

## VA PURCHASE AND CASH-OUT REFINANCE LOANS ONLY

### ELIGIBILITY MATRIX – AUS APPROVED

PROPERTY TYPE	LOAN AMOUNT	CREDIT SCORE	LTV/CLTV	DTI
1–4 Units	\$1,000,000	580*	100%	Per AUS
	\$1,500,000	700	100%	50%
	\$2,000,000	740	100%	45%
Manufactured Homes	\$647,200	580	100%	50%

- MUST HAVE AN “AUS APPROVE/ACCEPT”
- LTV AND CLTV EXCLUDES VA FUNDING FEE
- THE MAXIMUM LTV 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 THE LOAN GUARANTY REFER TO THE VA LOAN GUARANTY SECTION IN THESE PROGRAM GUIDELINES.
- \*REFINANCE TRANSACTIONS >90% LTV REQUIRE A MINIMUM CREDIT SCORE OF 640 AND MAX LOAN AMOUNT ALLOWED \$1,000,000

## MANUAL APPROVAL

### ELIGIBILITY MATRIX

PROPERTY TYPE	LOAN AMOUNT	CREDIT SCORE	LTV/CLTV	DTI
1 Unit	\$647,200	580	100%	50%
Manufactured Homes	NOT PERMITTED			

- MANUFACTURED HOUSING IS NOT ELIGIBLE FOR JUMBO LOAN AMOUNTS.
- MANUAL UNDERWRITING IS NOT PERMITTED ON MANUFACTURED HOUSING.
- REFINANCES OF SINGLE-WIDE MANUFACTURED HOMES ARE NOT PERMITTED.
- 24-MONTH VOR/VOM WITH 0X30
- THE MAXIMUM LTV 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 THE LOAN GUARANTY REFER TO THE VA LOAN GUARANTY SECTION IN THESE PROGRAM GUIDELINES.

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REFERENCE	DESCRIPTION
FINANCING TYPE	<ul style="list-style-type: none"> <li>▪ Purchase Mortgage</li> <li>▪ Cash-Out Refinance (Non-IRRRL)               <ul style="list-style-type: none"> <li>• Refinance transactions &gt;90% LTV require a minimum credit score of 640 and max loan amount would be \$1,000,000</li> </ul> </li> </ul> <p><i>*VA IRRRL Refinance guidelines are separate.</i></p>
OCCUPANCY	<ul style="list-style-type: none"> <li>▪ Owner-occupied primary residences only.</li> <li>▪ Veterans must certify that they intend to live in the home.</li> <li>▪ If the buyer is on active duty, a spouse may certify occupancy.</li> <li>▪ Single or married service members deployed from their permanent duty station are considered to be in a temporary-duty status and are able to certify intent to occupy. There is no need to have a spouse if applicable certify the occupancy.</li> </ul> <p><b>Conversion of Principal Residence to Investment Property:</b>            If a veteran is converting a current principal residence to an investment property upon purchase of a new principal residence, the following requirements apply:</p> <ul style="list-style-type: none"> <li>▪ Use the prospective rental income only to offset the mortgage payment on the rental property and only if there is no indication that the property will be difficult to rent. This rental income may not be included in effective income.</li> <li>▪ Obtain a working knowledge of the local rental market. If there is no lease on the property, but the local rental market is very strong, the lender may still consider the prospective rental income for offset purposes.</li> </ul> <p><b>Conversion of Principal Residence to a Second Home:</b></p> <ul style="list-style-type: none"> <li>▪ If a veteran is converting a current principal residence to a second home upon purchase of a new principal residence, both the current (home being converted to second home) and proposed (subject property) monthly housing expenses must be used to qualify.</li> </ul> <p><b>Pending Sale of Real Estate:</b>            In instances where the veteran intends to sell the property but will not close before the purchase of a new principal residence occurs, the PITIA of both the pending sale and the subject property must be included in qualifying unless the borrower has an executed sales contract and documented reserves as follows:</p> <ul style="list-style-type: none"> <li>▪ The executed sales contract for the current residence, AND</li> <li>▪ Confirmation that any financing contingencies have been cleared, AND</li> <li>▪ Reserves totaling 3 months PITIA for both properties, OR</li> <li>▪ Reserves totaling 2 months PITIA for both properties if the existing property (converted to a second home) has at least 30% equity. Equity on the existing property can be documented by:               <ul style="list-style-type: none"> <li>○ Appraisal ordered from KFI approved AMC, or</li> <li>○ AVM from KFI approved provider</li> </ul> </li> </ul>
LOAN TERMS	<ul style="list-style-type: none"> <li>▪ Purchase up to 100% LTV and Cash-Out Refinance up to 90% LTV: 30, 25, 20 and 15 Year Fixed</li> <li>▪ Cash-Out Refinance exceeding 90% LTV: 30 Year Fixed</li> </ul>

