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**SPECIAL PROGRAM NOTES:**

When program guides are silent, refer to the [VA Lender’s Handbook](#). For Kind Lending Overlays, see the [Overlay Matrix](#).

**SECTION 1: PROGRAM INFORMATION**

**PROGRAM CODES AND LOAN TERMS**

VA15 - VA 15 Year Fixed  
 VA20 - VA 20 Year Fixed  
 VA25 - VA 25 Year Fixed  
 VA30 - VA 30 Year Fixed  
 VA30-21 - VA 30 Year Fixed 2-1 Buydown  
 VA30-10 – VA 30 year Fixed 1-0 Buydown  
 VA30-321- VA 30 year Fixed 3-2-1 Buydown

VA30HB - VA 15 Year Fixed High Balance  
 VA15HB - VA 30 Year Fixed High Balance  
 VA30-21HB - VA 30 Year Fixed 2-1 Buydown High Balance  
 VA30-10HB – VA 30 year Fixed 1-0 Buydown High Balance  
 VA30-321HB - VA 30 year Fixed 3-2-1 Buydown High Balance

**SECTION 2: LTV / CLTV / LOAN AMOUNTS**

**FULL DOCUMENTATION:**

**Primary Residence Only**  
**Purchase Transactions**

<u>UNITS</u>	<u>LTV</u>	<u>CLTV</u>
1-4	100%	100%

**Cash Out Refinance**

<u>UNITS</u>	<u>LTV</u>	<u>CLTV</u>
1-4	90%	90%

**Program Eligibility Notes:**

- If Veteran has full entitlement, county loan limits do not apply; VA will guarantee 25% of the purchase price or NOV.
- Minimum loan amount \$50,000. Will allow for exception on case-by-case basis, requires management approval.
- Cash-out transactions must meet seasoning requirements. Maximum 90% LTV/CLTV.
- If Veteran has partial entitlement, continue to follow FHLMC (Freddie Mac) single-family county limits to calculate remaining entitlement, and maximum loan amount. View county limits at [FHFA](#)
- Maximum loan amount \$2,000,000.
- Total Loan Amount greater than \$1,000,000 requires minimum FICO score of 620, and second review by Credit Risk. Requires AUS approval.

**Note:** For Cash-out refinances calculate the LTV by dividing the total loan amount (including VA funding fee, if financed) by the value of the property as determined by the appraiser. VA will not guaranty cash out refinance when the LTV exceeds 100%.

**VA FUNDING FEE:**

Type of Loan	VA Funding Fee*		
	Down Payment	First Time Use	Subsequent Use
<b>Purchase</b>	Less than 5%	2.15%	3.30%
	5% but < 10%	1.50%	1.50%
	10% or more	1.25%	1.25%
<b>Cash-Out</b>	N/A	2.15%	3.30%
<b>IRRRL</b>	N/A	0.50%	0.50%

**VA FUNDING FEE:  
(cont'd)**

The Certificate of Eligibility (COE), issued by VA, will indicate if the veteran/active duty servicemember is exempt or not exempt from paying the VA Funding Fee and the amount of the veteran's entitlement.

Refer to the Certificate of Eligibility (COE) - Funding Fee topic for requirements if COE indicates veteran/service member is not exempt, surviving spouse, and active-duty service member awarded Purple Heart information.

Note: see [Joint Loans](#) information in the next section for Joint Loans.

**SECTION 3: PROGRAM PARAMETERS**

**MAXIMUM LOAN AMOUNT:**

\$2,000,000  
See VA Guaranty/Entitlement in the Special Program Requirements section below.

**MINIMUM LOAN AMOUNT:**

\$50,000.  
Exceptions on a case-by-case basis, requires management approval

**SPECIAL PROGRAM REQUIREMENTS:**

**VA Guaranty / Entitlement**

- **A minimum 25% guaranty required on all loans**
- If the veteran has previously used their entitlement, in some cases a borrower may be eligible with less than full entitlement, underwriter to review and validate.

First Time Use, Veteran has Full Entitlement or Full Entitlement is Restored:  
County loan limits do not apply. VA does not impose a maximum loan amount  
The guaranty is based on 25% of the loan amount

**Note:** While VA does not impose a maximum loan amount, Kind Lending limits the loan amount based on specific criteria. Refer to the Maximum Loan Amount topic for detailed information

Veteran has Partial Entitlement or Entitlement Cannot be Restored:  
County limits apply.

The maximum guaranty is based on the lesser of:

- 25% of the loan amount, OR
- 25% of the county loan limit

Example 1 Eligible: Loan amount is \$200,000. Veteran has used \$36,000 entitlement.  
County limit is \$500,000

- $\$200,000 \text{ (loan amount)} \times 25\% = \$50,000$
- $\$500,000 \text{ (county limit)} \times 25\% \text{ minus } \$36,000 \text{ (used entitlement)} = \$89,000$
- $\$50,000 \text{ (lesser of above)} \text{ divided by } \$200,000 = 25\% \text{ entitlement available (meets 25\% guaranty requirement)}$

Example 2 Ineligible: Loan amount is \$765,000. Veteran has used \$70,000 in entitlement which cannot be restored. County limit is \$724,000.

- $\$765,000 \text{ (loan amount)} \times 25\% = \$191,250$
- $\$724,000 \text{ (county limit)} \times 25\% \text{ minus } \$70,000 \text{ (used entitlement)} = \$111,000 \text{ (guaranty/entitlement available)}$
- $\$111,000 \text{ (lesser of the above)} \text{ divided by } \$765,000 = 14.51\% \text{ guaranty (does not meet minimum 25\% guaranty requirement)}$

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

Restored Entitlement

The entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once the entitlement is restored, it may be used again.

A previously used entitlement may be restored if:

- The property which secured the VA loan has been sold, and
- The loan has been paid in full, or
- An eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his/her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements.

In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan as follows:

- The prior VA loan has been paid in full and the veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan (including refinancing situation in which the prior loan will be paid off at closing from a VA refinance of the same property, or
- The prior VA loan has been paid in full, but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, one time only. Once this occurs, the veteran's Certificate of Eligibility will indicate the one-time restoration. Any future restoration will require disposal of the property obtained with a VA loan. A cash-out refinance is not eligible once the one-time restoration is used. Underwriter will be required to contact the VA as soon as the final signed and executed copy of the settlement statement is received by Kind Lending. Underwriter should obtain an updated COE for the file as soon as possible.

**Note:** Proof that a previously insured property must be transferred prior to the funding of new loan. If both loans are scheduled to consummate on the same day, then:

- A Certified, signed copy of the final settlement statement from the Closing/Settlement Agent will be required prior to funding the loan, and
- A final signed and executed copy must be delivered to Kind Lending within 24 hours of consummation.

**Dual Entitlement: Married Veterans**

Maximum combined guaranty cannot exceed 25% of the loan amount when at least one veteran has full entitlement. VA will charge entitlement for married veterans per their request. If both Veterans have partial entitlement, entitlement cannot exceed lesser of:

- 25% of the loan amount, OR
- 25% of the county loan limit

**Joint Loans:**

Joint loan can be made to the:

- Veteran and one non-Veteran (not spouse)
- Veteran and one Veteran (not spouse) who will not be using their entitlement,
- Veteran and one Veteran (not spouse), both of whom will use their entitlement.
- Veteran and the Veteran's spouse who is also a Veteran, and both entitlements will be used; or
- 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 a Veteran who will not be using his or her entitlement on the loan.
- A loan to a Veteran and fiancé who intend to marry prior to loan closing and take title as Veteran and spouse will be treated as a loan to a Veteran and spouse (conditioned upon their marriage), and not a joint loan.
- **Maximum 2 borrower may be on a Joint Loan (Kind Lending overlay)**
- **PLEASE COMPLETE JOINT LOAN SUBMISSION FORM ON ALL JOINT LOANS.**
- **Most joint loans are submitted to VA for prior approval by the VA underwriter except for loans where two unmarried Veterans are each using the entitlement.**

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

- Two Veterans Joint Loan: Commonly meaning a loan involving two Veterans who are not married to each other, and both are using their entitlement.
- For purposes of applying the principles explained in this section, this term will also be used to represent any other type of joint loan involving only Veterans, each of whom uses his or her entitlement.
  - This may also include loans to the following:
    - The Veteran and the Veteran’s spouse who is also a Veteran, if both entitlements will be used.
    - Entitlement and funding fees are separate. Funding fees are always calculated equally by the number of people on the loan. It is based on each Veteran paying their equal share of the loan.
    - VA will only guarantee the Veteran’s portion of the total loan amount.
  - **This type of joint loan is not required to be submitted to VA for approval.**

Requirements for Joint Loans:

- The Veteran using entitlement on a joint loan must certify intent to personally occupy the property as his or her home.
- Consider the credit and combined income and assets of both parties. Strengths of one Veteran related to income and/or assets may compensate for income/asset weaknesses of the other. However, satisfactory credit of one Veteran cannot compensate for the other’s poor credit.
- Guaranty is limited to that portion of the loan allocable to the Veteran’s equal interest in the property.
- Percentage of entitlement has no bearing on the amount of the funding fee to be paid.
- A written agreement from the Veterans is required whenever there is unequal entitlement usage.

Calculating the Guaranty and Entitlement Use on a Joint Loan:

As with a non-joint loan, the potential maximum guaranty on a joint loan is calculated based on the total loan amount.

**Joint loans must meet VA and GNMA requirements. VA calculates 25% on the loan amount, GNMA calculates 25% on the lower of the sales price/appraised value. Down payment requirement will need to be calculated on both requirements, additional downpayment may be required.**

VA calculates the maximum potential guaranty on the total loan amount.

Step	Action
1	Divide the total loan amount by the number of borrowers (2).
2	Multiply the result by the number of Veteran-borrowers who will be using entitlement on the loan.  There is usually only one Veteran borrower, in which case the result of this Step is the same as the result of Step 1.
3	Calculate the maximum potential guaranty on the portion of the loan arrived at in Step 2 (as if that portion was the total loan).
4	VA will guarantee the lesser of: <ul style="list-style-type: none"> <li>• the maximum potential guaranty amount arrived at in Step 3, or</li> <li>• the combined available entitlement of all Veteran-borrowers.</li> </ul>

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

5	<p>VA makes a charge to the Veteran-borrower’s available entitlement in the amount of the guaranty.</p> <p>If more than one Veteran is involved, VA divides the entitlement charge equally between them, if possible. If only unequal entitlement is available, unequal charges may be made with the written agreement of the Veterans.</p>
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Examples:

<b>Borrowers and Available Entitlement</b>	<b>Total Loan Amount</b>	<b>Veteran’s Portion</b>	<b>Maximum Potential Guaranty on Veteran’s Portion</b>	<b>Entitlement Charge ----- T=Total</b>
Veteran \$36,000 Non-Veteran \$0	\$100,000	\$50,000	\$22,500	\$22,500
Veteran \$36,000 Non-Veteran \$0	\$290,000	\$145,000	\$36,250	\$36,250
Veteran \$27,500 Veteran \$36,000	\$108,000	Total for both Veteran’s \$72,000	Total for both Veteran’s \$28,800	\$14,400 \$14,400 T=\$28,800
Veteran \$25,000 Veteran \$11,000	\$201,000	Total for both Veteran’s \$134,000	\$36,000	\$25,000 \$11,000 T=\$36,000

Guaranty:

<b>Step</b>	<b>Action</b>
1	<p>Calculate the maximum potential guaranty on the total loan amount.</p> <p>Use the maximum guaranty table in Chapter 3 of this Handbook.</p>
2	<p>VA will guarantee the lesser of:</p> <ul style="list-style-type: none"> <li>• the maximum potential guaranty amount arrived at in Step 1, or</li> <li>• the combined available entitlement of all Veteran-borrowers.</li> </ul> <p>If the loan amount is greater than \$144,000, additional entitlement may be added to each Veteran’s entitlement. If possible, VA will use this additional entitlement to arrive at equal entitlement charges for the Veterans involved.</p>

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

3	<p>VA will make charges to the Veterans’ available entitlement which total the maximum guaranty arrived at in Step 1, or the total of their available entitlement if less than the maximum potential guaranty.</p> <p>VA will divide the entitlement charge equally between the Veterans if possible, or, if only unequal entitlement is available, unequal charges may be made with the Veterans’ written agreement.</p> <p><b>Exception:</b> VA will make the entitlement charge for husband and wife Veterans according to their preference.</p>
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Examples:

Veterans and Available Entitlement	Total Loan Amount	Maximum Potential Guaranty	Total Entitlement Charge Per Veteran
Veteran 1 \$36,000 Veteran 2 \$36,000	\$100,000	\$36,000	\$18,000 \$18,000
Veteran 1 \$23,500 Veteran 2 \$ 8,500	\$80,000	\$32,000	\$23,500 \$ 8,500
Veteran 1 \$36,000 Veteran 2 \$36,000	\$300,000	\$75,000	\$37,500 \$37,500
Veteran 1 \$15,000 Veteran 2 \$20,000	\$203,000	\$50,750	\$25,375 \$25,375

Certificate of Commitment for Joint Loans:

For joint loans involving one or more non-Veterans the:

- loan amount shown on the commitment is limited to the Veteran’s portion of the loan, and
- percentage of guaranty is based on the ratio of the amount of entitlement the Veteran has available to the Veteran’s portion of the loan.

