

SUBJECT: New Requirements for VA Cash-Out Refinances

BULLETIN 19FEB15-2

February 15, 2019

**** IMPORTANT NOTICE ****

VA Cash-Out Changes

Effective for all loan applications take on or after 2/15/19. Please refer to VA Circulars 26-18-30 (including Change 1 issued 12/21/2018) and 26-19-05 for additional information.

VA Refinance Loans will be categorized into 3 types. These changes only apply to Cash-Out Type I & II.

1. Interest Rate Reduction Refinancing Loans (IRRRL) – A refinance loan made to refinance an existing VA loan to lower the interest rate.
2. Type I Cash Out Refinance – A refinancing in which the loans amount (including funding fee) do not exceed the payoff amount.
3. Type II Cash Out Refinance – The new loan amount (including funding fee) will exceed the payoff amount.

Cash-Out Requirements By Loan Type			
Type I Cash-Outs		Type II Cash-Outs	
VA→VA	Non-VA→VA	VA→VA	Non-VA→VA
> New Loan (including all financed fees and charges) ≤ 100% LTV			
> Loan Demonstrates at least 1 of 8 Net Tangible Benefits			
> Lender provides comparison disclosure within 3 days of application & at closing			
> Loan Seasoning		> Loan Seasoning	
> Fee Recoupment			



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LTV:

Max LTV 100% - Including VA funding Fee.

Towne Overlays

LTV >90% - 100% - 660 minimum credit score

LTV 90% and below - 640 minimum credit score

LTV Calculation: Divide the total loan amount (including VA funding fee, if applicable) by the reasonable value on the Notice of Value property determined by the appraiser.

Net Tangible Benefit (NTB):

NTB Form indicating the benefit to the borrower, must be provided to the borrower within 3 days of application. Final NTB form will also be generated in the closing package and is required to be signed at closing by borrower(s).

Loan Seasoning:

Loan seasoning requirements applies to Type I and Type II Cash-Out loans made to refinance an existing VA-guaranteed home loan.

- 210 days after the first monthly payment is made, **and**
- 6 monthly payments have been made on the loan.

****For all loans being refinanced within 1 year from date of closing a full mortgage payment history for the existing loan will be required.**

Fee Recoupment:

** Fee Recoupment provisions only apply to Type I loans made to refinance an existing VA-guaranteed home loan.

The recoupment of the incurred costs can't exceed 36 months from the date of the loan closing. These costs include closing costs, expenses not including escrow costs) and incurred costs.

Recoupment calculation - Divide all fees, closing costs, expenses and incurred costs by the reduction of the monthly principal and interest payment as a result of this refinance.

*Excluded fees: VA funding Fees, fees offset by lender credits and prepaid expenses like insurance, taxes, special assessments, and homeowners association fees. Example:

VA Recoupment Calculation	
Current Monthly Principal & Interest Payment	\$ 1,000.00
Proposed Montly Principal & Interest Payment	\$ 950.00
Monthly Savings	\$ 50.00
Total of All Fees and Charges Paid at Closing*	\$ 1,500.00
*Excluded fees: VA funding Fees, fees offset by lender credits and prepaid expenses like insurance, taxes, special assessments, and homeowners association fees.	
Recoupment Calculation in Months	30

Note: if the loan was previously modified the PI reduction must be compared to the modified P&I monthly payment.

Thank you,
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