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TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> <li>Not Permitted</li> </ul>																												
QUALIFYING RATE	<ul style="list-style-type: none"> <li>Note Rate</li> </ul>																												
VA FUNDING FEE TABLE (APPLIES UNLESS THE VETERAN IS EXEMPT)	<table border="1"> <thead> <tr> <th>Type of Veteran</th> <th>Down Payment</th> <th>Percentage For First Time Use</th> <th>Percentage For Subsequent Use</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="text-align: center;">Active-Duty Veteran</td> <td>Less than 5%</td> <td>2.30%</td> <td>3.60%</td> </tr> <tr> <td>5% or more (up to 10%)</td> <td>1.65%</td> <td>1.65%</td> </tr> <tr> <td>10% or more</td> <td>1.40%</td> <td>1.40%</td> </tr> <tr> <td rowspan="3" style="text-align: center;">Reservist</td> <td>Less than 5%</td> <td>2.30%</td> <td>3.60%</td> </tr> <tr> <td>5% or more (up to 10%)</td> <td>1.65%</td> <td>1.65%</td> </tr> <tr> <td>10% or more</td> <td>1.40%</td> <td>1.40%</td> </tr> <tr> <td style="text-align: center;">Disable Veteran (Service-Connected Disability)</td> <td>N/A</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table>	Type of Veteran	Down Payment	Percentage For First Time Use	Percentage For Subsequent Use	Active-Duty Veteran	Less than 5%	2.30%	3.60%	5% or more (up to 10%)	1.65%	1.65%	10% or more	1.40%	1.40%	Reservist	Less than 5%	2.30%	3.60%	5% or more (up to 10%)	1.65%	1.65%	10% or more	1.40%	1.40%	Disable Veteran (Service-Connected Disability)	N/A	0.00%	0.00%
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ELIGIBLE COLLATERAL	<ul style="list-style-type: none"> <li>Owner-Occupied Only</li> <li>1-4 Units</li> <li>PUD's</li> <li>Condominiums</li> <li>Manufactured homes (multi-Unit) permanently affixed to the foundation, built on or after June 15, 1976, and meet VA requirements</li> <li>Modular Homes</li> </ul>																												

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INELIGIBLE COLLATERAL	<ul style="list-style-type: none"> <li>Single-Wide Manufactured Homes</li> <li>State-Approved Medical Marijuana Producing Properties</li> <li>Co-Ops</li> <li>Condo Hotels</li> <li>Energy Efficient Mortgages</li> <li>Properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations</li> <li>Properties with sinkholes</li> <li>Properties serviced by hauled water</li> <li>Properties with cisterns</li> <li>Properties with wastewater stabilization pond/lagoon (aka sewage lagoon)</li> <li>Properties with individual water purification systems required to make the water safe for human consumption (does not include water systems installed to improve the taste or softness of the water)</li> </ul>
CONDOMINIUMS	<ul style="list-style-type: none"> <li>Must be VA-approved condominium complex and meet all requirements</li> </ul>
RECENT MLS ACTIVITY PROPERTIES LISTED FOR SALE	<ul style="list-style-type: none"> <li>Property cannot be listed for sale at the time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide a letter of explanation for all MLS activity within six months of application date and provide a letter confirming intent to retain property as the primary residence.</li> </ul>
APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> <li>VA Approved/VA Fee panel appraisers. Appraisal expiration is established on Notice of Value (NOV)</li> </ul>
ASSISTED APPRAISAL PROCESSING PROGRAM	<ul style="list-style-type: none"> <li>Permitted.</li> <li>A VA appraiser may rely on information provided by an assisting appraiser who is licensed and knowledgeable of all VA requirements and minimum property standards. The VA appraiser must sign the report as the Supervisory Appraiser and are ultimately responsible for the appraisal. AAPP may not be utilized for the following: new construction, sales price &gt;\$1,000,000, complex assignments, or Tidewater (value is less than the sales price).</li> </ul>
LIMITATIONS ON OTHER REAL ESTATE OWNED	<ul style="list-style-type: none"> <li>None</li> </ul>
MULTIPLE TAX PARCELS/ TRACTS / LOTS WITH ONE LEGAL DESCRIPTION	<ul style="list-style-type: none"> <li>On a case-by-case basis, KFI can allow for adjacent tax parcels/tracts/lots under on legal description.</li> <li>Parcels/tracts/lots that have a significant divide (like a river or road) or structures on each parcel/tract/lot would not be eligible.</li> <li>Plat map would need to be provided to show parcels/tract/lots adjoining.</li> </ul>