VA will issue the Certificate of Commitment with a reminder that:

- no part of the guaranty applies to the portion of the loan allocated to the non-Veteran, and
- in the event of the foreclosure where a loss is sustained, the holder must absorb any loss attributable to the non-Veteran’s portion of the loan.

Loan Guaranty Certificate (LGC):

- The “Amount of Loan” reflects only the Veteran’s portion of the loan.
- If more than one Veteran used entitlement on the loan, it will reflect the total of all portions allocable to those Veterans.

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

- The lender must satisfy itself that the requirements of its investor or the secondary market can be met with this limited guaranty.
- Whereas the whole loan amount will appear on the mortgage security documents; that is, mortgage note or deed of trust, only the Veteran's portion is shown on the Certificate of Commitment and the LGC.

ECOA Considerations

- The applicability of the guaranty to only a portion of the loan in the case of a Veteran/non-Veteran joint loan may cause a lender to refuse to accept an application for such loan.
- This may appear to conflict with the ECOA prohibition against discrimination based on marital status; however, the lender may refuse the application under these circumstances without violating ECOA.
- This is based on an exemption for VA being a special purpose credit program.

Calculation of the Funding Fee for Joint Loans

- Apply the appropriate funding fee percentage to any portion of the loan allocable to a Veteran using his or her entitlement who is not exempt from the funding fee. Determine the appropriate percentage for the type of Veteran involved from the funding fee tables in Chapter 8.
- Example. On a no-downpayment loan to two Veterans; on a first-time homebuyer; and on a subsequent user; the funding fee percentages of 2.15 percent and 3.3 percent respectively would each be applied to one-half of the loan amount.
- No funding fee will be assessed on any portion of a joint loan allocable to a:
  - Non-Veteran
  - Veteran who did not use his or her entitlement, or
  - Veteran who used his or her entitlement, but is exempt from the funding fee.
- Downpayment. The actual loan amount is allocated equally between the borrowers for purposes of calculating the funding fee, whether or not a downpayment is made, and regardless of where the funds for such a downpayment come from. Example: On a Veteran/non-Veteran loan, the non-Veteran makes a \$5,000 (five percent) downpayment out of his cash resources, to purchase a \$100,000 property, resulting in a \$95,000 loan amount. The Veteran is a first-time homebuyer. The Veteran must pay a funding fee of \$712.50, based on 1.5 percent of his/her \$47,500 portion.

**Amendatory Clause**

Amendatory Clause must be signed with the purchase contract or an executed addendum to the purchase contract with the appropriate verbiage is acceptable.

**Certificate of Eligibility and Funding Fee**

The **Certificate of Eligibility (COE)** is required on all VA loans, and it will indicate if the veteran or active-duty service member is exempt or not exempt from paying the VA funding fee. Veteran must still qualify based on income and credit before loan approval is granted.

The underwriter must validate if the Active Duty Servicemember has a pre-discharge disability claim pending. If so, the underwriter must contact the VA via email immediately to request assistance in obtaining a proposed or memorandum rating to determine if the Servicemember may be exempt from paying the funding fee. Verification of VA Benefits ([VA Form 26-8937](#)) may be submitted, an alert to the VA by email is also required to ensure the VA is aware of the need for the proposed or memorandum rating. If a proposed or memorandum rating is not obtained, and a closing takes place, the Servicemember is not eligible for the funding fee exemption.

**See VA [Circular 26-22-12](#) for the most up to date information regarding funding fee status on COE where the Active Duty Service Member indicates they have a pre-discharge disability claim.**

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

The following applies:

COE Indicates Veteran/ Servicemember is Exempt

If the COE indicates the veteran is exempt from paying the funding fee, no additional documentation is required.

COE Indicates Veteran/ Servicemember is Not Exempt

If the COE indicates the veteran/service member is not exempt from the VA funding fee the following applies:

- **Active Duty Servicemember:** One of the following, completed and signed by the servicemember is required to validate if the servicemember has a pre-discharge claim pending:
  - VA Form 26-8937 Verification of Benefits, or
  - Kind Lending VA Indebtedness Questionnaire (Section II)
- **Veteran:** If the COE indicates the veteran is not exempt from the funding fee one of the following must be provided to document if the veteran does/does not have a pending claim for compensation filed with VA and maintained in the loan file:
  - An email/written documentation from the veteran, OR
  - Kind Lending VA Pending Claims Certification, OR
  - Kind Lending VA Indebtedness Questionnaire (Section II)
- A Certificate of Eligibility (COE) is required on ALL VA loans, including IRRRL's.
- If the Certificate of Eligibility (COE) does not reflect Funding Fee as Exempt, then Underwriter must condition for a statement from the veteran to determine if the veteran has any pending claims for disability, or if active duty, has any pre-discharge claims pending.
- If veteran/servicemember states they do have active claims, the underwriter must add a PTF condition that the Certificate of Eligibility (COE) be refreshed in LGY HUB within 3 days prior to closing (note date).
- If veteran/servicemember states that they do not have any active claims, no further action is needed.

A third-party version of the Pending Claims Cert or Indebtedness Questionnaire is acceptable as long as it includes the same/similar language as the Kind Lending version.

Borrower is Surviving Spouse - Surviving Spouse COE Requirements

If the veteran is deceased and the borrower is the surviving spouse, the COE must:

- Reflect the surviving spouse's name under "Name of Veteran", and
- Reflect the last 4 digits of the surviving spouse's social security number, and
- The Entitlement Code must indicate "06"

Surviving Spouse Funding Fee Exemption Requirement

A surviving spouse **must currently be receiving** Dependency and Indemnity Compensation (DIC) from VA to be exempt from the funding fee. Documentation of current receipt of DIC is required. If the surviving spouse indicates they are receiving DIC the following applies:

- The surviving spouse completes [VA Form 26-8937](#), Verification of VA Benefits
- Loan originator submits the form to VA
- VA will provide a written confirmation if the surviving spouse is exempt from funding fee.
- This documentation must be submitted to Kind Lending

**Note:** If the surviving spouse is not receiving DIC, the surviving spouse is not exempt from the funding fee

Purple Heart Recipient: Funding Fee Exemption Eligibility

Active-duty service members who have been awarded a Purple Heart are exempt from paying the funding fee. The COE must reflect all three (3) of the following conditions to be eligible for the waiver:

- Active-duty service member, and
- Purple Heart recipient, and
- Funding fee Exempt

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

Kind Lending underwriting management review and approval of the COE for the active-duty service member with Purple Heart exemption is required if the COE does not reflect all three (3) of the conditions listed above; evidence of the Purple Heart award will be required.

Reference [Lender's Handbook, Chapter 2](#) for additional information, details, and requirements

**Fees and Charges**

VA allows the following fees and charges:

- 1% origination fee based on total loan amount. Fees determined by VA as unallowable **cannot** be charged, **or**
- 1% unallowable fees based on the total loan amount. An origination fee **cannot** be charged, **or**
- 1% blend of origination fee and unallowable fees based on the total loan amount. Fees cannot exceed 1% of the total loan amount.
- The veteran **cannot** pay any of the following fees:
  - Attorney fees (unless the veteran independently retains an attorney)
  - Pre-payment fees
  - Real estate broker/commission fees
  - Re-inspection fees

**Unallowable Fees:** The following fees **cannot** be charged if a 1% origination fee is charged.

- Lender's Inspection
- Interest Rate Lock Fee
- Lender's Appraisal
- Postage/Mail Charges
- Closing/Settlement Fee
- Amortization Schedule
- Doc Prep Fees / Tax Service Fee / Conveyance Fee
- Attorney's Services other than title work
- Underwriting Fee
- Loan Application/Processing Fee
- Fees for preparing Truth-in-Lending
- Well/Septic Fee
- Prepayment Penalties (refinance)
- Escrow Fees / Notary Fee
- Any other fee not listed as allowable by VA
- Brokerage Fee, Fees to Loan Brokers, Finders or other 3rd party fees
- Commitment fee and Trustee Fee

**Allowable Closing Costs:** The following fees may be charged:

- Loan Origination Fee
- Flood Insurance / Determination
- Reasonable Discount Points
- Appraisal Fee / Compliance Inspection
- Federal Express/Express Mail (Refi only)
- Credit Report Fee (actual)
- Closing Protection Letter / Title examination / Title Insurance Fees
- VA Funding Fee
- Recording Fees & Taxes
- MERS Registration
- Prorated Taxes
- Survey / Plot Plan
- Hazard Insurance
- Pest Inspection Fee

**SPECIAL PROGRAM REQUIREMENTS: (cont'd)**

VA may authorize local fee variances for additional fees and charges that may be charged to and paid by the Veteran based on the location of the subject property. VA publishes a list of these deviations on its [website](#). Some non-state specific fee variances include:

- Wood Destroying Insect (pest) inspection. Veterans may be charged wood destroying pest inspection fees, where required by the NOV. Veterans may also pay for any repairs required to ensure compliance with MPRs.
- Temporary Local Variance for Buyer-Broker Charges. Pursuant to Circular [26-24-14](#), the Veteran may temporarily pay reasonable and customary amounts for buyer broker charges subject to the restrictions listed in the circular.
  - An invoice is not necessary to support the buyer-broker charge; however, the total amount paid, if any, by the Veteran is to be recorded in lines 1 through 3 of section H ("Other") on the Closing Disclosure, and VA considers the buyer-broker representation agreement to be part of the sales contract package. As such, VA expects lenders to upload the agreement as part of the package lenders use when requesting an appraisal.
- Sales tax. Sales tax on services provide by third parties such as property inspectors and appraisers are permissible at the amount required by law. The charge must be supported by an invoice

**Third Party Charges**

Third party charges are limited to the invoice charge regardless of the amount charged for the loan origination fee (i.e., you cannot charge the borrower more than the invoice amount even if the total amount of fees is less than 1% of the total loan amount). VA limits the fee charged for an appraisal. View the appraisal fee list at [VA Appraisal Fee Schedules](#).

Example: The loan amount is \$100,000 and the lender is charging an \$800.00 origination fee. The charge for the credit report on the HUD-1 is \$50.00 however the invoice for the credit report indicates a charge of \$20. The borrower must be refunded the \$30.00 overcharge.

Example: The loan amount is \$100,000 and the lender is charging an \$800.00 origination fee. The charge for the appraisal on the HUD-1 is \$500.00 however the maximum fee VA allows for an appraisal in the state where the property is located is \$425.00. The borrower must be refunded the \$75.00 overcharge.

Effective for loans closed on or after January 1, 2025: The amount charged must be supported by an invoice or other document that clearly identifies the transaction and verifies the fee and associated charge. The Veteran may not be charged more than the actual amount, and may not be charged for services already paid for by another party. If the Veteran is overcharged, the excess amount must be refunded to the Veteran. Note, an invoice is not required for the VA funding fee.

**Subordination Fees**

Subordination fees cannot be financed into the loan regardless of the amount charged for the origination fee. If a subordination fee is charged the borrower must either pay the fee in cash or have a premium pricing credit that is large enough to cover the subordination fee.

