ineligible Improvements

All alterations and repairs must be permanently affixed to the property (dwelling or land) and be ordinarily found on similar properties of comparable value in the community.

- Project must be complete with the final inspection on appraisal form 1004D no later than 120 days from the note date.
- The maximum renovation amount, including fees and contingency, must not exceed \$50,000. There is no minimum dollar amount for the repairs.
- Repairs should be non-structural although minor structural repairs are allowed.
 - Any work that requires structural engineering reports or architectural specs is not allowed.
 - If any structural work is included, building/construction jurisdictional evidence that the project does not require engineer reports or architectural specs must be provided. e.g. local code pertaining to the type of structural repair, permits and/or other written verification from the jurisdiction. (state, city, municipality or county)
 - Minor structural repairs must be those that can reasonably be expected to be completed within the 120 day time frame.
 - If structural repairs are included, the contractor's bid must include a statement addressing the fact that all structural repairs do not require engineering or architecture reports to obtain permits or meet local building codes and that such work will be completed within 120 days.

Eligible Improvements to Manufactured Housing:

- VA Renovation improvements to manufactured housing cannot involve structural changes
- Renovation funds are limited to the lesser of 50% of the "as completed" appraised value or \$50,000
- Eligible improvements include but are not limited to:
 - Improvements to kitchens and baths, or
 - Installation of energy efficient heating and cooling, or
 - Changes to address mobility and aging in place are allowed, or
 - Installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit.

The following improvements are not eligible:

- Any work that cannot be completed within 120 days of the note date.
- Major structural repairs, rehabilitation or improvements such as load bearing walls, foundation repair or support joists. Refer to eligible improvements above.
- Structural changes to manufactured housing.
- Improvements or changes that were not approved prior to the start of the work.
- Materials or work performed prior to the first draw disbursement.
- Any improvement that does not become a permanent part of the subject property.
- Completion of in-progress or incomplete construction.

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Section 19 Cost of Improvements

Maximum Costs of Improvements: Maximum amount of improvements is \$50,000 including fees, contingency and all allowable construction related costs.

Section 20 Forms and Rehabilitation Documentation

Documents Required at Time of Submission:

- Sales Contract
- VA Renovation **Maximum Mortgage Worksheet**. This form is prepared at the time of application and sets forth all the components or fees associated with the Rehabilitation portion of the loan.
- Contractor's Fully Executed Bid(s)
- VA Renovation Homeowner/Contractor Agreement
- VA Renovation Contractor Profile Report
- VA Renovation Borrower's Acknowledgement

Documents Required at Time of Closing:

- VA Renovation Rehabilitation Agreement
- VA Renovation Rider

Section 21 Appraisal

All full VA Appraisal and Notice of Value (NOV) is required on all loans. The appraisal should be completed considering the as-completed value.

Bid / Cost Estimate:

A finalized copy of the bid/cost estimate must be included with the appraisal. Specifications for materials to be used in projects must be provided to the appraiser for consideration in the preparation of the appraisal report. If renovations require permits and local authority inspection and/or require building plans, these exhibits along with any materials specifications must be provided to the appraiser at the time of appraisal order to be utilized in the preparation of the appraisal report for valuation purposes. Appraisers will "hold" appraisal assignments until the appropriate exhibits are received. The appraiser should contact the point of contact (POC) if not received within one day of appraisal order and must put notes in the case in WebLGY.

Transferred Appraisals: Per VA Guidelines

Note: When both lenders participate in the Lender Appraiser Processing Program (LAPP), an appraisal report and case number may be transferred in WebLGY from one lender to another lender. A Staff Appraisal Reviewer (SAR) at the original lender can complete this transfer in WebLGY. When the Veteran makes a request by email or letter to the original lender, the new lender should provide the Veteran their VA Lender ID number along with a lender point of contact's name, email address, and phone number for insertion in the email or letter.



Section 22 Borrower Loan Fees and Costs

Fees and Charges:

VA policy has evolved around the objective of helping the veteran to use his/her home loan benefit; therefore, VA regulations limit the fees that the veteran can pay to obtain a loan. For a list of eligible fees and charges refer to Plaza's [Veteran Borrower Paid Fees & Charges Policy](#).

Discount Points: Regardless of the amount of discount points the LTV/CLTV is capped at 90% for refinances.