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<p>CASH-OUT REFINANCE SEASONING</p>	<ul style="list-style-type: none"> <li>Free and clear properties are not permitted. There must be an existing lien on the subject property to pay off. GNMA requires six months of payment seasoning on the loan being refinanced and 210 days must have elapsed between the first payment due date of the original loan being refinanced and the note date of the new loan. Must be secured by an existing first lien.</li> <li>If a loan has been modified: seasoning is based on the loan as modified, and not the original loan. For example: if the original loan closed 02/17/2018 and a modification was completed 11/05/2019, the loan cannot be refinanced as an IRRRL until the 11/05/2019 modification has been seasoned.</li> </ul>
<p>CASH-OUT REFINANCE TRANSACTIONS EFFECTIVE FOR LOAN APPLICATIONS TAKEN 2/15/2019 AND AFTER</p>	<ul style="list-style-type: none"> <li>VA defines two types of cash-out refinancing transactions:               <ul style="list-style-type: none"> <li>Type I Cash-Out Refinance: A refinance in which the loan amount (including the Funding Fee) does not exceed the payoff amount of the loan being refinanced.</li> <li>Type II Cash-Out Refinance: A refinance in which the loan amount (including the Funding Fee) exceeds the payoff amount of the loan being refinanced.</li> </ul> </li> </ul> <p><b>LTV Limitation</b></p> <p>For Type I and Type II Cash-Out Refinance Transactions, VA will not guarantee refinance loan transactions when the LTV exceeds 100 percent including the Funding Fee. LTVs exceeding 90% are limited to conforming loan amounts (high balance not permitted), 30-year term, minimum FICO 641.</p> <p><b>Loan Comparison Statement</b></p> <p>For Type I and Type II Cash-Out Refinance Transactions, the Veteran must be provided with a Comparison of Loan Characteristics and Net Tangible Benefit disclosure. The Veteran must sign and acknowledge receipt of the form.</p> <ul style="list-style-type: none"> <li>No later than the third business day after receiving the Veteran’s loan application, and</li> <li>again at loan closing</li> </ul> <p><b>Net Tangible Benefit</b></p> <ul style="list-style-type: none"> <li>The new loan eliminates monthly mortgage insurance, whether public or private or monthly guaranty insurance</li> <li>The term of the new loan is shorter than the remaining term of the loan being refinanced</li> <li>The interest rate on the new loan is lower than the interest rate on the loan being refinanced</li> <li>The payment (P&amp;I) on the new loan is lower than the payment (P&amp;I) on the loan being refinanced</li> <li>The new loan results in an increase in the borrower’s monthly residual income</li> <li>The new loan refinances an interim loan to construct, alter, or repair the home</li> <li>The new loan amount is equal to or less than 90 percent of the reasonable value of the home</li> <li>The new loan refinances an adjustable-rate loan to a fixed-rate loan</li> </ul> <p><b>Fee Recoupment:</b></p> <p>For Type 1 Cash-Out Refinance Transactions made to refinance an existing VA loan, all fees, expenses, and closing costs included in the loan amount and paid outside of closing must be recouped through lower principal and</p>