**RESOURCES AND LINKS:**

VA guidelines can be found at: [VA Lenders Handbook - VA Pamphlet 26-7](#)  
 View current year county limits at [FHFA](#)  
 Lgy.va.gov: [VA Loan Guaranty](#)  
 To access: [CAIVRS](#)  
 To access: [VA Circulars](#)

**ARM INFORMATION:**

Not applicable

**INTEREST ONLY:**

Not offered

**TEMPORARY BUYDOWNS:**

- 3-2-1, 2-1, and 1-0 temporary interest rate buydowns are allowed on 30 year fixed-rate mortgages for principal residences, **purchase only**. Not permitted on refinance transactions.
- Minimum FICO for all buydown options is 600
- The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.
- An escrow is established for temporary interest rate buydowns and must be escrowed with a third-party escrow agent.
  - The agent must make payments directly to the lender or servicer and may only used for payments due on the note and may not be used to pay past due monthly payments.
  - If the loan is foreclosed or prepaid, the funds must be credited against the Veteran’s indebtedness.
- The **seller or agent** may provide funds for the temporary interest rate buydown, subject to standard interested party contribution limits.
- Lender paid buydowns are not offered.
- The loan application may be underwritten based on the first year’s payment amount if there are strong indications that the income used to support the application will increase to cover the yearly increases in loan payments.
  - Cost of living increases **cannot** be used for this purpose. Increases resulting from confirmed future promotions or wage percentage increases guaranteed by labor contracts may be given consideration.
- The loan application must be underwritten based on the full payment amount if there are no strong indications that the income can be reasonably expected to keep pace with the increases in loan payments

**PREPAYMENT PENALTY:**

Not applicable

**SECTION 4:**

**TRANSACTION ELIGIBILITY**

**CALCULATING LTV/CLTV/VALUE:**

See Special Program Requirements section above for information regarding calculating the maximum loan amount and VA entitlement requirements.

**REFINANCE TRANSACTIONS:**

All VA loans must be done as a cash-out or an IRRRL. Any existing loans currently not insured by the VA would be required to be done as a cash-out transaction, regardless of cash back to borrower.

**Documentation:** All Cash Out transactions require the following:

VA Cash-Out Refinance Comparison Certification. The Certification contains all NTB, loan comparison, and estimate of equity information required by VA.

- Provide the initial Kind Lending Certification form to the veteran within three (3) business days of loan application
- Must complete the initial Kind Lending Certification using reasonable estimates of the required information based on the information available to at time of issuance.
- The Kind Lending Certification is provided with documents
- Must submit the completed Kind Lending Certification, signed, and dated by the veteran acknowledging receipt of the Certification within three (3) days of application, at time of loan submission

**Type I Cash Out**

A refinancing loan in which the total loan amount, including the VA funding fee (if financed) does not exceed the payoff amount of the loan being. The following applies:

- Kind Lending management review/approval required for all Type I loans
- Type I loans have specific fee recoupment and LTV requirements.

**REFINANCE  
TRANSACTIONS:  
(cont'd)**

**Type II Cash Out**

A refinancing loan in which the total loan amount, including the VA funding fee (if financed), exceeds the payoff amount of the loan being refinanced.

**Cash Out Transactions (Type I and Type II)**

- Maximum 90% LTV, including funding fee: Loans exceeding 90% LTV are ineligible
- LTV Calculation: The LTV is calculated by dividing the total loan amount, including the VA funding fee, if financed, by the value of the property as determined by the appraiser
- The cash-out refinance may be used to pay off the current unpaid principal, allowable closing costs, points, prepaids, subordinate liens, including PACE/HERO loans, debt consolidation and cash to the veteran
- The loan must be secured by a first lien on the property
- Veteran must occupy the home

**Note:** The property must have an existing encumbrance, cannot refinance a free and clear property with a VA loan.

**Net Tangible Benefit**

**A net tangible benefit is required on all cash-out transactions.**

At least one of the following benefits must apply:

- The new loan eliminates mortgage insurance or monthly guaranty insurance,
- The term of the new loan is less than the remaining term of the loan being refinanced,
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced (if the loan being refinanced is an ARM or was modified, the current interest rate must be used),
- The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced.
- Transactions where the taxes and insurance amounts vary between the new and old loan, the new taxes and insurance amounts must be used when determining/comparing residual income
- The new loan refinances an ARM to a fixed rate,
- The new loan amount is  $\leq$  90% of the NOV, or
- The new loan refinances an interim construction loan

**Loan Comparison**

The veteran must be provided a document that compares their current loan to the new loan characteristics. Refer to the Documentation Requirements topic above for documentation and timing requirements. The comparison must provide the following information:

- Current loan payoff amount vs. the loan amount of the new refinancing loan,
- Loan type (ARM or fixed) of the current loan vs. new loan,
- Interest rate of current loan vs. new loan,
- Loan term of current loan vs. new loan,
- The total the veteran will have paid after making all principal and interest payments, and mortgage insurance, as applicable, on the current loan vs. the new refinancing loan, and
- The loan payoff (including fees, escrow shortages, and prorated interest) vs. the LTV of the new loan

**Estimate of Home Equity**

The veteran must be provided with an estimate of the home equity that will be lost due to the new refinancing loan. Refer to the Documentation Requirements topic above for documentation and timing requirements.

**REFINANCE  
TRANSACTIONS:  
(cont'd)**

**Loan Seasoning Requirements** (applies to first loan being paid off only)

**All cash-out transactions must meet Ginnie Mae seasoning requirements regardless of the type of loan being refinanced as follows:**

- A minimum of 6 consecutive payments have been made on the original loan and posted by the servicer on the loan being refinanced. The borrower cannot prepay the payment to meet the payment requirement and the 6th payment cannot be made at closing, **AND**
- A minimum of 210 days must have passed between the first payment due date on the loan being refinanced (existing loan) and the Note date of the new mortgage **AND**
- Loan Refinancing within One Year of Original Closing: Loans being refinanced within one (1) year from the date of the original loan closing:
  - Obtain the payment history on the loan from the loan servicer and include in the loan file, no exceptions.

**Note:** A credit report/credit supplement is not acceptable to meet this requirement
- Seasoning requirements apply to **all** loans being paid off with a new VA cash-out loan (existing FHA, VA, conventional loans, and a private party mortgage))
- Seasoning requirements apply to a loan that was previously modified and is now being refinanced
- Loans without a scheduled payment (e.g., reverse mortgage, balloon mortgage) are exempt from seasoning requirements.
 

**Note:** If a balloon mortgage requires IO payments (other than construction loans) seasoning requirements will apply
- Seasoning requirements are determined by the financing structure of the new loan:
  - New loan is purchase transaction: Seasoning requirements do not apply
  - New loan is a refinance transaction: Seasoning requirements do apply

**Type I Cash-Out VA to VA Transactions ONLY:**

**Kind Lending management review and approval is required on all Type I transactions.** Fee recoupment and interest rate requirements detailed below **only** apply to Type I cash-out VA to VA transactions; they do not apply to the refinance of a non-VA loan or to any Type II cash out transaction

Fee Recoupment:

- All fees, closing costs (excluding taxes, escrow, insurance, and like assessments), expenses, and incurred costs **must be recouped within 36 months** from the date of loan closing. If fees are not recouped within 36 months or less, the loan is ineligible as a Type I cash-out
- **Calculate the recoupment as follows:** Divide all fees, expenses and closing costs including in the loan amount and paid outside of closing (excluding the VA funding fee, taxes, escrow and prepaid expenses, insurance, and special assessments and HOA fees) by the reduction of the monthly principal and interest payment as a result of the refinance.

**Note:** If the loan being refinanced has been modified, the principal and interest reduction must be computed/compared to the modified loan principal and interest monthly payment.

Interest Rate:

- Fixed Rate to Fixed Rate: The interest rate of the new loan must be a minimum of 50 basis points (.5%) less than the interest rate on the loan being refinanced
- Fixed Rate to ARM: The interest rate of the new loan must be a minimum of 200 basis points (2%) less than the interest rate on the loan being refinanced. Additionally, the following applies:
- Discount Points > 1%: If discount points > 1% are included in the new loan amount, the transaction is limited to 90% LTV

**REFINANCE TRANSACTIONS: (cont'd)**

**Land Contracts**

- Land contracts are a refinance transaction. Maximum mortgage amount is limited to 100% of the lesser of the sales price or Notice of Value (NOV). The following also applies:
  - Land contract must be recorded,
  - Seller on contract must be the owner of record,
  - No liens can be on title except for the lien to be paid with the proceeds of the transaction, and
  - 0 X 30 in previous 12 months required on the monthly payments. Copies of cancelled checks front and back are required to document payments.

**INELIGIBLE TRANSACTIONS:**

- EEM (Energy Efficient Mortgage)
- MCC (Mortgage Credit Certificates) – Borrower allowed to do an MCC after closing, but MCC cannot be used to qualify.
- Second home and investment transactions
- Texas Section 50(a)(6)
- Transaction with PACE/HERO program subordinate financing
- Manufactured Leasehold
- Manufactured Condo

**ASSUMPTIONS:**

Not permitted

**SUBORDINATE FINANCING:**

- Eligible at underwriter’s discretion. The veteran cannot be placed in a substantially worse position than if the entire amount had been guaranteed by VA.
- PACE/CA HERO programs are ineligible subordinate financing
- Subordination fee cannot be charged to the Veteran
- Allowed for existing liens

**Note:** That secondary financing may not be used to supplement any shortfall of the appraisal, or to meet the 25% guaranty requirement.

If using a Community Second program, Kind Lending will not act as the Lender or be involved in any part of the 2nd loan transaction. All Agency Community Seconds requirements must be met.

**SECTION 5:**

**BORROWER ELIGIBILITY**

**ELIGIBLE BORROWERS:**

- Eligible borrowers for VA loans:
- Veteran
  - Veteran and Spouse
  - Eligible Surviving Spouse with sufficient entitlement

The following circumstances **are ineligible** with Kind Lending as VA requires them to be submitted to VA for review and approval:

- Loans to a veteran in receipt of VA non-service-connected pension
- Veteran has been rated incompetent by the VA
- IRRRL to refinance a loan 30 days or more past due

**OCCUPANCY:**

Owner-Occupied Primary Residence ONLY.

The veteran must certify their intent to occupy the property within a “reasonable time”, generally within 60 days of loan closing.

**Note:** Service members, while deployed from their permanent duty station are considered to be in a temporary duty status and able to meet the occupancy requirement.

**NON-PURCHASING SPOUSE:**

The debts of the non-purchasing spouse must be included in the borrower’s qualifying ratios, unless specifically excluded by state law, if:

- The borrowers reside in a community property state, or
- The property being purchased is located in a community property state

**Note:** Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin

The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law (see below for Louisiana). A credit report, that complies with VA guidelines, for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.

**Louisiana Non-Borrowing/Non-Purchasing Spouse:** The debts of the nonborrowing/non-purchasing spouse may be excluded subject to the following:

- An Intervention Affidavit, signed by the non-borrowing/purchasing spouse, is required. The Affidavit must be notarized and recorded with the mortgage, and
- The title company and the settlement agent must agree to allow the Affidavit

**NON-US CITIZEN BORROWERS:**

Reference: [At A Glance Aids](#) for list of eligible Visa Types

**FOREIGN NATIONAL:**

Not eligible

**NUMBER OF OTHER PROPERTIES:**

General guidance for other properties:

- Maximum 10 financed 1-4-unit properties.
- Kind Lending limits its exposure to a maximum of 4 loans per borrower.

**Note:** If Kind Lending is currently servicing 4 (or more) loans, additional loans will not be acceptable.

**SECTION 6: CREDIT CRITERIA**

**UNDERWRITING:**

All loans must be run through AUS  
 “Refer/Eligible” will require a manual underwrite.

- Reminder (Overlay): AUS Refer/Eligible requires 620 FICO minimum & manual UW.

An “Approve/Eligible” Finding **must be downgraded** to a manual underwrite when any of the following are present:

- The mortgage history has more than 1 x 30 in the previous 12 months.
- Perform manual downgrade to Refer if direct verification reveals more than 1 by 30-day late payment in the past 12 months for any significant debts not reported on credit.
- If a mortgage or other significant debt is listed on the credit report as past due and was last updated ≥90 days, verify current status of past due debt. If the rating is greater than or equal to 90 days past due, the loan must be manually downgraded.

A manual downgrade is **not** required when:

- Subject loan was a previously restructured/modified mortgage are subject to the following:
- Mortgages in default at time of loan modification must meet standard VA credit guidelines
- A minimum of 12 months of 0x30 payments have been made on the restructured/modified loan

**CREDIT SCORES:**

- A minimum credit score of 580 is required, regardless of AUS.
- Minimum FICO for all Temporary Buydown options is 600
- Reminder (Overlay): AUS Refer/Eligible requires 620 FICO minimum & manual UW.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
- If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
- If there are two (2) valid scores, the lower of the two is used
- If only one credit score is available for each borrower. Then the lowest representative score of all borrowers(s) will be the representative score
- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Manually underwritten loans required 2 credit scores for each borrower
- Reminder: Loans > \$1,000,000 require 620 credit score as well as 2<sup>nd</sup> level review by Credit Risk

**Note:** All borrowers are required to have one (1) credit score and meet the minimum requirement credit score

[For No FICO / Non-Traditional Credit transactions, see Program Addendum.](#)

**HOUSING HISTORY:**

- Per VA Handbook: The borrower’s most recent 24-month rental history and any outstanding, assumed, or recently retired mortgages must be verified and rated.
- Isolated late event is at underwriter’s discretion
- Mortgage must be current and due for the month closing
- Verification of Mortgage (VOM) or Verification of Rent (VOR) are required if an “Approve/Eligible” Finding is not received.
- Copies of rent checks are required to document rental history, in lieu of rent checks, at the underwriter’s discretion, the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of Money Orders.

