Contents

Broker shall deliver loans that conform to this product guide, unless otherwise noted in the Keystone Broker Guilde. For guidance not addressed in this Product Profile, Refer to the VA Selling Guide posted in AllRegs or direct at: http://www.benefits.va.gov/warms/pam26_7.asp

Keystone does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act. Version 2024.1

Credit Matrix

Maximum LTV/FICO Requirements			
Purchase		Cash Out Refinance	
LTV	Minimum FICO	Max LTV/CLTV	Minimum FICO
100.00%	580	100%	580
		90%	580
LTV and CLTV for Purchase is exclusive of Financed VA Guaranty Funding Fees			
See Underwriting and Loan Limit sections for additional FICO requirements			

Credit Matrix – Manufactured Homes

Maximum LTV/FICO Requirements			
Purchase		Cash Out Refinance	
LTV/CLTV	Minimum FICO	Max LTV/CLTV	Minimum FICO
100.00%	580	80%	580
LTV and CLTV for Purchase is exclusive of Financed VA Guaranty Funding Fees			
See Underwriting and Loan Limit sections for additional FICO requirements			

Ability To Repay and Qualified Mortgage Rule

- For loans subject to the ATR/QM rule, Keystone will only fund loans that comply with the ATR/QM requirements.

- Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.
- Brokers are responsible for providing evidence of compliance with the ATR/QM rules.
- Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.

Age of Docs

120 days for existing construction from the date the note is signed. 180 days for new construction.

Appraisals

- All appraisals must be ordered through VA WebLGY, which will assign the order to a VA approved Appraiser.
- All loan files must have a COE in "Active or Pending" status prior to ordering an appraisal through WebLGY
- A notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.
- No new appraisal can be requested on a property which already has a valid VA value determination (No duplicate appraisals)
- Properties with unpermitted secondary kitchens may be eligible if:
  - it is common for the area,
  - no negative impact on marketability, and
  - Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet VA requirements.
  - Properties must meet HUD and VA Minimum Property Requirements (MPRs)
- Room additions and enclosures of garages and carports into the living area should be included in the GLA if the added space is:
  - accessible from the interior of the main dwelling in a functional manner,
  - has a permanent and sufficient heat source, and
  - is similar in design, quality of construction and appeal to the main dwelling.
- Added space that does not meet the criteria listed above must be valued separately from the GLA on the market data grid. The appraiser must consider the effect on marketability of an inferior addition or conversion when arriving at the line item adjustment for the added space. When selecting and analyzing comparable sales, the appraiser should consider the differences in quality and utility of room additions and converted spaces when compared with originally constructed space.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible

Borrowers

- Must be a veteran or served as an Officer for the U.S. Public Health Service (PHS) or National Oceanic & Atmospheric Administration with eligibility documented with a Certificate of Eligibility (COE), which will also indicate the veteran's entitlement.
- Resident Alien permitted as long as primary borrower is a veteran.
- Veterans with DACA status are eligible
- Joint loans are eligible only when made to:
  - A veteran and the veteran's spouse who is also a veteran, and both entitlements will be used.
  - Two or more veterans (not spouse) who are all using entitlement.
  - All other types of joint loans are ineligible
  - See the Entitlement section for information when multiple entitlements are being used.
- VA considers a veteran and a non-spouse who is on title but not on the loan to be a joint loan.
- A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse:
  - is not a veteran, or
  - Is a veteran who will not be using his or her entitlement on the loan.

Cash Out: Type I

Type I cash out is a refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced.

- Max 100% LTV, including financed funding fee.
- The refinancing loan satisfied at least one of the following eight Net Tangible Benefit:
  - 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;
  - The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced;
  - The new loan results in an increase in the borrower's monthly residual income;
  - 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
- Rate Reduction required:
  - Fixed to Fixed: Minimum reduction of 0.5%
- Comparison of key loan characteristics or terms for existing and refinancing loan is provided to the borrower including:
  - Refinancing loan amount vs. the payoff amount of the loan being refinanced.
  - Loan type (i.e., fixed, adjustable) of the refinancing loan vs. the loan being refinanced.

    - Interest rate of the refinancing loan vs. the loan being refinanced.
    - Loan term of the refinancing loan vs. the loan being refinanced.
    - The total the veteran will have paid after making all payments (principal and interest), and mortgage insurance, as scheduled, for both the refinancing loan and the loan being refinanced.
    - LTV of the refinancing loan vs. the loan being refinanced
    - An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the veteran.
- The recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance, and like assessments), and incurred costs must not exceed 36 months from the date of loan closing.
- Loan seasoning is met, see seasoning section.

