

Plus Second Mortgage

Program Guidelines



What is Virginia Housing's Plus Second Mortgage program?	Virginia Housing's Plus Second Mortgage is a fully amortizing second mortgage offered to first-time homebuyers (unless purchasing in a targeted area) to assist with the entire down payment, and may cover some of the closing costs with a higher credit score. Requirements of this second mortgage program are listed below.																									
Loan Term	30 year fixed rate only.																									
Maximum Lender Compensation	2.50% including SRP on the Plus Second Mortgage. Note: The first mortgage used with the Plus Second Mortgage also allows a Maximum Lender Compensation of 2.50% including SRP, plus common and customary ancillary fees.																									
Loan-to-Value (LTV)	<table border="1" data-bbox="480 611 1511 1041"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> <th>CLTV: With Plus Second Only</th> <th>Max Total CLTV: Plus Second + Other Sub Financing*</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA / FHA Bond</td> <td>620</td> <td rowspan="2">100.0%</td> <td>Per FHA</td> </tr> <tr> <td rowspan="2">3%</td> <td>Conventional / Conventional Bond</td> <td>640</td> <td>105.0%</td> </tr> <tr> <td>Conventional No MI</td> <td>660</td> <td></td> </tr> <tr> <td>5%</td> <td>FHA / FHA Bond</td> <td rowspan="2">680</td> <td rowspan="2">101.5%</td> <td>Per FHA</td> </tr> <tr> <td>4.5%</td> <td>Conventional / Conventional Bond / Conventional No MI</td> <td>105.0%</td> </tr> </tbody> </table> <p>In addition to the applicable requirements above, the following applies to all Plus Second Mortgages:</p> <ul style="list-style-type: none"> If the borrower is using the higher LTV second (5% / 4.5%), the additional 1.5% is intended to assist the borrower with closing costs. If the second loan calculation yields cents then must round down to the nearest dollar. LTV / CLTV based on the lower of the sales price / appraised value. The maximum loan amount (including all liens) may not exceed the lesser of the sales price or appraised value plus standard closing costs and pre-paid items (unless limited by GSE / insurer). <p>*If the Plus Second Mortgage is used with other acceptable subordinate financing:</p> <ul style="list-style-type: none"> If using DU for Conventional, Conventional Bond or Conventional No MI first mortgage then must be an eligible Community Second. If using LPA for Conventional or Conventional Bond first mortgage then must be an eligible Affordable Second. Plus Second Mortgage must be in second lien position. Any other acceptable subordinate financing must be in third lien position. Exhibit LL is not required for the Plus Second Mortgage, but is required for any other acceptable subordinate financing except FHLB when originated with FHA / FHA Bond. If the first mortgage is Conventional the applicable GSE's Community Seconds Checklist or Affordable Seconds Checklist may be used in lieu of Exhibit LL. 	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	CLTV: With Plus Second Only	Max Total CLTV: Plus Second + Other Sub Financing*	3.5%	FHA / FHA Bond	620	100.0%	Per FHA	3%	Conventional / Conventional Bond	640	105.0%	Conventional No MI	660		5%	FHA / FHA Bond	680	101.5%	Per FHA	4.5%	Conventional / Conventional Bond / Conventional No MI	105.0%
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Eligible First Mortgages	<ul style="list-style-type: none"> Virginia Housing Conventional Virginia Housing Conventional Bond Virginia Housing Conventional No MI Virginia Housing FHA Virginia Housing FHA Bond 																									