**DEROGATORY CREDIT:**

**Bankruptcy**

*Chapter 13*

- If the veteran has finished making all payments and the payments were paid satisfactorily, the veteran is considered to have re-established credit.
- If the veteran has not finished making payments the veteran is eligible subject to:
  - A minimum of 12-months’ payments have been made satisfactorily, and
  - The trustee or bankruptcy judge provides written permission for the veteran to enter into the mortgage transaction.

*Chapter 7*

- If the bankruptcy was discharged more than 2 years ago from the date of closing for purchases and refinances, it may be disregarded.
- If bankruptcy was discharged within 1 to 2 years (discharge date to application date) may be considered if both of the following requirements met (only permitted as manual UW):
  - The bankruptcy was due to documented circumstances beyond the borrower(s) control (e.g., unemployment, medical bills not covered by insurance, death, etc. divorce is generally not considered a circumstance beyond control), and
  - The borrower(s) or spouse has obtained credit subsequent to the bankruptcy and accounts have made satisfactory payments over a continued period.

**DEROGATORY  
CREDIT:  
(cont'd)**

- If bankruptcy was caused by failure of the business of a self-employed borrower, it may be considered if the following requirements are met:
  - The borrower obtained a permanent position after the business failed;
  - There is not any derogatory credit information prior to the self-employment;
  - There is not any derogatory credit information subsequent to the bankruptcy; and
  - Failure of the business was not due to the borrower's misconduct.
- If bankruptcy was discharged within the past 12 months, loan is ineligible

**Note:** A letter of explanation for any bankruptcy filing is required

**Foreclosure**

- >2 years since completion to application date eligible
- If foreclosure completed within the past 1-2 years (foreclosure settlement date to application date) the borrower may be eligible subject to the following:
  - The foreclosure was due to documented circumstances beyond the borrower(s) control (e.g., unemployment, prolonged strikes medical bills not covered by insurance, death, etc. divorce is generally not considered a circumstance beyond control) these circumstances must be verified, and
  - The borrower(s) have obtained credit subsequent to the foreclosure and have made satisfactory payments for a minimum of 12 months after the event
- No late housing or installment payments after the foreclosure
- A letter of explanation as to the reason for foreclosure
- If the foreclosure was included in a bankruptcy the beginning date of the re-established credit period is the **latest date** of:
  - The discharge date of the bankruptcy, OR
  - The transfer of title date for the home
- If the foreclosure was on a VA loan, the applicant may not have full entitlement available. Ensure that applicant's COE reflects sufficient entitlement to meet requirements. Kind Lending requires a minimum 25% guaranty

Reference Lender Handbook [VA Pamphlet 26-7, Chapter 4: Credit Underwriting](#)

**Short Sale/Deed-in-Lieu (DIL)**

- Documentation supporting the circumstances of the short sale/DIL must be provided
- **Borrower Current on Mortgage at Time of Short Sale/DIL:** If the borrower was current on the mortgage payment at the time of the short sale/DIL and the borrower was voluntarily communicating with the servicer, a waiting period is not required
- **Borrower Not Current on Mortgage at Time of Short Sale/DIL:** If the borrower was not current on the mortgage and the date of transfer of the short sale/DIL was within the prior 1-2 years, the borrower may be eligible subject to the following:
  - The circumstances surrounding the short sale/DIL were due to documented circumstances beyond the borrower's control (e.g., unemployment, prolonged strikes, medical bills not covered by insurance, death, etc.) Divorce is generally not considered a circumstance beyond control, and
  - The borrower(s) have obtained credit subsequent to the short sale/DIL and have made satisfactory payments for a minimum of 12 months
  - If the short sale/DIL was included in a bankruptcy the beginning date of the re-established credit period is the **latest date** of:
    - The discharge date of the bankruptcy, OR
    - The transfer of title date of the home
  - If the short sale/DIL was on a VA loan, the applicant may not have full entitlement available. Ensure that the borrower's COE reflects sufficient entitlement to meet requirements. Kind Lending requires a minimum 25% guaranty.

**DEROGATORY  
CREDIT:  
(cont'd)**

**Restructured / Modified Loans**

If the subject loan was a previously restructured/modified mortgage the following applies:

- AUS Approved/Eligible is allowed. Loan may be subject to a manual downgrade, at Underwriter's discretion.
- A minimum of 12 months of 0x30 payments have been made on the modified loan.

**Note:** If the mortgage was in default at the time of modification standard VA credit guidelines apply.

**Collections/Charge-Offs/Judgments**

- Collection and charge-offs are generally not required to be paid off, underwriter must use best judgement and discretion. Additional conditional may apply.
- Collections accounts with payments or balances must be considered. If payment amount is noted on the collections account, that amount must be included in the DTI
- Judgments must be paid or in a repayment plan for 12 months with 0 x 30 in 12-month history.
- A letter of explanation is required for all collection/charge-off/judgment accounts.
- Borrowers with a history of collection/charge-off accounts should have re-established a 12-month satisfactory credit history or provide sufficient justification for approving with outstanding derogatory accounts (extenuating circumstances)
- Medical collections and charged-off medical accounts do not need to be considered in qualifying ratios or when determining the residual income.
- The presence of medical collections and/or charged-off medical accounts should not be considered when determining an applicant's creditworthiness.
- Non-medical collections without minimum payment amounts listed on the credit report should be considered at 5% of the outstanding balance.

**Note:** At underwriter discretion, payoff may be required regardless of account balance

**Consumer Credit Counseling**

- >1 year of the payout has elapsed
- All payments have been paid on time as agreed, and
- Written permission from the Counseling Agency to enter into a mortgage transaction is required.

**Delinquent Child Support**

Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review and determination.

**Federal Tax Debt / Delinquent Tax**

Delinquent

Borrowers with delinquent tax debt are *ineligible* unless currently in repayment plan.

Repayment Plan

Tax liens are not required to be paid in full if documentation is provided indicating the borrower is in a valid payment plan. The following is required:

- The borrower must have made a minimum of 3 months of scheduled payments and documentation of the payments is required. If the payment plan was not established prior to the lender becoming aware of the debt, VA will not accept the payment plan. Refer to Chapter 4 of the VA Lenders Pamphlet for additional guidance.
- The payment must be included in the DTI calculation.
- The borrower cannot prepay the payments to meet the 3-month payment requirement

**Note:** Borrowers with delinquent taxes may or may not have a tax lien. Borrowers currently in a repayment plan, and the IRS has not filed a tax lien, are not required to meet the minimum 3-month payment requirement. The payment to the IRS will be included in the DTI calculation.

**DEROGATORY  
CREDIT:  
(cont'd)**

**CREDIT /  
LIABILITIES:**

**Borrowers with Taxes Due**

Regardless of if borrow has a lien or not, VA does not allow for outstanding federal debt(s) unless a valid payment plan is in place. If borrower(s) owns IRS back taxes (regardless of recorded tax lien or absence of recordation), a valid payment plan and 3 months paid as agreed is required.

All debts will be run through AUS to ensure accurate Findings/Recommendation

**Installment Debt**

Installment debt is subject to the following:

- Included in the DTI if > 10 months remaining, or
- Included if ≤ 10 months remaining AND has a payment so large as to cause a severe impact on the family's resources for any period of time.
- Installment debt may be excluded from the borrower's DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount

**Note:** The borrower cannot pay debt down to meet the 10-month requirement

If paid off prior to close:

- Documentation must be included in the file that the account was paid in full, and
- The funds used to pay off the account must be sourced, and
- Verification that the borrower did not incur additional debt to pay off the account is required, and
- Assets must be updated to reflect the funds available for loan closing after the account has been paid off

If paid off at close by the borrower (not using loan proceeds):

- Verification that the borrower did not incur additional debt to pay off the account and source of funds is required, and
- The payoff amount must be reflected on the Closing Disclosure

If account will be paid at closing with loan proceeds:

- The payoff amount must be reflected on the Closing Disclosure

**Revolving Debt**

Revolving debt must be included in the DTI calculation if there is a balance indicated on the credit report. If the credit report does not include the monthly payment for the account use:

- The payment indicated on the current account statement, or
- 5% of the outstanding balance.

Revolving debt may be excluded from the borrower's DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount.

If paid off prior to close:

- Documentation must be included in the file that the account was paid in full, and
- The funds used to pay off the account must be sourced, and
- Verification that the borrower did not incur additional debt to pay off the account is required, and
- Assets must be updated to reflect the funds available for loan closing after the account has been paid off

If paid off at close by the borrower (not using loan proceeds):

- Verification that the borrower did not incur additional debt to pay off the account is required, and source of funds is required, and
- The payoff amount must be reflected on the Closing Disclosure
- If account will be paid at closing with loan proceeds:
- The payoff amount must be reflected on the Closing Disclosure NOTE: The revolving account is not required to be closed.

**CREDIT /  
LIABILITIES:  
(cont'd)**

**Contingent Liabilities**

A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment. The borrower(s) may have a contingent liability based on co-signing a loan. The lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis if:

- there is evidence that the loan payments are being made by someone else and the obligation is current, **and**
- there is not a reason to believe that the borrower will have to participate in repayment of the loan

**Student Loans**

- **Payments Deferred > 12 Months from Loan Closing:** Payments deferred or in forbearance >12 months from the Note date may be excluded from the DTI ratios
- **Payments Beginning ≤ 12 Months from Loan Closing:** Payments scheduled to begin within 12 months of the Note date must be included in the borrower's monthly debt obligations. The following steps are required:

**Step 1:** Take the student loan balance(s) and multiply by 5% and then divide by 12 to determine the monthly payment amount (acceptable documentation copy of Note or loan statement provided by veteran). The credit report balance cannot be used for this calculation.

*Example: \$25,000 x 5%=\$1250. \$1250 divided by 12 = \$104.17 monthly payment*

**Step 2:** Review the payment listed on the credit report. If the payment listed on the credit report is higher than the calculation in Step 1, the loan is qualified using the higher amount identified on the credit report. If the payment on the credit report is lower, go to Step 3.

**Step 3:** If the payment on the credit report is lower than the 5% payment calculated in Step 1, VA requires a letter from the student loan servicer. The letter must be dated within 60 days of loan closing (electronic or printed version acceptable) and must include:

- The terms and conditions of the loan(s), and
- The payment amounts
- Payments in forbearance due to financial hardship must be included in the DTI calculation

**Note:** If the servicer cannot provide the actual payment amount, the 5% payment calculated in Step 1 must be used. VA will accept the payment provided by the servicer, including "income based" repayment schedules

**RATIOS/DTI:**

DTI > 41% requires additional documentation/justification unless:

- The ratio is > 41% is due solely to the existence of tax-free income, or
- Residual income exceeds the guidelines by at least 20%

File must include justification including all compensating factors.

DTI is subject to AUS

- DTI exceeding 60% for AUS Approved transactions must be escalated to Corporate Credit Risk
- Maximum DTI for manually underwritten transactions is 50%, and must contain evidence of acceptable compensating factors
- The debt-to income ratio includes the following:
  - Monthly housing expense, and
  - Additional recurring charges extending 10 months or more, such as
  - Installment accounts,
  - Child support or separate maintenance payments,
  - Revolving accounts,
  - Alimony.
- Non-taxable income may be grossed up 125% when calculating the DTI ratio only (not for residual income).

**RATIOS/DTI:**  
**(cont'd)**

Debts that will be paid off in < 10 months must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage during the months immediately after close especially when the borrower will have limited or no cash assets after loan closing. This includes leases.

**Note:** Monthly payments on revolving or open-end accounts, regardless of their balances, are counted as liabilities for qualifying purposes even if the accounts appear likely to be paid off within 10 months or less.

**COMPENSATING FACTORS:**

VA considers the following when considering compensating factors:

- Excellent credit history
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Military benefits
- High residual income
- Low DTI ratio
- Significant liquid assets
- Sizable down payment
- The existence of equity in refinance loans
- Little or no increase in shelter expense
- Satisfactory homeownership experience
- Tax credits for childcare
- Tax benefits of home ownership

**QUALIFYING:**

For fixed rate loans, qualify at the fully amortized payment at the note rate.  
For temporary buydowns, qualify at the note rate.

