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Product Matrix

| Maximum LTV/FICO Requirements |                  |              |
|-------------------------------|------------------|--------------|
| Occupancy                     | Maximum LTV/CLTV | Minimum FICO |
| Owner Occupied                | 110%             | 580          |
| Second Home                   |                  |              |
| Investment                    |                  |              |

Appraisals

- See Manufactured Home section for specific appraisal requirements.
- Current value required to be validated with an AVM.
- 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.

Condominiums

Condo approval not required

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## Credit

- All borrowers must return at least 1 credit score via three-in-file merged credit report. Non-traditional credit is not allowed.
- Must have a subject mortgage history of 0 x 30 for the last 3 payments
- Borrowers in active Chapter 13 BK are eligible with documented permission from BK court/trustee.
- In order to meet Ginnie Mae and VA seasoning requirements, 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.

## Disaster Policy

- Keystone may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Keystone disaster policy located in the Seller's Guide for full details.
- Disaster inspections may not be completed by the Broker. Acceptable inspection providers include, but are not limited to, an appraiser or a post-disaster inspection company.

## Documentation

- Tri-merge credit report or mortgage account(s) rating is required.
- Tax transcripts and the 4506-C are not required for non-credit qualifying IRRRL transactions.

## Eligible Mortgage Products – Existing Loan

VA to VA refinance

Eligible Mortgage Products - New Loan

- Fixed Rate: 10, 15, 20, 25 and 30 year terms. High Balance allowed on all terms.

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- EEM are not eligible

## Employment/Income Verification

- The following Income and Employment documentation are required at a minimum:
  - Salaried borrowers require a Verbal VOE
  - Self-employed borrowers require verification of the business through a 3rd party source
  - Retired borrowers aged 60 and older do not require a VVOE
- All borrowers require a Verbal VVOE or income source documentation
- 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.

## Escrow Accounts

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. Maximum LTV based on Base Loan Amount (Loan amount prior to financed funding fee).
- 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 or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement.

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- 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, a certificate or military orders having been awarded the Purple Heart.

## 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)).

## High-Cost / Higher-Priced Mortgage

- Keystone will not purchase High-Cost Loans
- Higher-Priced Mortgage Loans (HPML) transactions are eligible subject to:
  - Establishing and maintaining an escrow account
  - Meeting all applicable state and/or federal compliance requirements.

## Loan Limits

- 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

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- 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.

## Loan Purpose

- Interest Rate Reduction Refinance Loan (IRRRL).
- Borrower should receive no cash back at closing. However, cash back to the Borrower can never exceed \$500.
- Credit Qualifying is allowed. When credit qualifying, all existing Keystone VA overlays are still in effect, including but not limited to credit history and tax transcripts for income validation.

## 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](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

## 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

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- 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.

## Occupancy

- Owner-occupied
- Second Home/Investment
  - Veteran must certify that he or she previously occupied the property as his or her home.
  - Manufactured home: Not eligible

## Payment History

See Credit section for requirements

## Payment Decrease/Increase Requirements

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.

## Property: Eligible Types

- Single Family Residence
- 2-4 unit
- PUDs
- Low-rise and High-rise Condominiums

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- Multiple width manufactured homes with a minimum of 700 square feet – see Manufactured Home section for additional requirements

## Property: Ineligible Types

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

- Single width manufactured homes
- Mobile 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 and 2

## Maximum Number of Properties

No limit

## Qualifying

For Credit Qualifying:

- Fixed rate qualify at the note rate.

Ratios

- DTI ratios are not calculated, unless the transaction is credit qualified.

Recently Listed Properties

- 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.

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## Reserves / Funds to Close

Reserves are not required. Source of funds to close are not required on an IRRRL.

## State Restrictions

Texas refinances are not eligible

## Title Insurance

Required

## Underwriting Method

Manual underwriting only

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