

**VA INTEREST RATE REDUCTION REFINANCE (IRRRL)**

**ELIGIBILITY MATRIX**

**NON-CREDIT QUALIFYING**

PROPERTY TYPE	LOAN AMOUNT	CREDIT SCORE	LTV/CLTV	DTI
1-4 Units	\$1,000,000	580	105/125	NOT APPLICABLE
	\$1,500,000	680		
	\$2,000,000	700		
Manufactured Homes	\$647,200	620	105/125	NOT APPLICABLE

- LTV AND CLTV WILL BE BASED ON THE ORIGINAL LOAN BALANCE
- PRIMARY RESIDENCE OR NON-OWNER OCCUPIED

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**ELIGIBILITY MATRIX**

**CREDIT QUALIFYING**

PROPERTY TYPE	LOAN AMOUNT	CREDIT SCORE	LTV/CLTV	DTI
1-4 Units	\$1,000,000	580	105/125	50%
				50%
	\$1,500,000	680		45%
				45%
Manufactured Homes	\$647,200	620	105/125	45%

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**VA IRRRL REFINANCE**

REFERENCE	DESCRIPTION
LOAN TERMS	<ul style="list-style-type: none"> <li>Fixed-Rate – 10 to 30-year terms in annual increments</li> </ul>
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> <li>Not Permitted</li> </ul>
OCCUPANCY	<ul style="list-style-type: none"> <li>Primary Residence</li> <li>Second Home</li> <li>Investment Property</li> </ul> <p>For second home and investment property transactions:</p> <ul style="list-style-type: none"> <li>1-unit properties only</li> <li>Conforming loan amounts only</li> <li>Manufactured Housing is not allowed</li> <li>Documentation must be provided evidencing the veteran previously occupied the subject property as their primary residence.</li> <li>There can be no history of late payments on the subject property or on the borrower’s primary residence.</li> </ul>
SEASONING	<ul style="list-style-type: none"> <li>The borrower must have made at least six consecutive monthly payments on the loan being refinanced (the borrower may not pre-pay the current loan to meet the requirement.)               <ul style="list-style-type: none"> <li>Any interruption in the monthly payments before the initial six months of seasoning will require the Veteran to reset the minimum loan seasoning period. Six consecutive monthly mortgage payments paid within the month due are required after the last missed payment to meet the statutory seasoning requirement; and</li> <li>The Note date of the refinance loan occurs no earlier than 210 days after the date on which the first monthly payment was due on the mortgage being refinanced</li> </ul> </li> <li>For refinance of modified mortgages, the Note date of the new loan must be on or after the later of:               <ul style="list-style-type: none"> <li>The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced, and</li> <li>The date on which six modified payments have been made on the mortgage being refinanced</li> </ul> </li> </ul>
TRANSACTIONS	<p><b>No cash-out Interest Rate Reduction Refinance (IRRRL):</b></p> <ul style="list-style-type: none"> <li>Properties must not be listed for sale at the time of the application.</li> </ul> <p><b>Cash Out is not allowed:</b></p> <ul style="list-style-type: none"> <li>An IRRRL cannot be used to take equity out of the property or pay off debts, other than the VA loan being refinanced. Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining or closing the IRRRL. Therefore, the general rule is that the borrower cannot receive cash proceeds from the loan. If necessary, the refinancing loan amount must be rounded down to avoid payments of cash to the veteran. In a limited number of situations, like computational errors</li> </ul>