Cash Out: Type II

Type II cash out is a refinancing loan in which the loan amount (including VA funding fee) exceeds the payoff amount of the loan being refinanced.

- Max 100% LTV, including financed funding fee.
- The refinancing loan satisfied at least one of the following eight Net Tangible Benefit:
    - 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;
    - The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced;
    - The new loan results in an increase in the borrower's monthly residual income;
    - 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
- Comparison of key loan characteristics or terms for existing and refinancing loan is provided to the borrower including:
    - Refinancing loan amount vs. the payoff amount of the loan being refinanced.
    - Loan type (i.e., fixed, adjustable) of the refinancing loan vs. the loan being refinanced.
    - interest rate of the refinancing loan vs. the loan being refinanced.
    - Loan term of the refinancing loan vs. the loan being refinanced.
    - The total the veteran will have paid after making all payments (principal and interest), and mortgage insurance, as scheduled, for both the refinancing loan and the loan being refinanced.
    - LTV of the refinancing loan vs. the loan being refinanced
    - An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the veteran.
- Loan seasoning is met, see seasoning section.

Condominiums

- Condos must be approved by VA. The approved condo list is available at https://vip.vba.va.gov/portal/VBAH/Home under “Featured Items” in “Condo Reports”.
- Air condos that do not have a homeowners association are not eligible for VA approval
- Condo-hotels properties are not eligible for VA approval
- Brokers must provide copies of applicable insurance policies including:
    - Master Insurance Policy must specify 100% replacement cost coverage, guaranteed replacement cost coverage or provide a replacement cost estimate for the entire condominium association.

Credit

All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed. If the subject property is located in a community property state and the borrower has a non- purchasing spouse, a credit report for the non-purchasing spouse must also be ordered.

Frozen Credit

No credit Bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit

- Cannot be delinquent on any Federal Debt unless the delinquent account has been brought current or a satisfactory arrangement has been made
- The credit of a spouse who will not be contractually obligated on the loan does not need to be considered, except:
    - if the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), or
    - In community property states, whether or not the spouse will be personally liable on the note.
    - See Lender's Handbook Ch. 4, 7-c for complete details.
    - Installment debt must be paid in full to be excluded.
    - Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying

Derogatory Credit

Chapter 7 BK

- 2 years seasoning with no additional requirements
    - 1-2 years seasoning requires

- 2 trade lines re-established with satisfactory credit history (0x30x12) and
- BK must be due to a documented extenuating circumstance
  - Divorce is not an extenuating circumstance
  - Less than 12 months seasoning is not allowed

Chapter 13 BK

- 12 months under payment plan with BK judge approval OR plan is completed
- Deed in lieu or Short Sale develop complete information on the facts and circumstances in which the borrowers) voluntarily surrendered the property. 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
- Foreclosure
  - 2 years seasoning with no additional requirements
  - 1-2 years seasoning requires
    - 2 trade lines re-established with satisfactory credit history (0x30x12) and
    - Foreclosure must be due to a documented extenuating circumstance. Divorce is not an extenuating circumstance
- If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re- established credit. If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.
- All judgments must be paid in full or subject to a repayment plan with a history of timely payments.
  - History of timely payments is generally considered as making 12 payments.

Documentation Type

- Determined by AUS
- Income or assets derived from the following sources are ineligible for qualifying:
  - The production or sale of marijuana
  - Bitcoin or other cryptocurrencies
- VODs are not acceptable for asset documentation
- Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible
  - Private mortgages may be verified with cancelled checks or bank statements.

Down Payment Assistance and Secondary Financing

- Down payment assistance is acceptable.
- If in the form of secondary financing, the second must meet VA's requirements in Chapter 9 section 4 of the Lender's Handbook, including:

- May not put the veteran in substantially worse position than if the entire amount borrowed had been guaranteed by VA,
- May not be used to cover any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value.

DTI

- Any allotments reflected on the LES (Leave and Earnings Statement) or paystubs must be investigated to determine if the allotment has an affiliated debt.
- In community property states, the spouse's debts and obligations must be considered even if the veteran wishes to obtain the loan in his or her name only.
- Maximum DTI per AUS approval. For manually underwritten loans, see Underwriting Method section Below.