Ineligible First Mortgages	<ul style="list-style-type: none"> • Virginia Housing VA • Virginia Housing VA Bond • Virginia Housing RHS • Virginia Housing RHS Bond • Any first mortgage used with the DPA Grant or CCA Grant • Any Non-Virginia Housing loan • Any refinance <p><u>Note:</u> The Plus Second Mortgage is not eligible for Virginia Automatic Subordination if the first mortgage is refinanced. The Request for Plus Second Mortgage Subordination form must be submitted to Virginia Housing Servicing for subordination consideration.</p>
MCC Eligible	No. The last day to lock a first mortgage loan with an MCC was April 28, 2023.
SPARC Eligible	Yes if the first mortgage is using SPARC then Plus Second Mortgage is also SPARC eligible.
DPA Grant Eligible	No.
CCA Grant Eligible	No.
First-time Homebuyer	<p>Required unless purchasing in a targeted area (applies to all borrowers).</p> <p>Borrowers are considered a first-time homebuyer if they have not owned and occupied a primary residence in the last 3 years.</p> <p>Acceptable documentation to evidence first-time homebuyer:</p> <ul style="list-style-type: none"> • The fully executed Programs Disclosure and Borrower Affidavit (Exhibit E) signed by all borrowers; • A completed Uniform Residential Loan Application (URLA); and • The credit report. <p><u>Note:</u> If unable to confirm from the Exhibit E, the URLA, or the credit report all borrowers are a first-time homebuyer, additional documentation may be required, such as:</p> <ul style="list-style-type: none"> • Three years federal tax returns / tax transcripts • Rent verification(s) • Other reports such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)
Income Limits	<p>Apply Virginia Housing Standard Household Income Limits.</p> <p>Include all income of all borrowers. See Origination Guide for more information on how to calculate household income, what income types must be included, and what may be excluded. Higher income limits may apply if the property is located in a targeted area.</p> <p><u>Note:</u> An LLPA applies to the first mortgage if the first mortgage is Conventional and the borrowers' qualifying income is greater than Fannie Mae / Freddie Mac 80% AMI limits if Charter (reduced) MI is used. Must also be within Virginia Housing's standard limit. This LLPA does not apply to any other programs (including Conventional Bond and Conventional No MI).</p>
Sales Price / Acquisition Cost Limits	<p>Apply Virginia Housing Sales Price / Loan Limits. The limit is the highest of the gross loan amount(s), sales price, and acquisition cost. See Origination Guide for more information on how to determine acquisition cost.</p> <ul style="list-style-type: none"> • The gross loan amount of the first mortgage (including financed up front mortgage insurance / financed mortgage insurance premium, when applicable) and second mortgage combined (plus any additional subordinate loans), cannot exceed the Virginia Housing Sales Price / Loan Limits. • Higher sales price limits may apply if the property is located in a targeted area.
Maximum Loan Amount	<p>No maximum dollar loan amount for Plus Second Mortgage; however must follow the LTV / CLTV requirements and all borrowers have a 680 credit score to allow for more than 3% / 3.5% for the Plus Second Mortgage, and</p> <ul style="list-style-type: none"> • The gross loan amount of the first mortgage (including any financed mortgage insurance premium) and Plus Second Mortgage combined cannot exceed the Virginia Housing Sales Price / Loan Limits. • Follow first mortgage requirements for maximum loan amount on the first mortgage (if more restrictive than the Virginia Housing Sales Price / Loan Limits).