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	and changes in final pay-off figures, the borrower may receive a maximum of \$500.																											
PROPERTY FLIPS/ RESALE REQUIREMENTS	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>																											
IDENTITY OF INTEREST	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>																											
VA LOAN GUARANTY	<ul style="list-style-type: none"> <li>The 25% minimum VA guaranty/entitlement is considered satisfied for IRRRLs regardless of the dollar amount of guaranty being transferred from the previous loan.</li> </ul>																											
LOAN LIMITS	<ul style="list-style-type: none"> <li>The new loan amount may include the existing VA loan balance plus the following:               <ul style="list-style-type: none"> <li>Any late payments and late charges (loan must be current at the time of refinance)</li> <li>Allowable fees and charges (include up to two discount points)</li> <li>The cost of any energy efficiency improvements</li> <li>The VA Funding Fee</li> </ul> </li> </ul> <p>Always use VA Form 26-8923, IRRRL Worksheet, to calculate the maximum loan amount.</p>																											
SUBORDINATE FINANCING	<ul style="list-style-type: none"> <li>Loans with existing subordinate financing are eligible.</li> <li>New subordinate financing is not allowed</li> <li>Properties with Property Assessed Clean Energy (PACE) obligations are ineligible.               <ul style="list-style-type: none"> <li>PACE liens may not be subordinated.</li> </ul> </li> </ul>																											
BORROWER ELIGIBILITY	<p>Generally, the parties obligated on the original VA loan must be the same parties on the new loan and the veteran must still own the property. However, some ownership changes may be acceptable.</p> <p>The following outlines when a change in mortgagors is permitted:</p> <table border="1"> <thead> <tr> <th>Existing VA Loan</th> <th>New Loan</th> <th>Eligible?</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran &amp; New Spouse</td> <td>Yes</td> </tr> <tr> <td>Unmarried Vet</td> <td>Spouse only (deceased Veteran)</td> <td>No</td> </tr> <tr> <td>Vet</td> <td>Different Veteran who has substituted their entitlement</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorced Veteran only</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Veteran and Different Spouse</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Spouse only (Deceased Veteran)</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorced Spouse Only</td> <td>No</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Different Spouse Only (Deceased</td> <td>No</td> </tr> </tbody> </table>	Existing VA Loan	New Loan	Eligible?	Unmarried Vet	Veteran & New Spouse	Yes	Unmarried Vet	Spouse only (deceased Veteran)	No	Vet	Different Veteran who has substituted their entitlement	Yes	Vet & Spouse	Divorced Veteran only	Yes	Vet & Spouse	Veteran and Different Spouse	Yes	Vet & Spouse	Spouse only (Deceased Veteran)	Yes	Vet & Spouse	Divorced Spouse Only	No	Vet & Spouse	Different Spouse Only (Deceased	No
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**VA IRRRL REFINANCE**

REFERENCE	DESCRIPTION									
UNDERWRITING METHOD	<table border="1"> <tr> <td></td> <td>Veteran</td> <td></td> </tr> <tr> <td>Vet &amp; Non-Vet (Joint Obligor)</td> <td>Veteran</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Non-Vet (Joint Obligor)</td> <td>Non-Veteran Only</td> <td>No</td> </tr> </table>		Veteran		Vet & Non-Vet (Joint Obligor)	Veteran	Yes	Vet & Non-Vet (Joint Obligor)	Non-Veteran Only	No
		Veteran								
	Vet & Non-Vet (Joint Obligor)	Veteran	Yes							
Vet & Non-Vet (Joint Obligor)	Non-Veteran Only	No								
<p>For loans involving a Power of Attorney, refer to the VA Lender’s Guide, Chapter, Section 7.</p> <p><b>Certificate of Eligibility:</b> A Certificate of Eligible (COE) is required on all VA IRRRL transactions, except for the following situations:</p> <ul style="list-style-type: none"> <li>▪ Veteran has already been determined to be exempt as evidenced on the IRRRL case assignment.</li> <li>▪ Entitlement encumbered on the loan being refinanced belongs to a surviving spouse of a Veteran.</li> <li>▪ Entitlement encumbered on the loan being refinanced belongs to a Veteran who has since passed away and the IRRRL borrower is a spouse who was also a co-borrower on the loan being refinanced.</li> </ul> <p><b>Veteran:</b> If the veteran is not exempt from the VA Funding Fee, the veteran must provide a signed certification confirming if they have a claim for compensation pending with the Department of VA.</p> <p><b>Active-Duty Service Members:</b> Must provide a signed certification confirming if they have a pre-discharge claim pending.</p> <p>If there is a pending claim, a corrected COE must be pulled earlier than 3 days before the loan closes to validate exemption status at the time of closing. Refer to VA Circular 26-19-17.</p> <p>Underwriters must validate the accuracy of the COE provided in the loan file. Use the “search” feature in WEBGLY to confirm the COE provided is accurate.</p>										
<p>All loans must be manually underwritten: Automated underwriting is not allowed.</p> <ul style="list-style-type: none"> <li>▪ Underwriters must complete the VA IRRRL Underwriting Checklist</li> <li>▪ VA Net Tangible Benefit requirements must be met. Refer to VA Circular 26-19-22.</li> <li>▪ The state-specific (if applicable) net tangible benefit test must be satisfied in order to be eligible.</li> </ul> <p><b>Special Requirements</b></p> <p><b>Fee Recoupment:</b></p> <ul style="list-style-type: none"> <li>▪ For an IRRRL that results in a lower monthly principal and interest (P&amp;I) payment, the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37), incurred by the Veteran, must not exceed 36 months from the date of the loan closing.</li> <li>▪ For an IRRRL that results in the same or higher monthly P&amp;I payment, verify that the Veteran has incurred no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under Chapter 37).</li> </ul>										