Eligible Mortgage Products

- Fixed Rate: 10, 15-, 20-, 25- and 30-year terms. High Balance allowed on all terms. Note: Cash Out Refinances > 90% LTV are limited to 30-year terms.
- Loans for Alterations and Repairs or Single Close Construction-To-Perm are ineligible.
- No Energy Efficient Mortgage Loans
- No Graduated Payment Mortgages
- Two-time close construction to perm refinances are eligible up to 100% LTV

Employment/Income

- Active Military income must be documented with an LES.
- Provide an acceptable VVOE for all borrowers that are a source of repayment.
    - The verbal VOE must be obtained within 10 business days prior to the note date for employment, and within 120 calendar days prior to the note date for self-employment.
- Mortgage Credit Certificates (MCCs) issued by state and local governments may qualify a borrower for a federal tax credit. The Federal tax credit is based on a certain percentage of the borrower's mortgage interest payment. Lenders must provide a copy of the MCC to VA with the loan package which indicates:
    - the percentage to be used to calculate the tax credit, and
    - The amount of the certified indebtedness. The certified indebtedness can be comprised of a loan incurred by the veteran to acquire a principal residence or a qualified home improvement or rehabilitation loan.
- If the percentage on the MCC is more than 20 percent, there is an annual limit on the tax credit equal to the lesser of $2,000 or the borrower's maximum tax liability. Calculate the tax credit by applying the specified percentage to the interest paid on the certified indebtedness. Then, apply the annual limit.

- Example: The MCC shows a 30-percent rate and $100,000 certified indebtedness. The borrower will pay approximately $8,000 in annual mortgage interest. Borrower's estimated total federal income tax liability is $9,000.
- Calculate the tax credit as follows:
  - 30 percent of $8,000 = $2,400
  - Apply the annual $2,000 limit
  - The tax credit will be $2,000
  - Use $167 (one-twelfth of $2,000) in the monthly analysis.
  - Note: If the mortgage on which the borrower pays interest is greater than the amount of certified indebtedness, limit the interest used in the tax credit calculation to that portion attributable to the certified indebtedness.
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income.

Entitlement/Guaranty

- Entitlement is the amount of VA Guaranty available to a veteran for use on a loan. The amount of entitlement will be displayed near the center of the COE.
- VA loans must conform to GNMA secondary market guidelines which include the minimum 25% coverage requirement. Coverage is a combination of VA provided entitlement plus cash down payment/equity.
- The COE will never reflect any additional specific entitlement amount over $36,000 for loans greater than $144,000, but will reflect "Available*"
- Multiple Entitlements: If more than one veteran is involved, the entitlement charge is divided equally between them. If a veteran does not have enough entitlement then unequal entitlement charges may be made with the written agreement of the veterans.
- For loans closed after January 1, 2020, Freddie Mac CLLs are no longer a factor for veterans with full entitlement. For veterans with full entitlement, the maximum amount of guaranty for a loan above $144,000 is 25 percent of the loan amount, regardless of the Freddie Mac CLL.
- For veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of guaranty is the lesser of 25 percent of the loan amount OR the maximum amount of guaranty entitlement available. The maximum amount of guaranty entitlement is 25 percent of the Freddie Mac CLL, reduced by the amount of entitlement previously used (not restored) by the Veteran.

Escrow Holdbacks

- New Construction only
- Weather related repairs only
- Keystone must administer escrow account and disbursement of funds
- 150% of repair estimate to be escrowed
- Escrow holdbacks are allowed in accordance with VA guidelines, including but not limited to:

- A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.
- A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.
- A copy of the escrow agreement (VA FORM 26-1849 on VA loans) will be required that states how the escrow account will be managed and how the funds will be disbursed.

Escrow / Impounds

- An impound account for collection of taxes and insurance (or additional escrow items) is required.

Exclusionary Lists

- All borrowers must be screened by CAIVRS to determine there have been no late payments on federal debt obligations

Funding Fee

- The funding fee may be financed in the loan.
- The following veterans are exempt from paying the funding fee:
  - Veterans receiving VA compensation for service-connected disabilities
  - Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay
  - Veterans who are rated by VA as eligible to receive compensation as a result of pre-discharge disability exam and rating
  - Veterans entitled to receive compensation, but who are not presently in receipt of the compensation because they are on active duty
  - Surviving spouses of veterans who died in service or from service-connected disabilities, whether such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement on the loan.
  - The surviving spouse must be in receipt of Dependency and Indemnity Compensation (DIC) before the loan closing takes place.
  - Members of the armed forces who are serving on active duty and provide, on or before the date of loan closing, certificate or military orders of having been awarded the Purple Heart.