Eligible Purpose	Primary residence purchase (no refinances).
Programs Disclosure and Borrower Affidavit (Exhibit E)	Required. Income from all borrowers must be included on page 4 of the Exhibit E.
Seller Affidavit (Exhibit F)	Required.
Originating Lender's Submission Cover Letter (Exhibit O)	Required.
Homebuyer Education	Required for all first-time homebuyers. Complete Virginia Housing course, HUD Approved Counseling Agency course, Fannie Mae Framework, or Freddie Mac CreditSmart course prior to approval (Fannie Mae loans will accept Freddie Mac's CreditSmart course and Freddie Mac loans will accept Fannie Mae's Framework course). Fannie Mae's Homeview course is not acceptable. Homebuyer Education Certificate is valid for 2 years.
Tax Transcripts	Follow first mortgage requirements.
Business Use of Home	No more than 15% of the financed dwelling may be used primarily in a trade or business. The borrowers must fully execute the Business Use of Home Certification if the borrower has disclosed that a part of the current residence is being used primarily for a trade or business or if there is any other evidence in the file, such as: <ul style="list-style-type: none"> • The employment business address is the same as the borrower's current residence address and/or the borrower has marked yes for mixed-use property on the URLA, or • Federal tax returns are provided and show the "business in home" deduction was taken (Typically this shows on Schedule C, line 30). The Business Use of Home Certification certifies that not more than 15% of the total living area of the subject property will be used primarily in a trade or business. If greater than 15% will be used in the subject dwelling then the borrower is not eligible.
Maximum Net Worth	Cannot exceed 50% of sales price (See Origination Guide for more information).
Automated Underwriting System (AUS) / Manual Underwrites	<p>FHA and FHA Bond first mortgage:</p> <ul style="list-style-type: none"> • Follow first mortgage requirements, and • Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in "Subordinate Financing" – It cannot be entered as "Gift," "Grant," or "Other Credit" in Minimum Required Funds section. <p>Conventional, Conventional No MI and Conventional Bond first mortgage using Fannie Mae's DU:</p> <ul style="list-style-type: none"> • Follow first mortgage requirements, and • Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in "Subordinate Financing" – It cannot be entered as "Gift," "Grant," or "Other Credit" in Minimum Required Funds section. • Community Seconds Repayment Structure is non-deferred. <p>Conventional and Conventional Bond first mortgage using Freddie Mac's LPA:</p> <ul style="list-style-type: none"> • Follow first mortgage requirements, and • Plus Second Mortgage must be entered in AUS for the first mortgage as a lien in "Subordinate Financing" – It cannot be entered as "Gift," "Grant," or "Other Credit" in Minimum Required Funds section. • Plus Second Mortgage must be entered in LPA as a subordinate loan and marked as an Affordable Second with payments that are not deferred.