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	<p>interest (P&amp;I) payments within 36 months from the date of closing.</p> <p><b>Interest Rate Reduction Requirements:</b>            For Type I Cash-Out Refinance Transactions made to refinance a current fixed-rate VA-guaranteed home loan, the new interest rate must be at least 0.5 percent (50 basis points) lower than the interest rate on the loan being refinanced.</p>
NON-TRADITIONAL CREDIT	<ul style="list-style-type: none"> <li>Borrowers who have no established credit references may be eligible using non-traditional credit references. A minimum of 3 credit references for each rate for 12 months is required. There can be no housing lates and a maximum 1X30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. All loans with non-traditional credit require a manual underwrite, maximum financing is allowed. Follow standard VA guidelines as outlined in the VA Lender’s Handbook.</li> </ul>
CAIVRS	<ul style="list-style-type: none"> <li>CAIVR clearance must be obtained for all borrowers on the transaction.</li> </ul>
SOCIAL SECURITY NUMBERS	<ul style="list-style-type: none"> <li>Required for ALL borrowers.</li> </ul>
COLLECTION CHARGE-OFFS	<p>Collection accounts must be considered part of the borrower’s overall credit history and unpaid collection accounts are considered open, recent credit. Borrowers with a history of collection accounts should have re-established satisfactory credit in order to be considered a satisfactory credit risk.</p> <p>If the collection account is listed on the credit report with a minimum payment, qualify at the minimum payment amount or provide verification that the collection is not in repayment (e.g., credit supplement to shot “Not in repayment” or \$0/month payment)</p> <p>Manually underwritten loans:</p> <ul style="list-style-type: none"> <li>Medical Collections &gt; \$10,000 may be required to be paid prior to or at closing.</li> <li>Non-Medical Collections &gt; \$7500 may be required to be paid prior to or at closing.</li> <li>Manually Underwritten loans with non-medical collections &gt;\$7500 and DTI &gt; 41% require a minimum of 2 compensating factors.</li> </ul>
RE-ESTABLISHED CREDIT	<p>In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date the last derogatory credit item was satisfied. For example, assume a credit report reveals several unpaid collections, including some which have been outstanding for many years. Once the borrower has satisfied the obligations and then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is reestablished.</p>

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BANKRUPTCY	<ul style="list-style-type: none"> <li>Chapter 7 discharged for 24 months.</li> <li>Chapter 13 requires 12 months of satisfactory payment history and court permission to enter into a transaction.</li> </ul>
JUDGMENTS / LIENS	All outstanding judgments and liens must be paid prior to or at closing. Includes judgments and tax liens of non-purchasing spouse.
FORECLOSURE	Must be > 2 Years from date of trustee’s deed. Documentation is required, credit report is unacceptable. (CAIVRS-if applicable). If the property was surrendered in bankruptcy, use the earlier of the BK discharge or trustee’s deed date to start the seasoning.
DEED-IN-LIEU/ SHORT SALE	If the borrower’s payment history on the property was not affected before the short sale or deed in lieu and was voluntarily communicating with the servicer or holder, then a waiting period from the date transfer of the property may not be necessary.
CONSUMER CREDIT COUNSELING	Consumer Credit Counseling plan with prior adverse credit requires 12 months of satisfactory payments and a counseling agency to approve the new credit. Consumer counseling services must be paid in full prior to closing.
LATE PAYMENTS	VA Credit Standards apply
FICO	Minimum FICO 580
MINIMUM PAYMENT	5% of the outstanding balance for revolving accounts if no payment is indicated.
MINIMUM TRADELINES	AUS – no specific requirement. However, must meet the minimum FICO requirement and receive AUS approval. Manual Underwrite – Refer to non-traditional credit and insufficient credit sections for requirements. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
MORTGAGE / RENTAL HISTORY	AUS- Mortgages must be rated for 24 months. A rental history rating is not required. Mortgage / Rental Delinquencies: Downgrade required if housing delinquency exceeds 1x30 in the previous 12 months. Manual underwriting – Mortgage and rental payments must be rated for 24 months. Max 0X30 last 12 months; housing lates in months 13-24 require thorough explanation and documentation by the borrower(s) to address why the lates occurred and what has changed to prevent a recurrence.
NON-PURCHASING SPOUSE	Credit report required in community property states. Debts must be added to DTI Ratio and the Veteran’s capacity to address unpaid collections and judgments considered. The non-purchasing spouse may be added to the title on a purchase transaction or may remain on the title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest in the property.