High-Cost / Higher-Priced Mortgage

- Keystone will not fund High-Cost Loans
- Higher-Priced Mortgage Loans (HPML) are eligible subject to:
  - Establishing and maintaining an escrow account

  - Meeting all applicable state and/or federal compliance requirements.

Loan Limits

Freddie Mac Conforming Loan Limits (CLL) can be found at:

- http://www.fhfa.gov/datatools/downloads/pages/conforming-loanlimits.aspx
- Maximum base loan amount cannot exceed $2,000,000.
  - Base loan amounts greater than $1,000,000 to $1,500,000 must have a minimum FICO of 700.
  - Base loan amounts greater than $1,500,000 to $2,000,000 must have a minimum FICO of 720 and
    - The 25% guarantee must be composed entirely of the veteran's entitlement. The use of cash down payment or equity may not be used to meet the 25% guarantee requirement.
    - Borrowers must have a primary mortgage or primary housing history of 0x30x12 for the most recent consecutive 12-month period, ending with the application date. Gaps in history or less than 12 months will not be acceptable.
    - AUS approval required.
    - Maximum 45% DTI regardless of AUS approval.
- DTIs above 41% must meet VA's additional requirements.

Purchase specific requirements

- Maximum 90% LTV/CLTV, calculated from the base loan amount

Cash-Out specific requirements

- Maximum 80% LTV/CLTV, calculated from the base loan amount
- Maximum of $500,000 cash-out, excluding any second lien pay offs
- Consumer debt pay offs or cash in hand is included in the maximum amount allowed.

Loan Purpose

Purchase

VA IRRRL – SEE IRRL Program Guides

Rate & Term--payoff of an existing non-VA loan (and purchase money second, if applicable)

- Disbursed cash out to the borrower cannot exceed $500
- See Seasoning for requirements on age of loan being paid off
- This is a classification for pricing purposes only. See Cash out: Type I and Cash out: Type II Sections for additional requirements on Type I and Type II refinances, applicable to all VA full doc refinances.

Cash Out

- There must be an existing lien against the property per VA requirements.
- See Seasoning for requirements on age of loan being paid off
- See Cash out: Type I and Cash out: Type II Sections for additional requirements on Type I and Type II refinances, applicable to all VA full doc refinances.
- Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement

Notes:

- Removing or adding borrowers will not make the transaction eligible.
- When a HELOC is paid through closing, the current transaction is only considered cash out for this requirement if there were any draws in the last 12 months.
- Loan may be defined as cash-out by the Agency and be excluded from this requirement.

Loan Purpose: Ineligible Transactions

- Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions and therefore not eligible for funding by Keystone. Unacceptable transactions of this type may have some or all of the following characteristics:
    - Gift of equity from the seller
    - Large amount of seller credits
    - Family member remaining in the home and on title after the “purchase”
    - Seller unable to qualify for a cash-out transaction of their own

Manufactured Homes

Appraisal

- Full 1004C/70B appraisal required. The condition rating must be C4 or better.
- Structural modifications or additions that are attached to the subject unit:
    - Inspection by a state agency to approve modifications is required, if the state requires such inspection.
    - If there is no state requirement, then the structural modification must be inspected and be deemed structurally sound by a third party who is regulated by the state and is qualified to make the determination. In all cases, the satisfactory inspection report must be retained in the mortgage loan file.
- Standard
    - Minimum of 2 similar manufactured home comparables
    - Additional comparable may be site built or modular home
        - Photos required, in addition to standard photos:
        - HUD Data Plate (paper document located on the interior),
    - HUD Certification Label (two by four-inch aluminum plate on the exterior)
- If the HUD data plate cannot be obtained, a copy of the IBTS report is acceptable.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
- The property must be complete with the Certificate of Occupancy (C of O) or other equivalent documentation by the time of close