Minimum Credit Score	<table border="1"> <thead> <tr> <th>Maximum Second Mortgage LTV:</th> <th>First Mortgage:</th> <th>Required Credit Score:</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>FHA / FHA Bond</td> <td>620</td> </tr> <tr> <td rowspan="2">3%</td> <td>Conventional / Conventional Bond</td> <td>640</td> </tr> <tr> <td>Conventional No MI</td> <td>660</td> </tr> <tr> <td>5%</td> <td>FHA / FHA Bond</td> <td rowspan="2">680</td> </tr> <tr> <td>4.5%</td> <td>Conventional / Conventional Bond / Conventional No MI</td> </tr> </tbody> </table>	Maximum Second Mortgage LTV:	First Mortgage:	Required Credit Score:	3.5%	FHA / FHA Bond	620	3%	Conventional / Conventional Bond	640	Conventional No MI	660	5%	FHA / FHA Bond	680	4.5%	Conventional / Conventional Bond / Conventional No MI
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	<p>FHA and FHA Bond first mortgage:</p> <ul style="list-style-type: none"> All borrowers must have a minimum 680 credit score to obtain greater than 3.5% up to 5% LTV on the Plus Second Mortgage. If any or all borrowers do not have a credit score then the maximum LTV for the Plus Second Mortgage is 3.5%. <p>Conventional, Conventional No MI and Conventional Bond first mortgage:</p> <ul style="list-style-type: none"> All borrowers must have a minimum 680 credit score to obtain greater than 3% up to 4.5% LTV on the Plus Second Mortgage. If at least one borrower has no credit score and the other borrower has a credit score (minimum 640 Conventional and Conventional Bond / 660 Conventional No MI), this is acceptable as long as all GSE requirements are met and AUS decision is Approve / Accept Eligible, or Approve Ineligible on the Conventional No MI program using Fannie Mae's DU only, and as long as the only reason for the ineligibility is due to the income exceeding 80% AMI. Maximum LTV for the Plus Second Mortgage is 3%. If no borrower(s) has a credit score the Plus Second Mortgage is not allowed. 																
Maximum DTI	Follow first mortgage requirements.																
Foreclosures / Deed in Lieu / Short Sales	Follow first mortgage requirements.																
Minimum Borrower Contribution	Follow first mortgage requirements and see below – “Acceptable Funds to Close”.																
Other Down Payment Assistance	<p>The Plus Second Mortgage may be used with other acceptable non-Virginia Housing down payment assistance in accordance with the first mortgage requirements. It cannot be used with the DPA Grant or the CCA Grant.</p> <p>Exhibit LL is not required for the Plus Second Mortgage however it is required for any other subordinate lien except FHLB when originated with FHA / FHA Bond. If the first mortgage is Conventional / Conventional Bond the applicable GSE's Community Seconds Checklist or Affordable Seconds Checklist may be used in lieu of Exhibit LL.</p>																
Reserves / Acceptable Funds to Close	<ul style="list-style-type: none"> The borrower must have a minimum of 1% the sales price documented and available to be used towards closing costs / pre-paid items or to be held as reserves (or combination of the two). Acceptable documentation to meet the 1% requirement must meet the applicable GSE / insurer requirements. Acceptable sources include, but are not limited to: <ul style="list-style-type: none"> Depository assets (checking / savings) Earnest Money Deposit (EMD) and any fees paid outside of closing (POCs) – fully sourced and documented (Note that it is acceptable to include EMD and/or POC towards this 1% requirement even if some or all of the EMD / POC is received back at closing) Gifts The amount vested in a retirement account or 401k loan Follow first mortgage requirements for funds to close. No cash back at closing except verified funds (EMD or POC items) – if the Closing Disclosure indicates the borrower will receive funds back at closing in excess of their EMD and POC then the second mortgage must be reduced. <ul style="list-style-type: none"> This will require a revised Plus Second Awards letter as well as revision to loan disbursement. 																

<p>Property</p>	<p>Property must be located in Virginia and must meet first mortgage requirements.</p> <p>Acreage:</p> <ul style="list-style-type: none"> • The maximum lot size is 2 acres. • Exceptions are considered > 2 up to 5 acres when the first mortgage is Conventional Bond or FHA Bond. The Lender's underwriter must review and render a decision on the acreage exception. See the Origination Guide for additional requirements and criteria. • Exceptions are considered > 5 up to 10 acres when the first mortgage is Conventional or FHA (not a bond program). The Lender's underwriter may review and render a decision on the acreage exception. See the Origination Guide for additional requirements and criteria.
<p>Unfinished Area</p>	<p>The cost to complete unfinished areas that are suitable to finish in the property must be included in the acquisition cost on the Exhibit E and Exhibit F (Examples: Unfinished basement, lower level of a tri-level, etc.). See the Origination Guide for more information.</p>
<p>Post-Closing Repairs</p>	<p>Escrows for post-closing repairs considered case by case as an exception. The Originating Lender's underwriter must review and render a decision on the exception. See the Origination Guide for additional requirements and criteria. No structural or major mechanical repairs allowed.</p> <p>If the first mortgage is FHA / FHA Bond: Financing repairs through FHA's EEM (Energy Efficient Mortgage) or HUD REO with Repair Escrow is not acceptable.</p>

