

What's New

A summary of recent and upcoming changes:

Updates																					
VA Cash-Out Refinance LTV Calculation Change	<p>The Department of Veteran’s Affairs issued Circular 26-18-30 , Circular 26-18-30 Change 1, Circular 26-19-05 and 26-19-05 Change 1 in which VA announced an interim rule addressing new policies for cash-out refinance loans. As an interim rule, in which VA will be accepting comments and feedback from lenders until February 15, 2019, additional changes may apply, which will be communicated, if necessary.</p> <p>The Circular outlines proposed changes effective for cash-out refinance loan applications taken on, or after February 15, 2019. With the published rules, VA has categorized cash-out refinances as the following:</p> <p>TYPE I Cash-out Refinance</p> <p>A VA refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced.</p> <p>TYPE II Cash-out Refinance</p> <p>A VA refinancing loan in which the loan amount (<i>including VA funding fee</i>) exceeds the payoff amount of the loan being refinanced.</p> <p>TYPE I / TYPE II Requirements Summary Table</p>																				
		<table border="1"> <thead> <tr> <th>Requirement</th> <th>TYPE I (Loan ≤ Than Payoff)</th> <th>TYPE II (Loan > Payoff)</th> </tr> </thead> <tbody> <tr> <td>LTV Cannot Exceed 100% (Including Funding Fee)</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> </tr> <tr> <td>Net Tangible Benefit (Eight Options)</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> </tr> <tr> <td>Loan Seasoning (210 Days and 6 Payments)</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> </tr> <tr> <td>Maximum 36-month Fee Recoupment</td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>Interest Rate/Discount Points Requirements</td> <td style="text-align: center;">X</td> <td></td> </tr> </tbody> </table>	Requirement	TYPE I (Loan ≤ Than Payoff)	TYPE II (Loan > Payoff)	LTV Cannot Exceed 100% (Including Funding Fee)	X	X	Net Tangible Benefit (Eight Options)	X	X	Loan Seasoning (210 Days and 6 Payments)	X	X	Maximum 36-month Fee Recoupment	X		Interest Rate/Discount Points Requirements	X		
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TYPE I / TYPE II Cash-out Refinance Requirements

TYPE I and TYPE II Cash-out refinance loans must meet all of the requirements below to be eligible for guaranty by VA.

Loan-to-Value (LTV)

- Type I and Type II cash-out refinance loans cannot exceed 100% LTV.
 - **LTV Calculation:** Divide the total loan amount (including VA funding fee, if applicable) by the reasonable value on the Notice of Value (NOV) of the property determined by the appraiser.

Net Tangible Benefit Test (NTB)

Type I and Type II cash-out refinance loans must pass a NTB test, which includes providing the Veteran with the following information **no later than the third business day** after receiving the Veteran's loan application, and again at loan closing:

- **NTB Test:** The refinancing loan satisfies at least one of the eight NTB requirements.
- **Disclosure Requirements:**
 - **Loan Comparison:** A comparison of key loan characteristics or terms for the existing and refinancing loan.
 - **Home Equity:** An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.

Note: NDC Lenders are responsible for both Initial and Closing Loan Certificate and Comparison

Loan Seasoning

VA will apply loan seasoning requirements. The requirement applies to TYPE I and Type II cash-out refinance loans made to refinance an existing VA-guaranteed home loan.

Note: No change to current guidelines – see LDW VA Product Matrices for seasoning requirements.

TYPE I Fee Recoupment

The recoupment period of all fees, closing costs, expenses (other than prepaids), and incurred costs must not exceed 36 months from the date of loan closing. *This requirement only applies to TYPE I cash-out refinancing loans made to refinance an existing VA-guaranteed home loan.*

TYPE I Interest Rate

Fixed Rate to Fixed Rate: The interest rate on the new loan must be lower than the interest rate for the loan being paid off by at least 0.50%

Fixed Rate to Adjustable Rate

- The interest rate on the new loan must be lower than the interest rate on the loan being paid off by at least 2.00%
- Discount points may be added to the loan amount under the following conditions
 - If discount point \leq 1 discount point, LTV must be \leq 100.00%
 - If discount points $>$ 1 discount point, LTV must be \leq 90.00%

This guidance does not apply to VA regulations pertaining to IRRRLs - continue to follow current IRRRL regulations and VA policy guidance as outlined in [VA Circular 26-18-13](#)

loanDepot Wholesale has published a [VA Cash Out Policy](#) and updated the [VA Matrix](#) in relation to this topic.