Foundation

- Foundation Certification: Obtain a certification from an engineer licensed/registered in the subject property's state that the foundation is in compliance with the Permanent Foundation Guide for Manufactured Housing (PFGMH)
- PFGMH can be found at https://www.hud.gov/program_offices/administration/hudclips/guidebooks/4930.3G.
- If the appraiser notes additions or alterations to the manufactured housing unit, the mortgagee must ensure the addition was addressed in the foundation certification.
- If the additions or alterations were not addressed in the foundation certification, the mortgagee must obtain:
    - an inspection by the state administrative agency that inspects manufactured housing for compliance; or
    - certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

Loan Amount Calculation

To purchase a manufactured home to be affixed to a lot already owned by the veteran.	The lesser of: • the sum of the purchase price plus the cost of all other real property improvements, and the VA funding fee, or

	• The VA NOV for the property, plus the VA funding fee.
Purchase of manufactured home and lot/land	The lesser of: • the total purchase price of the manufactured home unit and the lot, plus the cost of all other real property improvements, plus the VA funding fee, or • the purchase price of the manufactured home unit, plus the cost of all other real property improvements, plus the balance owed by the veteran on a deferred purchase money mortgage or contract given for the purchase of the lot, plus the VA funding fee.
To obtain a regular "Cash-Out" refinance for an existing loan on a manufactured home and purchase the lot to which the home will be affixed.	The lesser of: • the sum of the balance of the loan being refinanced, plus the purchase price of the lot, not to exceed its reasonable value, plus the costs of the necessary site preparation as determined by VA, plus reasonable discount points on that portion of the loan used to refinance the existing loan on the manufactured home, plus authorized closing costs plus the VA funding fee, or • The total reasonable value of the unit, lot, and real property improvements, plus VA funding fee.
Refinance of owned manufactured home and owned lot	The appraised value.

Ineligible Property Types – Manufactured Homes

In addition to the ineligible property types identified in VA Lender's Handbook, the following property types are ineligible:

- 2-4 units
- Manufactured homes not affixed or not real property
- Single width manufactured homes
- Property located in a mobile home park or area where the borrower does not own the land.
- Leasehold
- Manufactured homes that have been or will be moved from another location. Initial installation by dealer is exempt.
- Mobile Homes
- Cooperatives
- Condotels

- Hotel Condominiums
- Timeshares
- Working Farms and Ranches
- Unimproved Land and property currently in litigation
- Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel)
- Land Trusts, including Illinois
- Properties located in lava zones 1 or 2

Title Insurance

- ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.
- The loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property under applicable state law.
- A mortgage, deed of trust, or security deed must be recorded in the land records and must identify the encumbered property as including both the home and the land. A manufactured home rider will be acceptable to meet this requirement.
- The property description section of the security instrument must include a description of the manufactured home and the land. The description must be identical to the descriptions recorded on the affidavit of affixture and receipt of surrender of title, to include:
    - Year,
    - Make
    - Serial or Vehicle Number (VIN)
    - Legal Description
- Evidence the manufactured home is considered real property, including as applicable, but not limited to:
    - Evidence of no certificate of title,
    - Surrender of the certificate of title,
    - Certificate of title with the land ownership indicated
    - Affidavit of Affixture, including make, model, vehicular identification number, and verbiage confirming permanently affixed and attached to the land and is part of the real property
- Manufactured home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval.

Occupancy

- Owner-occupied only
- Second Homes not allowed
- Investment Properties not allowed

Power of Attorney

- Can be general or specific. To complete the loan transaction using an attorney-in-fact, VA also requires the veteran's written consent to the specifics of the transaction. This requirement can be satisfied by either:
  - the veteran's signature on both the sales contract and the Uniform Residential Loan Application, as long as the veteran's intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or
  - a specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements:
    - Entitlement—A clear intention to use all or a specified amount of entitlement.
    - Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing.
    - Property Identification—Identification of the specific property.
    - Price and Terms—the sales price, if applicable, and other relevant terms of the transaction.
    - Occupancy—the veteran's intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement).
- In addition, at the time of loan closing, Keystone must:
  - verify that the veteran is alive, and, if on active military duty, not missing in action (MIA), and
  - make the following certification:
    - "The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in- fact."
- Verification that the veteran is alive and not MIA is required whether or not the veteran is still in the military.

Property; Eligible Types

- Single Family Attached/Detached
- 2–4 Units
- PUDs
- Condominiums
- Leaseholds with proof of prior VA approval
- Manufactured Homes- refer to the VA Manufactured Home Product Profile for all requirements. The more restrictive of the loan program guidelines apply.