Note: If the veteran was charged an ineligible fee(s), the fee must be refunded and the loan file must contain adequate documentation that the fee was refunded to the veteran.

Renovation Related Fees: Refer to [Maximum Renovation Related Fees](#)

Section 23 Calculating the Mortgage Amount

The lesser of the as-completed value or the acquisition cost is used when determining the maximum loan amount. On either a purchase or refinance, if the acquisition cost exceeds the as-completed value, the difference must be accounted for in documented borrower funds at closing. The loan amount is limited to eligible costs and cash back to the borrower is not allowed.

Purchase:

To determine the acquisition costs for a purchase, add the following: Contract sales price, total cost of alterations and repairs, contingency reserve, inspection fees, title update fees, and permits.

Refinance:

To determine the acquisition costs for a refinance, add the following: Existing loan payoff, total cost of alterations and repairs, contingency reserve, inspection fees, title update fees, and permits.

- Cash-out to the borrower at closing is not allowed; however, incidental cash-out at closing not to exceed the lesser of 1% of the loan amount or \$2,000 is allowed.
- At the completion of renovation any unused contingency reserve may be returned to the borrower or applied to the principal balance at the borrower's discretion.

Maximum Renovation Related Fees Allowed:

- Contingency Reserve not to exceed 15%
- Inspection fees – 3 inspections total:
 - \$150.00 per interim inspection (maximum 2 inspections)
 - Final inspection fee per [VA Appraisal Fee Schedule](#) based on property location
- Title update fee: \$200 flat fee
- Permit fees: as required for permits
- Fees not listed above are ineligible to be included in the acquisition cost or to be financed

Plaza's [VA Renovation Maximum Mortgage Worksheet](#) must be complete on every loan.



Borrower Provided Materials:

Materials provided by the borrower may be allowed but cannot be financed in the loan amount.

- All materials provided by the borrower must be new from the manufacturer and be documented with paid invoices, and
- Source of funds to acquire the materials must be documented
- Borrower provided materials must be documented on the contractors bid as “borrower provided materials” (zero cost) labor must be provided by the contractor.

Section 24 Contingency Reserve

- Plaza requires a minimum of 10% and a maximum of 15% in contingency reserves for repair costs.
- If the utilities were not turned on at time of inspection, a minimum 15% contingency reserve is required.
- Contingency Funds may only be used to pay for the proposed repairs and improvements and any unforeseen items that may arise related to the repair.
- In a purchase any unused portion of the financed contingency reserve fund (that are not borrower’s direct funds) remaining when the Final Release Notice is issued must be applied to the mortgage principal.
- In a refinance, any unused contingency reserve funds may be returned to the borrower or applied to the principal balance at the discretion of the borrower.

Section 25 Draw Contingency Holdback

A 10% percent holdback is required on each release from the Rehabilitation Escrow Account.

The total of all holdbacks may be released only after the final inspection and issuance of the Final Release Notice is received from borrower, contractor and VA appraiser as applicable.

Section 26 Mortgage Payment Reserves

Not allowable.

Section 27 Identity of Interest

Identity of Interest and Non-Arm’s Length describe certain transactions that may pose increased risk and warrant additional precautions when evaluating that risk. An example would be a transaction where the borrower has a relationship or business affiliation (any ownership interest, or employment) with any builder, contractor, or seller of the property. Sales transactions between family members are permitted; no other instances of Identity of Interest or conflict of interest between parties are allowed.

No relationship may exist between the Contractor and any other party to the transaction.



Section 28 HUD Consultant

A HUD Consultant is not required.

A HUD Consultant work write up WWU is allowable for the benefit of the borrower. However the cost may not be included in the financed cost of repairs.

