

Improvements to Virginia Housing's Overlays!

Exciting news! In response to stakeholder feedback, Virginia Housing conducted thorough analysis of program overlays and as a result, we are implementing the following changes:

Requirement:	Old:	New:
Maximum DTI	45%	50% <u>Notes:</u> <ul style="list-style-type: none"> Manually underwritten loans with more restrictive ratio requirements must be adhered to per the insurer or guarantor requirements. Manual underwrites are not allowed on Conventional loans. No exceptions will be granted above 50% DTI.
Prior Foreclosure / Short-sale / Deed-in-lieu	<ul style="list-style-type: none"> Event no less than 5 years old from the date of title transfer to application date if originated with a DPA Grant, CCA Grant, or Plus Second Mortgage. Event no less than 3 years old from the date of title transfer to application date if a Virginia Housing loan without a DPA Grant, CCA Grant, or Plus Second Mortgage. No lates / collections last 3 years and no significant derogatory credit since the event. Ensure all GSE / insurer / guarantor waiting period requirements are met also (they may be more restrictive than 5 years). 	<ul style="list-style-type: none"> Virginia Housing does not have an overlay related to a previous foreclosure, deed-in-lieu, or short sale. Follow GSE / insurer / guarantor requirements. Any loans that do not meet these requirements are not eligible for Virginia Housing loan programs.

Minimum LTV when originated with DPA Grant, CCA Grant, or Plus Second Mortgage	90%	There is no minimum LTV when originating a Virginia Housing first mortgage with a DPA Grant, CCA Grant, or Plus Second Mortgage. <u>Note:</u> The Conventional No MI program still has a minimum LTV of greater than 80%.
MCC to Help Qualify	Virginia Housing does not allow an adjustment to qualifying income when the loan is originated with an MCC.	When a loan is originated with an MCC, the Originating Lender may use it as an adjustment to qualifying income in accordance with GSE / insurer / guarantor requirements. <u>Notes:</u> <ul style="list-style-type: none"> Calculate the MCC income by doing the following: [Base Loan Amount x Interest Rate x MCC% (10%)] ÷ 12 months = Amount added to monthly qualifying income. The adjustment to income for the MCC is not required to be included in household income calculations.
Post-closing Repairs	Escrows for post-closing repairs are considered as an exception on a case by case basis. There cannot be any structural or major mechanical repairs. Virginia Housing will allow escrows for minor weather related items (such as landscaping, outdoor painting, etc.). Request for approval must be submitted to Virginia Housing in advance of loan approval.	Escrows for post-closing repairs are considered as an exception on a case by case basis. There cannot be any structural or major mechanical repairs. Virginia Housing will allow escrows for minor weather related items (such as landscaping, outdoor painting, etc.). The Originating Lender's underwriter may review and render a decision for a post-closing repair exception. It must be acknowledged on the Underwriting Transmittal or a memo to the file. Justification for the exception must be included.

When is this effective?

This is effective immediately for all new and existing loans. Virginia Housing is committed to helping first-time homebuyers attain and retain quality, affordable housing. We hope that these new flexibilities help our valued partners to be more successful, while simultaneously ensuring that loan level risk is fully analyzed.

All program guidelines and other helpful resources have been updated to include these changes as well as LLPA changes announced on 11/10/22.

Questions? Email your Business Development Officer, or BDO:

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We believe in the power of home to grow thriving communities across Virginia, and we thank you for being part of our mission for 50 years.

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