Property: Ineligible Types

In addition to the ineligible property types identified in VA Lender's Handbook, the following property types are ineligible:

- Mobile Homes
- Single-width manufactured homes
- Cooperatives
- Condotels
- Hotel Condominiums
- Timeshares
- Geodesic Domes
- Working Farms and Ranches
- Unimproved Land and property currently in litigation
- Commercial Enterprises (e.g., Bed and Breakfast, Boarding House, Hotel)
- Properties located in Lava Zone 1 or 2

Property: Maximum Number of Financed

- No limit

Qualifying

- Fixed rate qualify at the note rate.

Recently listed properties

Rate & Term:

- The listing must have been expired or been withdrawn on or before the application date. Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.

Cash-Out Transaction:

- The listing must have been expired or been withdrawn 180 days prior to the application date.

Reserves

Refer to the below table for reserve requirements when rental income is being used:

Rental Property Scenario	Reserve Requirements	Comments
Rental Income from the property occupied prior to new home i.e. departing residence	Reserves are not required on the property the veteran occupied prior to the new loan.	May only use the prospective rental income to offset the mortgage payment on the rental property.
Rental Income from non-subject property(ies)	Cash reserves totaling at least three months mortgage payments (PITI) are required.	If the veteran has multiple properties, they must have three months PITI documented for each property to consider the rental income.
Multi-Unit (2-4 unit) subject property	Cash reserves totaling at least six months mortgage payments (PITI) are required	Veteran/borrower must occupy one unit as their residence. Note: If each unit is separate and not under one mortgage, six months PITI must be verified for each separate unit.
Temporary Boarder Rental Income from a Single-Family Residence (SFR) or SFR without rental income.	Reserves are not required	

- Equity in the property, cash-out proceeds and gift funds cannot be used to meet reserve requirements.
- Any required reserve funds must be in the borrower's account before the new VA loan closes.
- See VA lender Handbook Chapter 4, Topic 2: Income – Required Documentation & Analysis (n. and o. Rental Income) for additional documentation requirements

Residual Income

- Residual Income is the borrower's net effective income minus monthly shelter expenses
- Residual Income must be in accordance with regional table and is a required calculation in addition to DTI
- Net Effective Income is taken from Line 41 of VA Form 26-6393
- Monthly Shelter Expense is taken from Line 21 of VA Form 26-6393
- When DTI exceeds 41%:
    - Include a statement justifying the reasons for approval, signed by the underwriter's supervisor, unless residual income exceeds the guideline by at least 20 percent.
    - The statement must include the reason(s) for approving the loan and list the compensating factors justifying approval of the loan

Sales Concessions

- Sales concessions cannot exceed 4% of the established reasonable value of the property (NOV).
- Does not include normal discount points and payment of the buyer's closing costs.

Seasoning

- Seasoning is applicable to all VA refinances (IRRRL and non-IRRRL) regardless of the type of loan paid off (exception for construction to permanent loans) through the transaction.
- The new note date must be on or after the later of:
    - the date that is 210 days after the date on which the first monthly payment was due on the mortgage being refinanced, and
    - The date on which 6 full monthly payments have been made on the mortgage being refinanced.
- For modified loans, the new note date must be on or after the later of:
    - The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced, and
    - The date on which 6 modified payments have been made on the mortgage being refinanced.

State Restrictions

- Texas refinances

Title Insurance

- Required

Transcripts

- Tax transcripts for the most recent one year are required for all self-employed borrowers whose income is used to qualify. If only non-self-employed income is used to qualify, transcripts are not required.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts
- If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt

(such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.

Temporary Buydown

- Temporary buydowns are eligible subject to
- Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 1/1, 2/1, and 3/2/1 buydowns allowed)
- Maximum 3 years to reach standard note rate
- Fixed Rate only
- Minimum 660 credit score
- Must qualify at the standard note rate without benefit of the buydown
- Must meet all other applicable VA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.