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	<p><b>Seasoning:</b></p> <ul style="list-style-type: none"> <li>▪ The due date of the first monthly payment of the loan being refinanced must be 210 days or more prior to the closing date of the refinance loan; and</li> <li>▪ Six consecutive monthly payments must have been made on the loan being refinanced.</li> </ul> <p><b>Term Increase:</b></p> <ul style="list-style-type: none"> <li>▪ The term of the new loan may not exceed the original term by more than 10 years, subject to the maximum term of 30 years and 32 days.</li> </ul> <p><b>Interest Rate Decrease:</b></p> <ul style="list-style-type: none"> <li>▪ Fixed Rate to Fixed Rate refinances must reduce the interest rate by at least .50 in rate.</li> </ul> <p><b>Payment Increase:</b></p> <ul style="list-style-type: none"> <li>▪ The P&amp;I payment must be less than that of the existing VA loan unless: <ul style="list-style-type: none"> <li>○ Refinancing an ARM to a Fixed Rate; OR</li> <li>○ The term of the new loan is less than the term of the existing VA loan.</li> <li>○ IF the PITI increases 20% or more, refer to the PITI increase section.</li> </ul> </li> </ul>
CREDIT	<p><b>Qualifying Credit Score:</b></p> <ul style="list-style-type: none"> <li>▪ The qualifying score is the lower of the 2 or middle of 3 scores.</li> <li>▪ The lowest qualifying score of all applicants is used to qualify.</li> <li>▪ Each borrower must have at least one credit score.</li> </ul> <p><b>Credit Report:</b></p> <ul style="list-style-type: none"> <li>▪ When a full credit report is not obtained, a mortgage-only credit report with credit scores and key factors must be provided. If unable to obtain a mortgage-only credit report with credit scores and key factors, a full credit report will be required.</li> <li>▪ Non-traditional credit is not allowed.</li> </ul> <p><b>Housing Payment History:</b> A mortgage payment history of 0X30 in the last 12 months is required.</p> <ul style="list-style-type: none"> <li>▪ For loans that are seasoned less than 12 months, the existing loan may not have any mortgage lates of 30 days or greater since the inception of the loan and, there may be no 30 days or greater lates on any mortgage loan associated with the borrower or property in the most recent 12 months.</li> <li>▪ For borrowers with mortgage delinquency beyond the previous 12 months, it is the underwriter’s responsibility to carefully review and determine the borrower’s creditworthiness.</li> </ul> <p><b>Pay Off of Collection Accounts:</b> Collection accounts are not required to be paid off.</p> <p><b>Tax Liens and Judgments:</b> In all cases, outstanding tax liens and judgments must be paid at or before closing.</p>

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	<p><b>Bankruptcy / Foreclosure / Deed-in-Lieu / Short Sale:</b> Must meet VA guidelines and must be seasoned a minimum of 2 years.</p> <p>*Any IRRRL that includes delinquent payments in the loan amount must be submitted to the VA for prior approval, even when the lender has automatic authority.</p>
INCOME	<p>Employment:</p> <ul style="list-style-type: none"> <li>▪ Employment or source of income must be disclosed on the 1003 but is not verified</li> <li>▪ Income is not verified</li> <li>▪ Exception:               <ul style="list-style-type: none"> <li>○ When there has been a change in obligors, a statement from the new obligor(s) will be required to address their ability to make payments on the new loan (addresses the fact obligors have changed from the obligors who qualified for the loan being refinanced).</li> <li>○ When the PITIA increase 20% or more it must be determined that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations.</li> </ul> </li> </ul> <p>Income:</p> <ul style="list-style-type: none"> <li>▪ Income is not documented</li> <li>▪ The loan application should not reference income</li> <li>▪ Exception:               <ul style="list-style-type: none"> <li>○ When the PITIA will increase 20% or more it must be determine that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations.</li> </ul> </li> </ul> <p>If the PITIA increases by 20% or more:</p> <ul style="list-style-type: none"> <li>▪ Determine that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations with the following:               <ul style="list-style-type: none"> <li>○ Paystubs covering at least the most recent 30 day period.</li> <li>○ 2 Years W2s</li> <li>○ Verbal Verification of Employment</li> </ul> </li> <li>▪ The underwriter must complete VA form 26-6393 to determine the borrower qualifies for the new loan.</li> <li>▪ Maximum DTI 41%. Loans with DTIs &gt;41% up to a max of 50% may be considered if the loan meets the compensating factor requirement per the VA Lender’s Guide Chapter 4, Section 10.</li> </ul> <p>IRS Form 4506-C:</p> <ul style="list-style-type: none"> <li>▪ 4506-C is not required unless the borrower is qualifying due to a PITIA increase or 20% or more as referenced above.</li> </ul>
QUALIFYING RATIOS	<ul style="list-style-type: none"> <li>▪ If the PITIA does not increase by 20% or more: Not Calculated</li> <li>▪ If the PITIA increases by 20% or more</li> </ul>