**EMPLOYMENT / INCOME:**

**Income from Non-Military Employment**

Verify a minimum of two-year employment history. If the wage earner borrower has not been with their current employer for 2 years, documentation of previous employment to meet 2-year employment history is required.

If the borrower has been employed by the present employer less than 2 years:

- verify prior employment, plus present employment covering a total of 2 years, or
- provide an explanation of why 2 years of employment could not be verified,
- compare any different types of employment verifications obtained (such as Verification of Employment (VOE), paystub(s), W2s, and tax returns) for consistency, and
- clarify any substantial differences in the data that would have a bearing on the qualification of the borrower(s).

**Verification with VA Standard Documentation**

Acceptable verification consists of [VA Form 26-8497](#), Request for Verification of Employment (VOE) or any format which furnishes the same information as VA Form 26-8497, plus:

- paystub(s) covering the most recent 30-day period with year-to-date information if the employer normally provides a pay stub(s) to the borrower.
- if the employer does not indicate the probability of continued employment on the VOE, the lender is not required to request anything additional on that subject.
- The VOE and paystub(s) must be no more than 120 days old (180 days for new construction) from the closing date.

Additional documentation for a borrower(s) employed in building trades or other seasonal or climate-dependent work must provide, in addition to the standard documentation (VOE and pay stub(s)), the following:

- Documentation of the borrower's total earnings year-to-date,
- Signed and dated individual income tax returns for the previous 2 years, and
- If borrower works out of a union, evidence of the union's history with the borrower.

**EMPLOYMENT /  
INCOME:  
(cont'd)**

**Alternative Verification Documentation**

Alternative documentation may be submitted in place of a VOE if the underwriter concludes that the borrower's income is stable, reliable, and anticipated to continue for the foreseeable future; that is, if the borrower's income qualifies as effective income. Two years of employment with the same employer is not required to reach this conclusion.

Alternative documentation consists of:

- paystub(s) covering at least the most recent 30-day period with year-to date information,
- W-2 Forms for the most recent 2 years, and/or
- telephone verification of the borrower's current employment.
- Document the date of the verification and the name, title, and telephone number of the person with whom employment is verified.
- If the employer is not willing to give telephone verification of the borrower's employment or if verification is in any way questionable, use standard documentation. *Alternative documentation cannot be used.*
- A military Leave and Earnings Statement (LES) is required for active-duty military in lieu of a WVOE.
- VVOE's can be obtained through the SCRA website:  
<https://scra.dmdc.osd.mil/scra/#/login>

Generally, employment less than 12 months is not considered stable and reliable. However, the lender may consider the employment stable and reliable if the facts and documentation warrant such a conclusion.

- Determine whether the borrower's past employment, training, and/or education equipped him or her with particular skills that relate directly to the duties of their current position.
- If the probability of continued employment is high based on these factors, then the lender may consider including the income in the total effective income.
- An explanation of why income of less than 12 months duration was used must be documented on the [VA 26-6393](#), Loan Analysis.
- If the probability of continued employment is good, but not well supported, the lender may utilize the income if the borrower has been employed at 12 months, to partially offset debts of 6 to 24 months duration. An explanation of why income was used to offset debts must be documented on the [VA 26-6393](#), Loan Analysis.
- A borrower may have a valid offer of employment which will begin at or after the anticipated date of closing which can be verified. All data pertinent to underwriting procedures should be considered. However, a paystub(s) may not be available.

**Self-Employment Income**

Generally, income from self-employment is considered stable when the borrower has obtained such income for at least 2 years. Less-than-2-years cannot usually be considered stable unless the borrower has had previous related employment and/or specialized training. Less-than-1-year can rarely qualify; however, in-depth development is required for a conclusion of stable income on less-than-1-year cases.

Determine whether the business can be expected to generate sufficient income for the borrower's future needs. If the business shows a steady or significant decline in earnings over the period analyzed, the reasons for such decline must be analyzed to determine whether the trend is likely to continue or be reversed. If it is difficult to determine the probability of continued operation, obtain documentation on the viability and potential future earnings, and an explanation of the function and financial operations of the business from a qualified party.

**EMPLOYMENT /  
INCOME:  
(cont'd)**

- Obtain a current financial statement in an industry recognized accounting format including:
- Year-To-Date Profit and Loss statement (if the most recent year's tax return has not yet been prepared, provide a profit and loss statement for that year),
  - current Balance Sheet, and
  - individual income tax returns, signed and dated, plus all applicable schedules for the previous 2 years (or additional periods if needed to demonstrate a satisfactory earnings record).
  - If the business is a corporation or partnership, include copies of the signed federal business income tax returns for the previous 2 years with all applicable schedules, and a list of all stockholders or partners showing the interest each holds in the business.
  - The financial statements must be sufficient for an underwriter to determine the necessary information for loan approval.

Financial Statements, including a year-to-date Profit and Loss Statement and Balance Sheet must be completed after one-half of the tax-year has passed to verify current income and stability of the income.

- The underwriter may require an accountant or Certified Public Accountant-prepared financial statements if needed to make such a determination due to the nature of the business or the content of the financial statements.

A year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable).

**Note:** A balance sheet is not required for Schedule C borrowers

Additionally, if the income used to qualify the borrower exceeds the two-year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required.

**Qualification**

- If funds have been received consistently for the most recent 6 months the current payment may be used for qualifying, or
- If funds have not been received consistently for the previous 6 months the average of the income received over the previous 2 years is used for calculating the eligible income for qualifying (< 2 years receipt use the average over the time period received).

**Commission Income**

Commission income is considered stable if it has been received for a minimum of 2-years and there is a reasonable assumption it will continue.

Verify commission income by obtaining the VOE or other written verification which provides the following:

- the actual amount of commissions paid year-to-date,
- the basis for payments (salary plus commission, straight commission, or draws against commission, or other), and
- when commissions are paid bi-weekly, monthly, quarterly, semiannually, annually, or other.
- individual income tax returns, signed and dated, plus all applicable schedules for the previous 2 years (or additional periods if needed to demonstrate a satisfactory earnings record).

At underwriter discretion, commission income received for < 2 years may be considered stable if the borrower has had previous related employment and/or extensive specialized training. Employment of less than 1 year can rarely qualify; however, in-depth development is required for a conclusion of stable income on less than 1-year.

**EMPLOYMENT /  
INCOME:  
(cont'd)**

For a borrower who qualified using commission income of <25% of the total annual employment income:

- IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106 and not required to be added as a monthly liability

For a borrower earning commission income that is 25% or more of annual employment income, IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.

- Automobile lease or loan payment must be considered in the borrower's recurring monthly debts/obligations in the DTI calculation (payments are not subtracted from the borrower's income). Reference Section D on [VA Form 26-6393](#), Loan Analysis.
- If the borrower reports an automobile allowance as part of the monthly qualifying income, the underwriter must determine if the automobile expenses reported on IRS Form 2106 should be deducted from income or treated as a liability
- If the reported expense exceeds the automobile allowance, the amount must be deducted from income as a net calculation in Section D on the VA Form 26-6393
- If the report expense is less than the automobile allowance, the amount must be treated as net income and added to the Veteran's monthly income

**Alimony / Child Support**

The underwriter must verify the income and the payments must be likely to continue for at least 3 years from the anticipated closing date to include them in effective income. Factors used to determine whether the payments will continue include, but are not limited to:

- whether the payments are received pursuant to a written agreement or court decree,
- the length of time the payments have been received,
- the regularity of receipt, and
- the availability of procedures to compel payment.

**Rental Income**

When all or a portion of the borrower's income is derived from rental income, documentation and verification of the income are necessary to determine the likelihood of continuance. Obtain a copy of the rental agreement.

Conversion of Current Residence

- The prospective rental income may be used to offset the mortgage payment on the rental property, and only if there is not an indication that the property will be difficult to rent. The rental income may not be included in the effective income.
- If the borrower has a rental agreement, it must be provided. If there is no rental agreement, the prospective rental income may still be considered if the local rental market is determined to be strong and the property will probably not be difficult to rent. The underwriter must provide a justification on VA Form 26-6393, Loan Analysis. Realtors/appraisers are examples of parties who can identify local rental market trends.

Rental Property

Rental income from previous landlord history of investment properties owned by the borrower is eligible subject to the following:

- documentation of cash reserves totaling at least 3 months mortgage payments (PITI), and
- individual income tax returns, signed and dated or underwriter to obtained tax transcripts, plus all applicable schedules for the previous 2 years, which show rental income generated by the property. Documented 3 months PITI reserves for each rental property.
- Properties owned free and clear, 3 months PITI in reserves to cover taxes, insurance, and HOA fees, if applicable, are required.
- Gift funds are ineligible to satisfy reserve requirements

**EMPLOYMENT /  
INCOME:  
(cont'd)**

- Equity in the property cannot be used to meet reserve requirements
- Property depreciation deducted on the tax returns may be included in the effective income; negative rental income must be deducted from the borrower's effective income.

Multi-Unit Property Securing the Subject VA Loan

The prospective rental income may be included in the veteran's effective income if:

- The veteran will occupy one (1) unit as their primary residence;
- The veteran has a documented history of being a landlord and/or use of a property management company and if veteran is landlord that there is reasonable likelihood of continued success,
- There are 6 months PITI cash reserves. If each unit is separate and not under one mortgage, 6 months PITI must be verified for each separate unit. Reserves are not required if rental income is not used for qualifying
- Gift funds are ineligible to satisfy reserve requirements
- Equity in the property cannot be used to satisfy reserve requirements
- Cash proceeds from a VA regular cash-out refinance cannot be used as the required PITI on a rental property
- The amount of rental income included in the effective income is based on 75% of:
  - The amount indicated on the lease or rental agreement unless a greater percentage can be documented (existing property), or
  - The appraiser opinion of the property's fair monthly rent (new construction).

**Note:** VA requires a 2-year history of managing rental units (or property maintenance and rental) documented with tax returns.

**Social Security Income**

Income received from the Social Security Administration (e.g., social security, Supplemental Security Income (SSI), disability, etc.) is eligible for qualifying the borrower when the income can be verified, and it is likely to continue form a minimum of three (3) years from the date of the mortgage application.

**Note:** Income that will not continue for a minimum of three (3) years may only be considered as a compensating factor.

Verifying SSA Income: Any of the following is acceptable:

- Federal tax returns,
- Social Security Award Letter (aka Benefits Letter/Budget Letter),
- Social Security Benefits statement (SSA 1099/1042S), or
- Most recent bank statement evidencing receipt of the income from SSA.

Verifying Continuance of SSA Income:

- To document the continuance of the SSA income for three (3) years obtain the most recent Notice of Award Letter or equivalent documentation.
- If an expiration date is not stated it can be considered likely to continue. Additional information is not required to establish length of receipt. Additionally, never request documentation concerning the nature of disability or medical condition and evidence of a pending or current re-evaluation of medical eligibility should not be considered an indication the benefits will not continue.
- The income stated on an initial Notice of Award Letter (or equivalent), which indicates the borrower will be receiving benefits, may be used as effective income as of the start date of the income as stated on the Award Letter. The borrower must have other income to qualify for the mortgage until the start date of the benefit.

**EMPLOYMENT /  
INCOME:  
(cont'd)****Other Long-Term Disability Income:**

Other long-term disability income (workers compensation, private insurance) may also be used for qualifying income following the guidelines above.

**Note:** Non-taxable income can be grossed up to 125%

**Public Assistance Programs**

- Income from public assistance programs may be included in the borrower's effective income if evidence indicates it is likely to continue for three (3) or more years.
- Income received for the care of foster care is generally only eligible to balance the expenses for caring for foster children against any increased residual include requirements.

**Other Income Types**

Documentation of other income must support the history of receipt and the likelihood or continuance of the income for at least 3 years from the anticipated closing date to include in effective income.

Other types of income which may be considered as effective income includes, but is not limited to:

- Pension or other retirement benefits
- Disability income
- Dividends from stocks
- Interest from bonds, savings accounts, etc.
- Royalties
- Notes receivable, and trusts

Other income may be included in the borrower's effective income when it may be reasonably expected to continue for the foreseeable future. Verify with:

- Federal tax returns, or
- Award Letter (aka Benefits Letter/Budget Letter), or
- Other documentation that verifies on-going receipt of the income

If it is not reasonable to assume the income will continue for the foreseeable future, the income may be used to offset borrower debt obligations with 10 to 24 months duration

Temporary income (e.g., VA educational allowances, unemployment income) is generally not eligible. Unemployment income that is a regular part of the borrower's income due to the nature of their employment (e.g., seasonal work) may be included in the borrower's effective income.