Underwriting Method

- Loans can be submitted and approved through DU or LP.
- Manual underwriting on non IRRRL transactions are permitted under the following conditions:
    - 660 FICO on purchase & rate/term transactions; 700 for cash out transactions
    - 0 x 30 in the most recent 12 months for all prior mortgages
    - Maximum DTI of 45%
    - Loan must comply with all VA requirements for manual underwriting
    - Include a copy of the AUS Refer/Eligible in the loan file

VA IRRL

Appraisals

- Current value required. Current value determined by one of the following options with an FSD/confidence level not to exceed the level indicated:
    - Collateral Analytics Value AVM:FSD max of 15, or
    - Freddie Mac Home Value Explorer (HVE):FSD max of 15 or confidence level of “H” or
    - Clear Capital AVM:FSD max of 15 or
    - CoreLogic Total Home Value (THV):FSD max of 11 or
    - CoreLogic Pass:FSD max of 12 or
    - CoreLogic VP4: FSD max of 7 or
    - CoreLogic Prospect: FSD max of 7 or
    - Radian Market Assessed Prices (MAP): FSD max of 10, or

- A 2055/1075 drive by appraisal report, or full appraisal
    - Note: The lender must obtain at the minimum a 2055/1075 appraisal if the AVM FSD/confidence level does not meet the minimum requirements above.
- An AVM is not required if a more thorough appraisal option is used.
- See Net Tangible Benefit section for appraisal requirements when:
    - Discount points used to reduce the interest rate are financed and;
    - The loan is going from a Fixed to an ARM.

Borrowers

- Resident Alien permitted as long as primary borrower is a veteran.
- COEs are not required on IRRRLs though evidence of funding fee exemption is required. Acceptable documentation includes a screen print of the funding fee status provided at the time the VA LIN is requested.
- Joint loans are allowed in accordance with VA's requirements.
- A loan involving a veteran and his or her spouse will not be treated as a "joint loan" if the spouse:
    - is not a veteran, or
    - Is a veteran who will not be using his or her entitlement on the loan
- Borrowers may be removed in accordance with VA guidelines.

Payment Increase/Decrease

The principal and interest payment on the IRRRL must be less than the loan being refinanced unless the IRRRL is refinancing an ARM or the term of the IRRRL is shorter than the term of the loan being refinanced.

If either applies and the monthly payment (PITI) is increasing by 20% or more, a lender certification is required to support the veteran qualifies for the new monthly payment. See Fee Recoupment section for additional requirements.

Fee Recoupment

- 36 months maximum recoupment period from note date.
- See VA circular 26-19-22 for recoupment calculation requirements. Comparison statement form showing 36 months or less recoupment is acceptable. If comparison shows more than 36 months, provide evidence the statutory recoupment calculation results in 36 months or less.
    - Comparison statement calculation: Include all fees, expenses, and closing costs, (including taxes, amounts held in escrow, and fees paid under chapter 37 such as the VA funding fee), whether included in the loan or paid outside of closing.

- Statutory calculation: Exclude the VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees, from the recoupment calculations
- All VA IRRRL transactions require 36-month recoupment. Transactions that do not meet recoupment requirements are ineligible. This includes payment increases due to changing from ARM to fixed rate and term reduction.
  - IRRRLs with P&I increases may be eligible if the borrower(s) incur no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 (e.g., VA funding fee collected under 38 U.S.C. § 3729)).

Manufactured Home

- 1 Unit Only
- 2055 or BPO required. The property condition must be average or better.
- Max LTV based on current market value is 110%
- Prelim to confirm the subject is a permanently affixed manufactured home.
- Tax Sheet to confirm subject is taxed as land plus improvements.
- ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.
- Provide copy of foundation certification (or equivalent documentation) from previous loan. If there is none, one will be required.
  - Follow FHA's PFGMH, which can be found at https://www.hud.gov/program_offices/administration/hudclips/guidebooks/4930.3G
- Affidavit of affixation, or state equivalent documentation, required
- Manufactured home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval
- Leasehold ownership is ineligible
- Transactions in mobile home parks are ineligible
- Not Eligible for Second Homes or Investment

Net Tangible Benefit

- Net tangible benefit based on borrower's current interest rate and payment.
- The interest rate must bear a lower interest rate than the loan it is refinancing:
  - Fixed to Fixed requires 0.5% reduction
  - ARM to Fixed are exempt from rate reduction
  - To ensure compliance, a copy of the note from the refinanced loan must be provided

Note: this is not required when refinancing from ARM to Fixed Rate or Fixed Rate to Fixed Rate

- LTV is calculated by dividing the base loan amount (loan amount prior to financed funding fee) by the value. Value may be determined via:
    - Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
    - Uniform Residential Appraisal Report (Fannie Mae 1004)
    - Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
    - Individual Condominium Unit Appraisal Report (Fannie Mae 1073)

Note: When a 2055 or better is obtained, the AVM to determine market value is not required. The market value from the valuation product may be used.