Plus Second Mortgage

Procedures



<p>Lock-In</p>	<p>Loans locked on Virginia Housing’s LOS – Mortgage Cadence. First and second mortgage must be locked separately.</p> <p>Select appropriate Conventional, Conventional Bond, FHA or FHA Bond program for the first mortgage, then select PLUS_2nd_MTG for the second mortgage.</p> <p>When locking the first mortgage loan in Mortgage Cadence, user will indicate YES for “Will there be a Plus 2nd Mortgage?” and input the dollar amount for the Plus Second Mortgage under the Subordinate Financing tab in the Products and Pricing Wizard. The price will adjust automatically. The Plus Second Mortgage will need to be created and locked after the first mortgage by creating a Piggyback loan. Follow the detailed steps outlined in the Mortgage Cadence User Guide for registering and locking.</p>
<p>Rate Adjustments</p>	<p>Rate adjustments will occur automatically.</p> <ul style="list-style-type: none"> • FHA and FHA Bond first mortgage: 0.25% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment. • Conventional, Conventional No MI and Conventional Bond first mortgage: 0.125% will be added to the available interest rates. The Plus Second Mortgage rates will mirror the first mortgage rates including the adjustment.
<p>Origination</p>	<p>Loan originated in accordance with program guidelines and first mortgage guidelines. A separate Loan Estimate is required for the Plus Second Mortgage.</p>
<p>Underwriting</p>	<p>Loans underwritten in accordance with program guidelines and first mortgage guidelines. Underwriters must confirm Plus Second Mortgage is locked in Mortgage Cadence. Non-Delegated lenders must use the Underwriting Submission Checklist.</p> <p>Follow steps outlined in the Mortgage Cadence User Guide for submitting a Non-Delegated loan to Virginia Housing Underwriting or submitting for Delegated Approval.</p> <p>*The Delegated Underwriting Submission process must be completed on the first mortgage and second mortgage with the exception of the reimporting feature on the Plus Second Mortgage. The Award Letter and Obligation Letter (if applicable) are housed in the Plus Second Mortgage after the delegated confirmation utility is run.</p>
<p>Special Documentation</p>	<ul style="list-style-type: none"> • Plus Second Award Letter (Conventional, Conventional Bond, Conventional No MI, FHA, FHA Bond first mortgage). • Plus Second Obligation Letter (FHA and FHA Bond first mortgage only). <p>These documents are sent to the lender when the Plus Second Mortgage is cleared to close. The Plus Second Award Letter must be signed by the borrower(s) at closing.</p>
<p>Closing</p>	<p>Loans closed in accordance with first mortgage guidelines.</p> <p>Like the first mortgage, the Plus Second Mortgage must be closed in the name of the lender, registered in MERS with MERS compliant documents.</p> <p>A separate Loan Closing Disclosure is required for the Plus Second Mortgage.</p> <p>Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D) are acceptable.</p>
<p>Documents</p>	<p>Follow first mortgage requirements and include an URLA, Loan Estimate, and Closing Disclosure for the Plus Second Mortgage.</p> <p>Use Virginia Conventional Second Note and Deed of Trust documents compliant with Virginia Code Section 55-58.3 (D). The Deed of Trust must contain the following language at the top of the first page in bold or capitalized letters and be MERS compliant: “THIS DEED OF TRUST SHALL NOT, WITHOUT THE CONSENT OF THE SECURED PARTY HEREUNDER, BE SUBORDINATED UPON THE REFINANCING OF ANY PRIOR MORTGAGE.”</p> <p>*FHA requires an Employee Identification Number (EIN) for the Plus Second Mortgage on the Transmittal (92900-LT). Virginia Housing’s EIN is 0540921892.</p>



Funding	Like the first mortgage, the Originating lender will fund the Plus Second Mortgage at closing.
Delivery	Loans submitted to Virginia Housing within 10 calendar days of closing. Follow steps outlined in the Mortgage Cadence User Guide for submitting a closed loan package. Documents must be uploaded separately to the first and second mortgages. Use the Loan Stacking Form for the first mortgage and Plus Loan Stacking Form for the second mortgage.
Post-Closing	Standard post-closing documents for the Plus Second Mortgage must be submitted to Virginia Housing.
Important: Refer to the Origination Guide for more information about Virginia Housing eligibility requirements.	

The information contained herein (including but not limited to any description of Virginia Housing and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.