**Projected Income**

The Underwriter must identify servicemembers who are within 12 months of release from active duty or the end of their contract term. For an enlisted servicemember, find the date of expiration (ETS) of the borrower's current contract for active service on the LES. For National Guard or Reserve members, find the ETS of the borrower's current contract on the LES. Also, if a National Guard or Reserve member is currently serving on active duty, also identify the expiration date of the current active-duty tour. If the date is within 12 months of the projected date that the loan will close, the loan package must also include one of the following items, or combinations of items, to be acceptable:

- Documentation that the servicemember has already re-enlisted or extended his/her period of active-duty service to a date beyond the 12-month period following the projected closing of the loan, or
- Verification of a valid offer of local civilian employment and/or verification of military retirement income following the release from active-duty service, or

**EMPLOYMENT / INCOME:**  
(cont'd)

- Verification of a valid offer of local civilian employment and/or verification of military retirement income following the release from active-duty service

**Note:** UW should contact the VA Hotline for any scenarios regarding future/proposed income that are not covered by this section.

**4506-C REQUIREMENTS:**

It is required to have each borrower whose income (regardless of income source) is used to qualify for the loan to complete and sign a separate IRS Form 4506-C at or before closing. It may be necessary to have the borrower complete and sign multiple IRS Form 4506-Cs depending on the transcripts required to validate the income.

- Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable)
- Tax transcripts are required where tax returns are required to document the source of income
- Typically wage earners will require previous one or two years W-2 transcripts.
- Kind Lending will order transcripts at random for quality control purposes
- Self-Employed: Transcripts for personal returns are required; refer to Kind Lending [Tax Transcripts At A Glance](#) for additional information. Business tax returns may be required subject to Underwriter’s discretion.

**Note:** At the underwriter’s discretion, transcripts may be required in certain circumstances.

**RESIDUAL INCOME:**

- Residual income is the net income remaining after deducting:
  - Federal and state taxes, Social Security and Medicare,
  - Proposed PITI mortgage payment,
  - Revolving and installment debt,
  - Child support or alimony obligations,
  - Childcare or job expenses, and
  - Home maintenance (calculated at 14¢ per square foot)
- Grossed-up income cannot be used to meet residual income requirements.
- Residual income requirement may be reduced by 5% if the veteran is on Active Duty.

The residual income chart below details VA requirements by loan amount, family size and region.

Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
<b>1</b>	\$390	\$382	\$382	\$425
<b>2</b>	\$654	\$641	\$641	\$713
<b>3</b>	\$788	\$772	\$772	\$859
<b>4</b>	\$888	\$868	\$868	\$967
<b>5</b>	\$921	\$902	\$902	\$1,004
<b>Over 5</b>	Add \$75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
<b>1</b>	\$450	\$441	\$441	\$491
<b>2</b>	\$755	\$738	\$738	\$823
<b>3</b>	\$909	\$889	\$889	\$990
<b>4</b>	\$1,025	\$1,003	\$1,003	\$1,117
<b>5</b>	\$1,062	\$1,039	\$1,039	\$1,158
<b>Over 5</b>	Add \$80.00 for each additional family member up to 7			

**RESIDUAL INCOME: (cont'd)**

Exceptions to the above:

- Individuals may be omitted from the “family size” if they are fully supported from a source of verified income that is not included in the effective income analysis. For example:
  - A spouse not obligated on the Note what has stable and reliable income sufficient to support their living expenses, or
  - A child for whom sufficient foster care payments or child support payments are received regularly.

Geographic Regions as Defined by VA			
<b>Northeast</b>	Connecticut Maine Massachusetts	New Hampshire New Jersey New York	Pennsylvania Rhode Island Vermont
<b>Midwest</b>	Illinois Indiana Iowa Kansas	Michigan Minnesota Missouri Nebraska	North Dakota Ohio South Dakota Wisconsin
<b>South</b>	Alabama Arkansas Delaware District of Columbia Florida Georgia	Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma	South Carolina Tennessee Texas Virginia West Virginia
<b>West</b>	Alaska Arizona California Colorado	Hawaii Idaho Montana Nevada	New Mexico Oregon Utah Washington Wyoming

**ASSETS:**

If assets are required to close the following is required to indicate sufficient funds:

- 2 months bank statements or per AUS Findings (all pages required).

Verification and documentation of the deposit amount and source of funds is required, if the earnest money:

- Exceeds 2% of the sales price, or
- Appears to be excessive based on the borrower’s history of accumulated savings.
- Satisfactory documentation includes:
  - Copy of the cancelled check and a copy of the bank statement showing the withdrawal
  - Certification from the deposit holder acknowledging receipt of the funds
  - Bank statements (all pages) for the most recent 2 months.
  - Cash on hand and unsecured funds are ineligible source for assets

**Note:** VODs are not acceptable as the primary source of verification.

**RESERVES:**

- 2-4-unit property: 6 months PITI
- Other rental real estate owned: 3 months PITI for each additional property owned.
- Reserves not required if rental income not used for qualifying.

**GIFTS / DOWN PAYMENT:**

Down payment is not typically required unless any of the following applies:

- The purchase price exceeds the full reasonable value of the property
- The veteran only has partial entitlement or entitlement cannot be restored, and the loan amount exceeds the county limit established by VA, then a down payment is required by the borrower from the borrower's own funds
- The down payment required to cover the shortfall of reasonable value or down payment used to meet the guaranty requirement cannot be derived from a second mortgage on the property.

Additionally, any down payment used to supplement insufficient entitlement must come from the borrower's own funds (gift funds not permitted)

**Gift Funds**

Gifts, grants, and down payment assistance programs are eligible per VA guidelines. There must be no expected or implied repayment requirement of the gift funds. Gift funds are ineligible to satisfy reserve requirements. A gift can be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction.

A gift letter must:

- specify the dollar amount of the gift,
- include the donor's statement that no repayment is expected, and
- indicate the donor's name, address, telephone number, and relationship to the borrower.

The underwriter must verify that sufficient funds to cover the gift have been transferred to the borrower's account or will be documented as received by the closing agent at the time of closing.

- Acceptable documentation includes the following:
  - evidence of the borrower's deposit,
  - a copy of the donor's funds by check/electronic transfer to the closing agent, or
  - the CD showing receipt of the donor's funds

**Gift of Equity**

VA does not recognize gifts of equity; the sales price should be reduced accordingly.

**Down Payment Assistance**

Funds from grants/down payment assistance (DPA) programs are eligible per VA guidelines. Loans submitted with DPA programs will require 2nd signature from Credit Risk.

DPAs will be considered on a case-by-case basis with the following restrictions:

- Lender will not participate; approved participant must be Mortgage Broker
- No resale restrictions
- Funds from DPA must be present at closing and funded directly from the DPA
- No servicing restrictions or requirements

**DOCUMENTATION:**

Loan applications on this program must be fully documented. Income, employment and assets are fully verified per AUS requirements.

**Verbal Verification of Employment**

Kind Lending must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify.

Follow VA requirements for verbal VOE, no overlay.

**Age of credit documentation:**

- All credit, income, and asset documentation must be <120 days at time of disbursement.
- Appraisal is valid for 180 days from the effective date. Refer to the Appraisal topic for additional requirements.
- Preliminary Title Report must be no more than 90 days prior to the note date and include a 12-month chain of title.

<b>SECTION 7:</b>	<b>PROPERTY / APPRAISALS:</b>
<p><b>ELIGIBLE PROPERTIES:</b></p>	<p><b>Eligible Properties</b></p> <ul style="list-style-type: none"> <li>• Attached/Detached SFR</li> <li>• PUDs</li> <li>• Condominiums (VA approved prior to submission). Site condos require VA Project Approval.</li> <li>• Manufactured Home:               <ul style="list-style-type: none"> <li>○ <b>Single-width manufactured homes are not eligible for cash out refinance transactions.</b></li> <li>○ <b>Single-width manufactured homes require 2<sup>nd</sup> Level Review by Credit Risk.</b></li> </ul> </li> <li>• Rural Properties: Maximum 40 acres.</li> </ul> <p><b>Minimum Property Standards (MPR)</b></p> <p>VA has the following minimum property standards (MPR). Each property requires the following to assure a suitable living environment:</p> <ul style="list-style-type: none"> <li>• Living and Sleeping</li> <li>• Cooking and dining accommodations,</li> <li>• Sanitary facilities</li> <li>• Mechanical systems must:               <ul style="list-style-type: none"> <li>○ Be safe to operate and be protected from destructive elements</li> <li>○ Have a reasonable future utility, durability and economy, and</li> <li>○ Have an adequate capacity and quality</li> </ul> </li> <li>• Heating must be adequate for healthful and comfortable living conditions</li> <li>• Homes with wood burning stoves as the primary heating source must have a permanently installed conventional heating system that will maintain a temperature of 50° in areas where there is plumbing.</li> <li>• Each unit must have a water supply and sanitary facilities as follows:</li> <li>• Domestic hot water</li> <li>• A continuous supply of safe and potable water for drinking and other household uses,</li> <li>• Sanitary facilities with a safe method of sewage disposal. A connection to a public or community water/sewage system is required when dictated by local building, planning or health authorities.</li> <li>• Any required well or septic tests/certifications are valid for 90 days unless local health authority indicates differently.</li> </ul> <p>An MPR for existing construction can be waived by the VA field office if:</p> <ul style="list-style-type: none"> <li>• A veteran is under contract to purchase the property, and</li> <li>• The property is habitable from the standpoint of safety, structural soundness and sanitation, and</li> <li>• VA is satisfied the non-conformity has been depreciated accurately in the VA value.</li> </ul>
<p><b>INELIGIBLE PROPERTIES:</b></p>	<p>The following are ineligible</p> <ul style="list-style-type: none"> <li>• Non-VA approved condo projects</li> <li>• Condo-Hotels</li> <li>• Leasehold properties</li> <li>• Properties located within transmission easement involving high-pressure gas, liquid petroleum, or high voltage electricity line easements</li> <li>• Properties subject to regular flooding</li> <li>• Coastal Barrier Resources system area</li> <li>• Properties located in an unacceptable noise zone (e.g., airport clear zone)</li> <li>• Manufactured home located on a leasehold estate</li> <li>• Manufactured home Condo</li> <li>• Manufactured home located in senior projects</li> <li>• A manufactured home involving trade equity or traded manufactured home</li> <li>• Indian Leasehold</li> <li>• Cooperative (Co-Op)</li> <li>• Property located in Hawaii Lava Zones 1 &amp; 2</li> </ul>

**DISASTER POLICY:**

In the event of a major disaster, Kind Lending will require specific requirements apply for appraisal, property inspections, and property damage. Underwriter to review and determine specific requirements that will be needed.

Reference Kind Lending [Disaster P&P](#) for requirements.

**APPRAISAL REQUIREMENTS:**

It is the SARs responsibility to perform due diligence on all VA requirements for the NOV. SAR Underwriter to reference Lenders Handbook – [VA Pamphlet 26-7](#) for specific details and requirements.

- 1 full appraisal is required, and appraisal must be performed by a VA appraiser. Appraisals are ordered through VA WebLGY. A copy of the sales contract and any applicable addendums must be provided to the appraiser within one (1) business day of the appraisal assignment on purchase transactions.
- All appraisal invoices must be paid within 15 days of delivery of the appraisal, no exceptions.
- The Notice of Value (NOV) must be provided to the veteran within 5 business days.
- The NOV must be issued at the appraised value reflected on the appraisal report.
- Appraisals are valid for 6 months. A new appraisal is required if the original appraisal is dated > 180 days from the Note date. A recertification of value is not allowed. A NOV may be extended by the VA under certain circumstances on an exception basis only

**Alternative Valuation Methods:** Per [Circular 26-22-13](#), VA-guaranteed loans may use an Exterior-Only or Desktop Appraisal in some circumstances. These appraisal types are accepted for VA **purchase** transactions where all the following are true:

- Purchase price does not exceed the current calendar year conforming loan limit for the property jurisdiction
- The dwelling is a single family (1-unit) home that is not a manufactured home or condominium, not located on a leasehold estate, and not undergoing renovation.
- **One or both** of the following:
  - The Veteran is making a down payment of at least 20 percent (20%) of the purchase price; **OR**
  - more than 7 business days have elapsed since the lender requested an appraisal and the case remains unassigned in VA’s system.

In order to utilize an Exterior-only Appraisal or Desktop Appraisal, the lender will work with the VA fee panel appraiser assigned to the case and, if desired, the Veteran, to make appropriate arrangements. Note: VA’s willingness to accept appraisal reports completed via Exterior-only Appraisals and Desktop Appraisals is not a substitute for an assessment by a VA fee panel appraiser as to the appropriate Scope of Work and whether a credible report may be delivered for the subject property using these methods.