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<b>COMMUNITY PROPERTY STATES</b>	The following states are known community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.																																																																																					
<b>INCOME</b>	Residual income requirements apply and vary by region/loan amount/property type. See matrix in Residual Income Requirements.																																																																																					
<b>RESIDUAL INCOME REQUIREMENTS</b>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="5" style="text-align: center; padding: 2px;">Loan Amounts \$79,999 and below</th> </tr> <tr> <th style="text-align: left; padding: 2px;">Family Size</th> <th style="text-align: left; padding: 2px;">Northeast</th> <th style="text-align: left; padding: 2px;">Midwest</th> <th style="text-align: left; padding: 2px;">South</th> <th style="text-align: left; padding: 2px;">West</th> </tr> </thead> <tbody> <tr><td style="padding: 2px;">1</td><td style="padding: 2px;">\$390</td><td style="padding: 2px;">\$382</td><td style="padding: 2px;">\$382</td><td style="padding: 2px;">\$425</td></tr> <tr><td style="padding: 2px;">2</td><td style="padding: 2px;">\$654</td><td style="padding: 2px;">\$641</td><td style="padding: 2px;">\$641</td><td style="padding: 2px;">\$713</td></tr> <tr><td style="padding: 2px;">3</td><td style="padding: 2px;">\$788</td><td style="padding: 2px;">\$772</td><td style="padding: 2px;">\$772</td><td style="padding: 2px;">\$859</td></tr> <tr><td style="padding: 2px;">4</td><td style="padding: 2px;">\$888</td><td style="padding: 2px;">\$868</td><td style="padding: 2px;">\$868</td><td style="padding: 2px;">\$967</td></tr> <tr><td style="padding: 2px;">5</td><td style="padding: 2px;">\$921</td><td style="padding: 2px;">\$902</td><td style="padding: 2px;">\$902</td><td style="padding: 2px;">\$1004</td></tr> <tr> <td style="padding: 2px;">Above 5</td> <td colspan="4" style="padding: 2px;">Add \$75 for each additional member up to a family of seven.</td> </tr> <tr> <th colspan="5" style="text-align: center; padding: 2px;">Loan Amounts \$80,000 and above</th> </tr> <tr> <th style="text-align: left; padding: 2px;">Family Size</th> <th style="text-align: left; padding: 2px;">Northeast</th> <th style="text-align: left; padding: 2px;">Midwest</th> <th style="text-align: left; padding: 2px;">South</th> <th style="text-align: left; padding: 2px;">West</th> </tr> <tr><td style="padding: 2px;">1</td><td style="padding: 2px;">\$450</td><td style="padding: 2px;">\$441</td><td style="padding: 2px;">\$441</td><td style="padding: 2px;">\$491</td></tr> <tr><td style="padding: 2px;">2</td><td style="padding: 2px;">\$755</td><td style="padding: 2px;">\$738</td><td style="padding: 2px;">\$738</td><td style="padding: 2px;">\$823</td></tr> <tr><td style="padding: 2px;">3</td><td style="padding: 2px;">\$909</td><td style="padding: 2px;">\$889</td><td style="padding: 2px;">\$889</td><td style="padding: 2px;">\$990</td></tr> <tr><td style="padding: 2px;">4</td><td style="padding: 2px;">\$1,025</td><td style="padding: 2px;">\$1,003</td><td style="padding: 2px;">\$1,003</td><td style="padding: 2px;">\$1,117</td></tr> <tr><td style="padding: 2px;">5</td><td style="padding: 2px;">\$1,062</td><td style="padding: 2px;">\$1,039</td><td style="padding: 2px;">\$1,039</td><td style="padding: 2px;">\$1,158</td></tr> <tr> <td style="padding: 2px;">Above 5</td> <td colspan="4" style="padding: 2px;">Add \$80 for each additional member up to a family of seven.</td> </tr> <tr> <td colspan="5" style="padding: 2px;">*States are broken down by region. Check with underwriting for breakdown.</td> </tr> </tbody> </table>	Loan Amounts \$79,999 and below					Family Size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1004	Above 5	Add \$75 for each additional member up to a family of seven.				Loan Amounts \$80,000 and above					Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$889	\$889	\$990	4	\$1,025	\$1,003	\$1,003	\$1,117	5	\$1,062	\$1,039	\$1,039	\$1,158	Above 5	Add \$80 for each additional member up to a family of seven.				*States are broken down by region. Check with underwriting for breakdown.				
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<b>DEBT RATIO</b>	<p>Loans with AUS Approve / Eligible – follow AUS findings for DTI &lt;=50%. DTI &gt; 50% requires a minimum of two compensating factors regardless of AUS findings.</p> <p>Manually underwritten loans – max DTI is 41%. The DTI may exceed 41% with compensating factors. Manually underwritten loans with DTI &gt;50% require a minimum of three compensating factors and UW Manager to second sign.</p> <p>All loans must meet the residual income requirements regardless of DTI or AUS approval. Debt Ratios exceeding 41% must meet 120% of the residual income guideline.</p> <p>Refer to KFI Lending Guide for a list of VA acceptable compensating factors.</p>																																																																																					
<b>NON-TAXABLE INCOME</b>	Nontaxable income such as Social Security, Pension, Workers Compensation, and Disability Retirement Income may be grossed up 125%. Allowances for BAS/BAH and VA Disability income verified through a Certificate of Eligibility (COE) may be grossed up without tax returns. Any other income, which could be subject to taxation, should be validated with tax returns from the borrower prior to grossing up.																																																																																					
<b>ASSETS</b>	Must have sufficient assets to close. Non-liquid accounts may not be used as an asset for cash to close or reserves. Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented. Large deposits and/or deposits that are excessive for the borrower's history need to be sourced and seasoned.																																																																																					
<b>DEBT PAYOFF/PAYDOWN TO QUALIFY</b>	Accounts are not required to be closed. The payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff & zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD).																																																																																					