Section 29 Specification of Repairs / VA Approved Contractors Bid

The file must contain a written proposal/Cost Estimate/bid from a contractor for each repair or improvement. The Cost Estimate must state:

- Location and nature and type of repair
- Quality and quantity of materials and cost for each work item, broken down by labor and materials
- Contractor's license number
- Identification of any work items that require permits and the expected time frame to obtain the permits
- The number of draws (max of 3) and the draw inspection schedule
- The Cost Estimate must be signed by both the contractor and borrower

Note: Refer to the VA Renovation Bid Template

Section 30 Contractor Requirements

All contractors must have a valid VA builder identification number prior to a VA NOV being issued. For information on obtaining a builder identification number see the VA Lender's Handbook, 26-7, Chapter 10. The builder or contractor must be registered with VA. A list may be found at <https://vip.vba.va.gov/portal/VBAH/Home>. Instructions to become a registered builder with VA can be found at https://www.benefits.va.gov/HOMELoans/appraiser_cv_builder_info.asp. Borrowers are free to choose their builder or contractor, subject to Plaza verification that the builder or contractor is licensed, bonded, and insured according to all state and local requirements

Documentation must verify that a qualified general or specialized contractor has been hired and, by contract, has agreed to complete the work described in repair bid for the amount of the Cost Estimate and within the allotted time frame (up to 4 months). To determine whether the contractor is qualified, the Underwriter must review the contractor's credentials, work experience and client references, and ensure that the contractor meets all jurisdictional licensing and bonding requirements.

- All contractors must sign the VA Renovation Homeowner/Contractor Agreement prior to closing.
- The contractor must complete and return to Plaza the VA Renovation Contractor Profile Report.
- All contractors must be licensed as required by the state, county or locality of the subject property.
 - Licensing requirements and license in good standing should be confirmed through the licensing entity.
 - Printouts from the licensing entity website showing requirements and current licenses may be provided to satisfy this requirement.
- The contractor's license must be active at the time of loan closing and for at least 4 months past the closing date.
- The contractor must provide proof of Liability Insurance. Documentation must include a certificate of liability insurance with minimum insurance of \$1 million.
- Any jurisdictional contractor bond requirements must be met.
- The borrower is limited to a total of three (3) contractors or a General Contractor will be required.
- The borrower may not act as the General Contractor. "Self-Help" loans are not permitted.

Specific federal requirements exist for contractors working on housing or child-occupied facilities built before 1978. Under these requirements, contractors need to complete training and obtain a Lead Based Paint Renovation license before they can bid on renovation projects involving pre-1978 housing and child-occupied facilities.

The appraiser and contractor cannot be the same individual.

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Section 31 Self-Help Requirements

Self-help is not allowed.

Section 32 Rehabilitation Period

- Rehabilitation construction must begin within 15 days of closing.
- If work is not started within 15 days, or if the work ceases for more than 15 consecutive days, or is not progressing reasonably during the rehabilitation period, Plaza may consider the loan to be in default.
- The length of the rehabilitation period will be no longer than 120 days from the note date.

Section 33 Inspections

A maximum of 3 draws are allowed.

A first and second draw inspection will be ordered by Plaza. The last and final draw will be performed by the VA appraiser. All Improvements must be completed according to local building codes and in a timely and workmanlike manner.

Final inspection:

When the property is 100 percent complete, Plaza will contact the original VA fee appraiser to complete the VA final repair inspection. If the original VA fee appraiser is not available, Plaza will contact the RLC of jurisdiction for another VA appraiser to complete the VA final inspection. The final inspection must be in the form of an Appraisal Update and/or Completion Report (Form 1004D) and the fee for the final inspection will be per the **VA Appraisal Fee Schedule** based on property location.

Note: The VA final inspection is to certify all VA MPRs have been met and the house was improved according to the original plans, specifications, approved change orders, and the as-completed value from the appraisal was maintained.

Section 34 Closing Documents

The closing documentation for VA Renovation loans is basically the same as for a standard VA, except for the following:

- VA Renovation Rehabilitation Loan Agreement
- Rehabilitation Loan Rider



Section 35 Draw Process

The full loan amount is funded at closing. All draws are handled through loan servicing.

Draw Process:

- No more than three draws are allowed.
- Funds will be made available via a two-party check payable to the borrower and contractor.
- Plaza should release monies within 5 business days of receipt of a properly executed VA RENO DRAW REQUEST.
- Upon completion of a stage of work, the contractor will complete and submit a Draw Request to Plaza.
- Plaza will order project inspections for all draw requests.
- In addition to Plaza ordered inspections, any inspections required by local authorities or to obtain sign off on permits will be ordered by the contractor and copies of such inspections must accompany draw requests.
- A holdback of 10% will be applied to all intermediate draws.
- Title must be cleared before the final draw.
- After the loan is set up in the servicing system the borrower will receive a “Welcome” package that will explain how the disbursement works and will provide them with contact information.