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DOWN PAYMENT / CASH TO CLOSE	<ul style="list-style-type: none"> <li>Asset verification not required.</li> </ul>
RESERVES	<ul style="list-style-type: none"> <li>Not Required</li> </ul>
VA FUNDING FEE	<ul style="list-style-type: none"> <li>VA Funding Fee of .500% applies except for exempt veterans</li> </ul>
ELIGIBLE FEES	<p>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 KFI's Veteran Borrower Paid Fees &amp; Charges Policy.</p> <p>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.</p>
INTEREST PARTY CONTRIBUTIONS	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
PROPERTY ELIGIBILITY	<p><b>Eligible Properties:</b></p> <ul style="list-style-type: none"> <li>Attached/Detached SFR</li> <li>Attached/Detached PUD</li> <li>Condominiums</li> <li>2-4 Units</li> <li>Manufactured Housing</li> </ul> <p><b>Manufactured Housing:</b></p> <ul style="list-style-type: none"> <li>Must be classified as Real Property</li> <li>Single-Wide and Multi-Wide allowed</li> <li>Single-Wide manufactured must have a date of manufacture not greater than 10 years from the loan application date</li> <li>Multi-Wide manufactured homes must have been built on or after June 15, 1976</li> <li>Property Size: <ul style="list-style-type: none"> <li>Multi-Wide: Must have a minimum of 700 square feet of gross living area</li> <li>Single-Wide: Must be at least 12 feet wide and have a minimum of 400 square feet of gross</li> </ul> </li> </ul>

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	<p>living area</p> <ul style="list-style-type: none"> <li>Leasehold properties are ineligible</li> <li>Condo or co-op projects comprised of manufactured homes ineligible</li> <li>The manufactured home may not have been previously installed or occupied at another location.</li> <li>All manufactured housing must meet VA guidelines, restrictions in these Program Guidelines, and KFI's Manufactured Housing Guidelines</li> </ul> <p><b>Ineligible Properties:</b></p> <ul style="list-style-type: none"> <li>Commercial Property</li> <li>Condotels</li> <li>Cooperatives</li> <li>Geothermal Homes</li> <li>Mobile Homes</li> <li>Timeshares</li> <li>Working Farms, Ranches, Orchards</li> </ul>
APPRAISAL	<ul style="list-style-type: none"> <li>Not Required</li> </ul>
MAX FINANCED PROPERTIES	<p>There is no maximum number of properties a borrower owns or has financed; however, the Schedule of Real Estate on the application must be completed with all the properties the borrower owns per the credit report, MERS and Data Drive.</p> <p>Maximum Loans/Maximum Exposure</p> <ul style="list-style-type: none"> <li>A maximum of four KFI loans to one borrower</li> </ul>
ESCROW ACCOUNTS	<p>An Escrow/Impound account is required for property taxes and insurance on all VA loans.</p>
INSURANCE	<p>Hazard insurance coverage must be equal to at least the principal balance of the new loan or replacement cost.</p> <p>Flood insurance is required on all properties located in a Special Flood Hazard Area (SFHA).</p> <p>Manufactured Housing: Manufactured Homes located within a Special Flood Hazard Area are not eligible unless a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 086-0-33) prepared by a licensed engineer or surveyor stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation is provided, and flood insurance under the NFIP is obtained.</p>
OTHER FEATURES	<p>Energy Efficient Mortgages are not eligible.</p>

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## **PRODUCT PROFILE**

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