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**VA PURCHASE AND CASH-OUT REFINANCE LOANS ONLY**

REFERENCE	DESCRIPTION
DOCUMENTATION / 4506-C	Full income documentation loans only. A final IRS 4506-C will be signed with the closing documents. For borrowers that are self-employed, they are required to provide a business 4506-C prior to closing.
MINIMUM RESERVES	Reserves are generally not required unless the veteran is qualifying with rental income. Rental income from a 2–4-unit subject property = 6 months PITIA reserves is required. Rental income from other REO = 3 months PITIA reserves required of each REO property. If the veteran qualifies with the full PITIA payments, no reserves are required.
GIFTS	Acceptable. Gift of Equity is acceptable but cannot be applied as down payment purposes to reduce VA Funding Fee. Gift funds may not be used as reserves.
NON-OCCUPANT CO-BORROWER	Not permitted.
BUYER CONTRIBUTION	No minimum investment is required for veterans with full entitlement. For veterans with partial entitlement, refer to Required Guaranty.
SELLER CONTRIBUTION	<p>The seller can pay 100% of the discount points and borrower(s) non-recurring closing costs. The seller can provide an additional amount not to exceed 4% of the estimated reasonable value to assist the borrower’s payment of prepaid expenses and funding fee. The maximum seller concession is 4%. Seller concessions include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ Payment of the buyer’s VA funding fee</li> <li>▪ Prepayment of the buyer’s property taxes and insurance</li> <li>▪ Gifts such as a television set or microwave oven</li> <li>▪ Payment of extra points to provide permanent interest rate buy-downs</li> <li>▪ Provision of escrowed funds to provide temporary interest rate buy-downs, and</li> <li>▪ Payoff of credit balances or judgments on behalf of the buyer.</li> </ul> <p>Seller concessions do not include payment of the buyer’s closing costs, or payment of points that are appropriate to the market.</p>
REQUIRED GUARANTY	<p>A 25% guarantee is required. For purchase transactions, combined entitlement and down payment must total 25% of the lesser of the purchase price or appraised value. For refinance transactions, combined entitlement and equity must total 25% of the appraised value.</p> <ul style="list-style-type: none"> <li>▪ For loan amounts up to \$144,000, only the first \$36,000 of basic entitlement may be used to guarantee the loan. If the veteran has no basic entitlement available, a VA loan is not possible. If the veteran has partial basic entitlement available, a down payment or equity may be required to obtain a 25% guarantee.</li> <li>▪ For loan amounts in excess of \$144,000: <ul style="list-style-type: none"> <li>○ Veterans with full entitlement: VA will guarantee 25% of the purchase or cash-out refinance loan regardless of the Conforming loan limits for the subject’s county. Down payment or equity is not required, however, KFI maximum loan amount and LTV limits must be met.</li> <li>○ Veterans with partial entitlement: VA will guarantee 25% of the lesser of the loan amount or 1-unit Conforming Loan Limit for the subject’s county less used entitlement. Down payment or equity may be required to obtain a 25% guarantee.</li> </ul> </li> </ul>