Plaza may require a property inspection if there have been no draw requests for 30 days or more.

Common Missing Items That Will Cause Draw Delays:

- Missing **W-9s**. These must be completed and signed by every contractor working on the project.
- Missing or incomplete draw request
- Missing and or incomplete lien waiver

Borrower Questions:

Borrowers with questions on their funded VA RENO loan may contact Plaza Customer Service as follows:

Phone: 1-888-807-2620, Option 3

Fax: 1-858-332-1861

Email: renoservicing@plazahomemortgage.com

Section 36 Change Orders and Contingency Items

Borrowers are permitted to pay for change orders and upgrade out of pocket. Change orders/upgrades made after the appraisal cannot be financed into the new loan. Change orders must be approved, in advance, by the appraiser, to ensure there is no loss in value. The Veteran is allowed to pay an additional appraisal charge if change orders are requested. This additional appraisal charge may come out of available contingency reserve funds.

- Change order requests are not accepted until 50% of total repairs have been completed.
- A change order is required if there is a scope of work change, timing change or change to the contractor.
- Change Order Request (**Request for Acceptance of Changes in Approved Drawings and Specifications**) is prepared by the borrower, or builder, and submitted to Plaza, for acceptance.
- Work must be 100% completed on each change order item before release of any monies to the borrower, builder, or contractor.
- The contingency reserve cannot be used to pay for repairs that change the scope of the project.

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Section 37 Final Release Notice and Lien Waivers

Final Release Notice:

- Final Release Notice is issued by Plaza after reviewing the case file to ensure that all work has been satisfactorily completed.
- If an occupancy permit is required by the local jurisdiction, it must be provided prior to the issuance of the Final Release Notice.
- Acceptance of the final inspection report will authorize the release of all monies remaining in the Rehabilitation Escrow Account, including all holdbacks from previous draws.
- If required to protect the priority of the security instrument, Plaza may retain the holdback, for a period not to exceed 35 days (or the time period required by law to file a lien, whichever is longer), to ensure compliance with state lien waiver laws or other state requirements.
- A copy of the final inspection report and Final Release Notice will be provided to the borrower.

Mechanic's and Material Men's Lien Waivers: Plaza obtains lien waivers at the time of any disbursement of funds from the Rehabilitation Escrow Account and is responsible to ensure the validity of the first lien on the property.

Section 38 Geographic Restrictions

State or geographic restrictions are identified here, however at this time Plaza may not be lending in all states listed. Properties are limited to those states where Plaza branches are currently authorized to originate loans.

Alaska: Owner occupied and second home refinances, in the prior loan is within 12 months of the refinance, borrower must meet the net benefit requirements.

Hawaii:

- Properties in Lava Zones 1 and 2 are ineligible.
- Manufactured Housing is not eligible.

Iowa: An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

Massachusetts: Properties with a septic system require an inspection whenever a property is transferred to a different owner. A system must be inspected within 2 years prior to the transfer of title to the property served by the system. An inspection conducted up to 3 years before the time of the transfer may be used in the inspection report is accompanied by records demonstrating that the system has been pumped at least once a year during that time.

Montana: Lot size of the property may not exceed 40 acres.

Nevada: Purchase transaction loans secured by properties located in Fallon, Nevada and serviced by the City of Fallon Municipal Water System include a veteran-signed "Purchaser Acknowledgement and Release" form. For additional information, contact the local VA office.

Rhode Island: Manufactured Housing is not eligible.

Texas: For properties located in Texas, the following restrictions apply:

- TX (a)(6) loans are not eligible.
- All improvements must be performed by a third-party builder.
- Disclosures must be delivered to the borrower at least 1 day before closing.
- All closing documents must be delivered to the borrower not later than 1 business day before closing.

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- The builder's contract must be signed by all owners and spouses.
- The builder's contract must be signed and closing must occur at the lender's office, a title company or an attorney's office.
- The builder's contract must not be signed before the 5th day after the written application.
- The builder's contract may be rescinded within 3 days after all parties have signed (purchase and refinance).
- No materials may be furnished or labor performed before the 3-day rescission period expires.
- A 10% statutory retainage must be withheld from each advance to cover any claim notices from subcontractors or suppliers. The entire retainage, representing 10% of construction costs, will be retained for 30 days after final completion. Subcontractors and suppliers have only 30 days after completion to notify the borrower of nonpayment claims.
- Additional monies requested for cost and upgrades are secured under the builder's contract only if they are evidenced by change orders signed by both parties. Any modification agreement to increase the loan amount must have original change orders attached.
- Subject property must be a Texas homestead.