In the case of appraisal requests for purchase transactions that remain unassigned for more than 7 business days, lenders may alert VA of their desire to proceed with an Exterior-only Appraisal and/or Desktop Appraisal by sending an email to [cvaluestream.vbaspt@va.gov](mailto:cvaluestream.vbaspt@va.gov) with the subject line “Waterfall ##-##-##-#### [insert VA loan number]” and include the appraisal type(s) the lender is willing to accept from a VA fee panel appraiser (i.e., Desktop and/or Exterior-only). This will ensure that VA C&V Value Stream staff can maximize search criteria in attempting to locate a VA fee panel appraiser with knowledge of the subject property’s market area and place the request with a qualified appraiser. A licensed or certified appraiser will conduct appraisals in the state of the assignment and have access to the necessary data and Multiple Listing Service (MLS) to provide a credible report.

**Termite Inspections:** A termite inspection is required in all states where termites are present or when the appraiser has indicated a need for a termite review due to wood-destroying insect damage or an active insect infestation. Refer to [VA Department - Local Requirements](#) for additional details.

**APPRAISAL REQUIREMENTS: (cont'd)**

**Well Inspections:** Well inspections are required in all cases (private or shared) and **must be performed by a disinterested third party.** Additionally, the following applies:

- The disinterested third party may be:
  - A local health authority,
  - A commercial testing laboratory,
  - A licensed sanitary engineer, or
  - Other party that is acceptable to the local health authority.
- The sample must be collected and transported by the disinterested third party
- **The sample cannot be collected or transported by the borrower or any interested party to the transaction.**
- The water must meet the requirements established by the local authority. If the local authority has not established specific water requirements, then the applicable State health authority or, if no state requirements, then the Environmental Protection Agency (EPA) standards will be applied.
- The test is valid for 90 days from the date certified by the local health authority.

**Septic Inspections:** Septic inspection is required when the appraiser indicated the need for one. Septic tests or certifications are valid for 90 days unless local law requirements vary.

**Note:** Connection to public water and/or sewer is only mandatory when required by local building, planning, or health authorities.

**Private Roads and Shared Driveways:**

The VA Lenders Handbook outlines that any private road required to access the property is protected by a recorded permanent easement or recorded right-of-way from the property to a public road to ensure that the Veteran has legal and continued access to the property. An ongoing maintenance agreement from a homeowner’s association or a joint maintenance agreement from the owners of properties accessed by the private road or shared driveway is not required, however a recorded permanent easement or recorded right-of-way from the property to a public road is required to be placed in the loan file. See the VA Handbook ([Chapter 12](#), Topic 4) as well as [Circular 26-22-17](#).

**Tidewater Initiative for VA Fee Appraisers**

The Tidewater initiative allows an opportunity for a designated “Point of Contact” to provide market evidence for the appraiser’s consideration prior to establishing the final URAR value. The VA appraiser initiates the procedure by alerting the Contact person that the appraised value appears likely to come in under the sales price.

The requestor will provide a specific Point of Contact on the appraisal request to VA. The VA appraiser will notify the listed Point of Contact when it appears that the appraised value will come in below the sales price of the subject property.

The requestor may designate whoever is most appropriate as the Point of Contact: Realtor, Loan Officer, Originator, Account Manager, etc. If this information is not provided, the appraiser will be required to call the appraisal requestor shown on the appraisal request to make such notification.

**Note:** There is no field for POC information in TAS request screen, the lender must enter the contact information in field #30, Comments on Special Assessments or HOA charges. The information should read as follows: POC for Appraisal Issues is: (Name, Phone, Email).

The VA appraiser will not discuss the appraisal contents except to explain that the comparables located by the appraiser do not adequately support the sales price. The POC has 2 working days to provide additional information to the VA appraiser in a format similar to the comparable sales grid on the URAR. Verification that a sale is closed is required. If pending sales contracts are submitted to support a time adjustment, they must be complete with all contract addendums attached.

**APPRAISAL REQUIREMENTS: (cont'd)**

In addition, there should be a brief narrative attached that describes the similarities/differences between the pending sale and the subject property.

After receipt of additional information, the appraiser will complete the appraisal report indicating that the Tidewater process was utilized. If the information provided to the appraiser does not result in an increase in value that meets or exceeds the sales price, the appraiser will report on an addendum the following information: Who provided the Inspection information, what information was provided, and why it did not change the opinion of value. In either situation, the appraiser will include a comment regarding the amount of time this process added to the overall appraisal delivery. VA and Lender Staff Appraisal Reviewers (SARs) will monitor this factor and determine if reasonable timeliness was adhered to.

**Appraisal Requirements for Manufactured Housing**

In addition to standard appraisal requirements VA requires the following on appraisals completed for manufactured housing:

- The appraisal to be completed on the [Manufactured Home Appraisal Report](#) (Fannie Mae form 1004C/Freddie Mac form 70B)
- The appraiser must enter the manufactured home unless it is new and has not been delivered to the site
- The value must be supported by the sales comparison approach. The cost approach may be used to support the sales comparison in rural areas that only have recent sales of stick-built homes or much older manufactured homes.

When there are no other manufactured homes classified as real estate on a permanent foundation available VA requires the appraisal report to:

- State that fact in the appraisal, **and**
- Show in the market analysis grid that the sales prices of the best comparable conventional home sales available were properly adjusted

When the appraiser is unable to access/inspect the new home, the appraiser must obtain the following documents that must be included in the appraisal:

- Manufactured home design/floor plans showing the room layout and exterior dimensions for the home and the elevation plans
- The home specifications that identify all items included such as flooring, heating, plumbing, electrical equipment, and appliances
- Information on any selected options or upgrades included in the subject sale, and
- Foundation plans

Reference section 5 of [Chapter 10](#), and section 10 of [Chapter 12](#) for additional information.

**APPRAISAL WAIVER:**

Not applicable on VA transactions.

**PROPERTY FLIPS:**

Property flips are subject to additional underwriting review and are subject to the following:

- Appraisal must sufficiently support the appraised value increases,
- The borrower must have an excellent credit history, employment history, a strong savings pattern, etc.

**NEW CONSTRUCTION**

- For properties under construction at the time of application, loan may not be closed until a "clear" final inspection report has been received. The file must include both:
  - a properly executed clear third stage (final) compliance inspection report on VA Form 26-1839, and
  - an occupancy permit or other appropriate documentation issued by the locality to verify that all construction has been acceptably completed.
- All documents must be up to date in accordance with Kind Lending requirements.
- Properties must meet VA MPR (minimum property requirement). See [VA Handbook Chapter 12](#): Minimum Property Requirement.

**NEW  
CONSTRUCTION  
(cont'd)**

Inspection requirements:

- When the property is appraised as proposed or under construction with no insured 10 year protection plan, either a full complement of inspections is required, or a final (third stage) inspection is required, only if local building authority inspections are acceptable in lieu of VA first and second stage inspections.
- When the property is appraised as proposed or under construction with an insured ten year protection plan, only a final (third stage) inspection is required.
- When the property is appraised as existing construction with major alterations, improvements, or repairs, VA will determine on a case by case basis what regular or special inspections are required, and if it is appropriate, based on the nature of the work, to have the lender certify that it has been satisfactorily completed.

Obtaining an inspection:

- VA assigns an inspector from the fee inspector roster at the same time as the appraiser in most cases, or
- at the time a notice of value is issued by VA staff, if the appraisal requester does not choose to have the inspectors assigned at the same time as the appraiser and the value determination will be made by VA staff.
- To avoid builder delays in starting construction, VA can assign the inspector prior to assigning the appraiser. The builder or sponsor must submit a written request which includes a statement of understanding of the special nature of the procedure and the fact that inspection fees will be paid whether or not a VA value notice is issued, and construction exhibits which are properly certified.
- Typically the builder contacts the inspector directly to schedule inspections as each phase of construction is completed.
- Compliance inspections are reported on VA Form 26-1839.
- For details on VA inspection stages, see the [VA Handbook Chapter 14](#): Construction Inspections

**CONDO  
PROJECTS:**

All projects must be VA approved.  
See Kind Lending [Condo Review P&Ps](#)

**MANUFACTURED  
HOUSING:**

VA defines a manufactured home as a home that is permanently affixed to a lot and considered real estate under state law. Kind Lending follows VA guidelines. To view VA's complete manufactured housing requirements, refer to the [VA Lenders Handbook](#)

**HUD Certification Label (aka HUD label, seal, or tag)**

A 2"x4" metal plate affixed to the exterior of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidence compliance with the Federal Manufactured Home Construction and Safety Standards.

Information from the HUD Certification Label is included in the appraisal report if available. If not available a letter of label verification is required.

**Institute for Building Technology and Safety**

[The Institute for Building Technology and Safety](#) must provide a letter of label verification if the HUD Certification Label is missing from the manufactured home.

**HUD Data Plate (aka Compliance Certificate)**

A paper label mounted inside the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report

**Engineer's Certification for Manufactured Housing Foundation**

A certification the home's permanent foundation is in compliance with the [Permanent Foundations Guide for Manufactured Housing \(PFGMH\)](#)

Note: this is only required if title or the appraisal calls out this requirement.

**MANUFACTURED HOUSING: (cont'd)**

**New Manufactured Home**

A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site

**HUD Codes – Regulations Applicable to Manufactured Homes**

- Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280)
- Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282)
- Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)

**Manufactured Home - Eligibility**

The following applies to manufactured housing:

- Minimum FICO score 580
- It must be classified and taxed as real property
- The home must be a 1-unit single family dwelling
- **Single-width manufactured homes are not eligible for cash out refinance transactions.**
- **Single-width manufactured homes require 2<sup>nd</sup> Level Review by Credit Risk.**
- The home must be properly affixed to a permanent foundation (Section 12.10)
- The towing hitch and running gear must be removed and the space beneath the home must be properly enclosed with a continuous wall that is adequately secure to the perimeter of the unit and allows for proper ventilation of the crawl space
- It must substantially conform with VA's minimum property requirements; refer to the Minimum Property Standards topic for details
- It must conform with applicable building code and zoning requirements for real estate
- A 30-year fixed loan term only
- The HUD Certification Label must be affixed to the home, or a letter of label verification must be provided evidencing the house was constructed on or after June 15, 1976 in compliance with the Federal Manufactured Home Construction and Safety Standards
- The letter of label verification must be obtained from the Institute for Building Technology and Safety (IBTS)

**Ineligible Manufactured Homes**

The following are **ineligible** with Kind Lending:

- A second home or investment property secured by a manufactured home
- A manufactured home subject to a leasehold
- A manufactured home located in a condominium project
- A manufactured home located in a senior community
- Manufactured properties with ADU or guest home are ineligible
- A manufactured home that involves a trade equity or traded home
- A transaction secured by a manufactured home that involves the payoff of a land contract
- Construction to perm if foundation not complete and home not completely installed prior to loan documents

**Manufactured Housing – Purchase Transaction Maximum Loan Amount**

Purchase of Manufactured Home – Borrower Currently Owns Lot

The maximum loan amount is the lesser of:

- The sum of the purchase price plus the cost of all other real property improvements,
- OR**
- The total reasonable value of the unit, lot, and real property improvements, plus
- The VA funding fee

Purchase of Manufactured Home AND the Lot

The maximum loan amount is the lesser of:

- The total purchase price of the manufactured home and the lot plus the cost of all other real property improvements, OR

**MANUFACTURED HOUSING: (cont'd)**

- The purchase price of the manufacture home plus the cost of all other real property improvements plus the balance owed by the borrower on a deferred purchase money mortgage or contract for the purchase of the lot,  
**OR**
- The total reasonable value of the unit, lot, and property improvements, Plus
- The VA funding fee

**Manufactured Housing – Refinance Transaction Maximum Loan Amount**

Refinance of Existing Manufactured Home and Purchase of Lot

The maximum loan amount is 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 cost of the necessary site preparation as determined by VA plus a reasonable discount on the portion of the loan used to refinance the existing loan on the manufactured home plus allowable closing costs,  
**OR**
- The total reasonable value of the unit, lot, and real property improvements, Plus
- The VA funding fee

Refer to the Kind Lending VA IRRRL Guidelines for IRRRL requirements

**Manufactured Housing - Proposed or Under Construction**

In cases where the foundation has not been fully completed and the manufactured home is considered proposed or under construction the construction exhibits must include all of the following:

- Specifications for the foundation and a plot plan (same requirements as for a site-built home)
- A detail of the mating line piers, if applicable
- The foundation plan showing the location and a cross-sectional detail of the supporting piers and must include drawings of the foundation anchorage details. The foundation must meet VA requirements as detailed in VA Lender's Handbook Chapter 12
- A floor plan of the unit and exterior elevation drawings/photographs of the front and rear of home. These may be provided in the manufacturer's advertising or technical installation manual.