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**VA PURCHASE AND CASH-OUT REFINANCE LOANS ONLY**

REFERENCE	DESCRIPTION
SUPERIOR VA LIEN	VA regulations require that every VA loan be secured by a first lien on the property except under circumstances. (38 CFR 36.4351 and 38 CFR 36.4352)
UNDERWRITING	Underwritten by a VA Automatic & LAPP approved underwriter. AUS approval may follow documentation requirements. Manually underwritten loans follow standard VA documentation requirements. If loan requires VA prior approval, additional underwriting turnaround time is required.
VA PRIOR APPROVAL REQUIRED	The following require VA Prior Approval: <ul style="list-style-type: none"> <li>▪ Veterans in receipt of VA non-service-related pension.</li> <li>▪ Veterans rated incompetent by VA.</li> <li>▪ Joint loans to two or more unmarried co-borrowers where at least one borrower will not be using entitlement (by exception only – management to review for required equity)</li> </ul>
BORROWER ELIGIBILITY	Eligibility is determined by VA and documented on the Certificate of Eligibility. The Certificate of Eligibility must be dated within 90 days of closing. An un-remarried surviving spouse of a veteran should use VA form 26-1817 “Request for Determination of Loan Guaranty Eligibility – Unmarried Surviving Spouses” to apply for their Certificate of Eligibility with VA. The Certificate of Eligibility must reflect sufficient available entitlement to meet the minimum 25% guaranty, or equity may be required. Any veteran using entitlement must occupy the subject property.
MANUAL UNDERWRITE	Loans receiving an AUS Refer and borrowers with non-established traditional credit or insufficient credit may be eligible for a manual underwrite.
CO-BORROWERS	Must be the veteran’s spouse or a second veteran with a certificate of eligibility. Any co-borrower must occupy the subject property.
ASSUMPTIONS	Permitted
ESCROW WAIVERS	All States excluding DC: Not Permitted DC loans: Property tax and/or insurance escrows may be waived if LTV is 80% or lower.
PREPAYMENT PENALTY	Not Permitted
VA EXEMPTION – COUNTY PROPERTY TAXES	Disabled veterans may be exempt from county property taxes. KFI requires the following to document the disabled veteran borrower’s exemption: <ul style="list-style-type: none"> <li>▪ Proof of 100% Disability from VA</li> <li>▪ Copy of the completed County Application for Property Tax Exemption <ul style="list-style-type: none"> <li>○ If the Application is required to be notarized, an unsigned copy must be obtained and conditioned to be signed at closing</li> </ul> </li> <li>▪ A signed Letter of Explanation from the veteran borrower advising they are solely responsible for the</li> </ul>

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## PRODUCT PROFILE

### VA PURCHASE & CASH-OUT REFINANCE

#### VA PURCHASE AND CASH-OUT REFINANCE LOANS ONLY

REFERENCE	DESCRIPTION
	payment of property taxes owed for the prior owner.

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