Additional documents for Texas VA Renovation:

- Texas Property Code 53.255 Disclosure
- Builder's Note
- Builder's Contract – signed by the builder and all owners and their spouses before any material is furnished or labor is performed.
- Texas Notice of Right to Cancel the Builder's Contract (3-day rescission) required on purchase and refinance, in addition to the Federal Notice of Right-to-Cancel in a refinance transaction.
- Texas Home Improvement Certification from originating lender
- Renewal and Extension Exhibit to the Deed of Trust, describing the lien created by the Builder's Contract.
- Borrower's Acknowledgement of Construction of Compliance Procedures
- List of subcontractors and suppliers
- Texas Disbursement Authorization
- Texas Disbursement Statement (Draw Request)
- Affidavit of Commencement
- Affidavit of Completion
- Lien Waiver
- Final Bills-Paid Affidavit

Additional local property requirements and restrictions may be found on the [VA website](#).

Refer to Plaza's [Geographic State Restrictions](#) for general guidelines and restrictions.

Section 39 Max Financed Properties

Maximum Loans/Maximum Exposure: A maximum of four Plaza loans is permitted to one borrower.

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Section 40 VA Loan Guaranty and VA Funding Fee

Regardless of the loan amount, the VA guaranty plus the Veteran's down payment and/or equity must always be at least 25% of the lesser of the sales price or Notice of Value (NOV). The VA Calculator worksheet should be completed on every loan. The calculator assists in calculating any required down payment from the borrower on purchase or refinance transactions. Refer to the [VA Home Loan Limits](#) page for more information.

- **VA Calculator – Loan Amount > \$144,000**
- **VA Calculator – Loan Amount <= \$144,000**

VA Funding Fee:

Purchase			
Type of Veteran	Down Payment	First Time Use	Subsequent Use
Active Duty Veteran	Less than 5%	2.15%	3.30%
	5% - 9.99%	1.50%	1.50%
	10% or more	1.25%	1.25%
Reservist	Less than 5%	2.15%	3.30%
	5% - 9.99%	1.50%	1.50%
	10% or more	1.25%	1.25%

Refinance		
Type of Veteran	First Time Use	Subsequent Use
Active Duty Veteran	2.15%	3.30%
Reservist	2.15%	3.30%

Section 41 Escrow Accounts

Escrows are required.

Section 42 Repair Escrows

Not applicable.

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Section 43 ARM Adjustments

Characteristic	ARM			
Amortization Term	30 years			
Index	Treasury Weekly average on U.S Treasury securities adjusted to a constant maturity of 1 year.			
Margin	2.00%			
Life Floor	5% below the start rate, but never lower than the margin.			
Interest Rate Caps	Product	First Adjustment	Subsequent Adjustments	Lifetime
	5/1	1%	1%	5%
Interest Rate Adjustment Date	5/1	The first adjustment is 60-66 months after the first payment date. For correspondent clients preparing closing documents, refer to Plaza's Correspondent Seller Guide for ARM interest rate change dates.		
	After the initial fixed period, the interest rate may adjust annually.			
Payment Adjustment Date	The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.			
Conversion Option	Not allowed.			
Temporary Buydowns	Not allowed.			

Section 44 Temporary Buydown

Temporary Buydowns are eligible subject to the following:

- 2-1 and 1-0 buydowns are offered
- 30-Year Fixed Rate
- Purchase transactions only
- Qualify at the note rate
- Funds may only be provided by the seller
 - Interested Party Contribution (IPC) limits apply
 - Seller paid buydowns must be disclosed in the sales contract and the appraiser must have access to the sales contract in order to consider financing data, sales concessions or other information included in the contract when estimating the reasonable value of the property
 - The amount and source of all IPCs must be submitted to the AUS as applicable
- Buydown Agreement required and will print with Plaza loan docs
- **Plaza's Buydown Calculator** can be used to estimate the buydown payment and total contribution amount

Section 45 Prepayment Penalty

Not allowed.

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