**Note:** Not required if the manufactured home is physically located on the site to be appraised or the appraiser has access to the unit on the dealer's lot.

- If the home is located in a state or locality that require the underside of the unit to be completely enclosed, details of the perimeter enclosure indicating the enclosure complies with the state/local requirements
- Details of any revisions made to the manufacturer's installation manual that were required for the property to be in compliance with state/local requirements
- Construction exhibits for any on-site improvements made to the home (e.g., decks, enclosed patio, garage, carport, etc.) that will be financed with the loan
- A certification signed and dated by a technically qualified and property identified individual (i.e. builder, architect, engineer, etc.) that states the following:
  - "I certify that the construction exhibits (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping."  
**OR**
  - HUD Form [92541](#) **Builder's Certification of Plans, Specifications and Site**, dated 03/2016. When using Form 92541 the identifying information at the top **must be completed** as well as:
    - Items 2 and 4, or
    - Items 5, 6, 9, 10, 12, and 13

**MANUFACTURED HOUSING: (cont'd)**

- The manufacturer must provide a one-year warranty indicated on VA Form [26-8599](#), Manufactured Home Warranty

Required Inspections

VA requires the following inspections on new manufactured homes:

- First and final inspection to verify that home is properly attached to the permanent foundation as specified in the construction exhibits and that all onsite and offsite improvements are properly completed

Note: The final inspection requires the completion of VA form 26-1839 **Compliance Inspection Report** dated JUL 2014

Proposed / New Construction Specific Required Documentation

In addition to the standard documentation all the following is also required for proposed/new manufactured homes:

- **HUD Form 92541 Builder's Certification of Plans, Specifications and Site** (dated 3/2016) or A certification signed and dated by a technically qualified and property identified individual stating the construction exhibits meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping, and
- **VA Form 26-1839 Compliance Inspection Report** (dated Jul 2014): Completed at time of final inspection, and
- A one-year warranty on VA Form [26-8599](#), Manufactured Home Warranty

**Note:** Kind Lending requires proposed/under construction transactions to have the foundation complete and the home fully installed prior to loan closing

**Manufactured Housing – Existing Construction**

VA considers a manufactured home where the foundation has been fully completed and the home installed to be existing construction. The following is required for existing construction:

- The home and any other on-site improvements must meet VA minim property requirements, and
- The home must be property attached to a permanent foundation system, constructed to withstand both supporting loads and wind-overturning loads that meet local building authority standards

Existing Construction Specific Required Documentation

In addition to the standard documentation, **all** of the following is also required for existing manufactured homes:

- **HUD Certification Label:** Verification of the HUD Certification Label:
  - Verify if identified on appraisal, or
  - A letter of label verification from the [Institute for Building Technology and Safety](#) (IBTS) is required, and
- **HUD Data Plate:** Information as detailed in the appraisal topic must be included in the appraisal report when available
- Classified and taxed as real property
- Properly affixed to a permanent foundation (Section 12.10)
- Substantially conform with VA MPRs (Chapter 12)
- Conform with applicable building code and zoning requirements for real estate
- Must have been built on or after June 15, 1976 (VA is now following HUD requirements)
- Must be built to [HUD Manufactured Home Construction and Safety Standards](#)

**Legal / Closing Provisions for Manufactured Housing**

The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home and the land. The following also applies:

**MANUFACTURED HOUSING: (cont'd)**

ALTA Endorsement  
An American Land Title Association (ALTA) Endorsement 7, 7.1 or 7.2 or other endorsement allowing the home to be treated as real property is required and must be included in the loan file.

Affidavit of Affixture  
The Affidavit of Affixture is the document that changes the manufactured home for personal to real property. An Affidavit of Affixture must be signed by the borrower and Kind Lending indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded, and a copy must be included in the loan file. Loans without the Affidavit are ineligible

Security Instrument and Manufactured Home Rider  
The security instrument must:

- Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, and
- Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum.

Limited Power of Attorney  
A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file

**LEASEHOLD PROPERTIES:**

Not eligible for VA loans

**SOLAR PANELS:**

See Kind Lending [Solar System P&P](#) for details.

**PROPERTY ACQUIRED AT AUCTION:**

If the subject property is purchased at auction, they buyer's premium may be included in the calculation of the final sales price. The amount of the buyer's premium must be reasonable and customary for the area.

**Note:** The premium cannot be included in the closing costs

**ESCROW HOLDBACK FOR REPAIRS:**

Kind Lending follows agency and investor requirements for allowable escrow holdbacks on purchase transactions and/or refinances. Escrow holdbacks (i.e., Withholds) are in place to allow monies to be set aside at time of loan funding for prompt completion of required work and improvements (i.e., flooring, roofing, landscaping).

**Note:** Property must be habitable and safe at time of closing.

Refer to Kind Lending P&Ps for specifics.

**SECTION 8:**

**INSURANCE REQUIREMENTS**

**HAZARD INSURANCE:**

Reference Kind Lending P&Ps: [Property Insurance Requirements](#)

**FLOOD INSURANCE:**

Properties located in a FEMA designated SFHA are eligible when flood insurance under the National Flood Insurance Program (NFIP) is obtained. Must obtain flood zone determination services, independent of any assessment made by the Appraiser to cover the Life of the Loan Flood Certification.

- the outstanding balance of the Mortgage, less estimated land costs; or
- the maximum amount of the NFIP insurance available with respect to the property improvements.
- FEMA Letter of Map Amendment;
- FEMA Letter of Map Revision; or
- FEMA National Flood Insurance Program Elevation Certificate ([FEMA Form 086-0-33](#))

**FLOOD INSURANCE: (cont'd)**

A property is **not eligible** for FHA insurance if:

- a residential building and related improvements to the Property are located within any SFHA Zone beginning with the letter A, a Special Flood Zone Area, or any Zone beginning with the letter V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
- the improvements are, or are proposed to be, located within a Coastal Barrier Resources System (CBRS).

In addition:

- If proposed/new construction the elevation of the lowest floor must be located above the 100-year flood level and flood insurance is required
- Properties located in areas subject to regular flooding, even if not in a designated SFHA, are ineligible regardless of whether flood insurance is obtained.
- Existing Construction in SFHA: When any portion of the residential improvements is determined to be located within a SFHA, insurance under NFIP must be obtained
- Condominiums in SFHA: The under must ensure that the Homeowners' Association (HOA) obtains insurance under the NFIP on buildings located within the SFHA. The flood insurance coverage must protect the interest of the Borrowers who hold title to an individual unit, as well as the common areas of the Condominium Project.
- Refer to the Manufactured Housing: SFHA topic for FHA unique requirements when the property is a manufactured home
- Refer to the New Construction: Property in Flood Zone topic for FHA specific requirements when the property is new construction

Reference Kind Lending P&Ps: [Property Insurance Requirements](#)

**IMPOUNDS / ESCROWS:**

**Required on all loans, no exceptions.**

**SECTION 9: TITLE / CLOSING**

**TITLE DOCUMENTATION:**

Reference Kind Lending P&P: [Title & Survey Policies and Procedures](#)

**PLAT / SURVEY REQUIREMENTS:**

Reference Kind Lending: [State Survey Matrix](#)

**POWER OF ATTORNEY:**

VA will allow a Veteran to use an attorney-in-fact to execute any documents necessary to obtain a VA-guaranteed loan. This enables active-duty servicepersons stationed overseas, and other Veterans who cannot be present to execute loan documents, to obtain VA loans.

**Military POA Requirements:**

A military POA is considered a general POA and is only valid during the Active-Duty Servicemembers' (ADSM) period of deployment, not to exceed 1 year. If not utilizing a military POA, a general POA or a specific POA will be required.

**Specific POA Requirements**

A specific power of attorney or other document(s) signed by the Veteran, which encompasses the elements below.

- Specific POA is signed and executed by the veteran
- Either within the Specific POA or a combination of the POA and 1003, the below must be present:
  - 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 refinance.
  - Property Identification: Identification of the specific property.
  - Price and Terms: The sales price, if applicable, and other relevant terms of the transaction.

**POWER OF ATTORNEY: (cont'd)**

- Occupancy: The Veteran’s intention to use the property as a home to be occupied by the Veteran (or other applicable VA occupancy requirement or spouse and/or guardian for dependent child(ren)).

Any documents used to satisfy the above listed items must have a wet signature and date by the veteran.

**General POA Requirements**

- General POA is signed and executed by the veteran
- The Veteran’s wet signature is present on the Purchase Contract (if applicable)
- The Veteran’s wet signature is present on the Uniform Residential Loan Application which includes the purpose, property identification, price, terms and intended occupancy.
- Requires review by Kind Lending Credit Risk Team

**Alive and Well Certifications**

Regardless of the POA type being utilized within the transaction, an Alive and Well Certification for the Veteran is required to be delivered to Kind Lending on the day of consummation. Alive and Well Certifications must be provided by the Veteran’s commanding officer if on active duty. If veteran is not currently on active duty, the following are acceptable:

- A letter or email from the Veteran’s employer verifying that the Veteran is alive and well.
- If the veteran is not employed, a handwritten letter directly from the Veteran, or, an email from the Veteran’s personal email already on file with Kind Lending is acceptable.

The above documentation is required prior to the funding of any VA loan utilizing a POA.

**SECTION 10:**

**CLOSING COSTS**

**FEE LIMITATIONS:**

Subject to fee analysis to meet compliance / QM thresholds. See Kind Lending [ATR / QM P&P](#).

**SELLER / INTERESTED PARTY CONTRIBUTIONS:**

VA defines seller concessions as anything of value added to the transaction by the seller or builder which is not customarily expected, is not required to pay or provide for which the borrower pays nothing.

Seller concessions include, but are not limited to:

- Payment of the borrower’s VA funding fee,
- Prepayment of the borrower’s property taxes and insurance,
- Gifts (e.g., T.V., microwave, etc.)
- Payment of extra points to provide permanent interest rate buydowns,
- Provision of escrowed funds to provide temporary interest rate buydowns, and
- Payoff of credit balances or judgments on behalf of the borrower.

Seller concessions **do not include** payment of the buyer’s closing costs or appropriate discount points (e.g., if customary discount points would be two the seller’s payment of two points would not be a seller concession, however if the seller paid five points, three of the points would be considered a seller concession.

- Maximum seller concession is 4% of the established reasonable value of the property.
- Seller is allowed to pay 100% of the normal discount points and the borrower’s nonrecurring closing costs. Normal discount points and closing costs are not included in the 4% calculation.

**HIGHER PRICED / HIGH-COST LOANS**

Higher priced mortgage loans (HPML) are eligible subject to the following:

- Must be a fixed-rate transaction
- Establishment of an escrow account for taxes and insurance on primary residence transactions required for HPML
- The loan must meet all applicable and/or federal compliance requirements
- Prepayment Penalty are **ineligible**
- High-cost loans are **ineligible**

**LDP / SAM AND FRAUD MONITORING:**

**CAIVRS**

All borrowers must be checked against the [Credit Alert Interactive Voice Response System \(CAIVRS\)](#) to determine if they have delinquent federal non-tax debt. Borrowers identified with a CAIVRS claim are generally ineligible.

Borrowers with a CAIVRS claim number due to a short sale are eligible for a VA loan if a minimum of two (2) years have passed since the short sale and the borrower otherwise qualifies for the loan. The borrower is required to provide an explanation of the event.

**LDP / SAM**

All parties to the transaction, as applicable, must be checked against HUD’s Limited Denial Participation list and the General Service Administration’s Excluded Parties List System. Must establish that no participants are on the Excluded Parties list.

The loan is not eligible for VA financing if anyone participating in the mortgage transaction is listed on HUD’s LDP list or in SAM as being suspended, debarred, or otherwise excluded from participation in HUD transactions. Must have a clear finding report. If parties are in the process of having it cleared and updated, the finding report must show excluded and a clear report. Borrower(s),

- Seller,
- Real Estate Listing and Selling Agent(s),
- Appraiser
- Broker/Third Party Originators/Lender
- Loan Officer/Mortgage Loan Originators
- Loan Processor,
- Underwriter,
- Closing Agent, and
- Title Company

**Note:** These are examples only and not an all-inclusive list.

Borrower(s) or any of the interested parties to the transaction that have previously been convicted of mortgage fraud **are ineligible**.