UHM WHOLESALE REFINANCE REFERENCE TOOL
VA

Disclaimer: This job aid is not all inclusive. Please reference Agency selling guides for further detail and requirements as necessary.

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VA Requirements for all Refinances

Certificate of Eligibility

COE is only required on non-UHM to UHM VA IRRRLs in which the borrower is exempt from the funding fee. Per VA Circular 26-19-17, a COE is not required in the following scenarios when the borrower is exempt from the funding fee:

1. The entitlement encumbered on the loan being refinanced belongs to the surviving spouse of a veteran.
2. The entitlement encumbered on the loan being refinanced belongs to a veteran who has since passed away and the IRRRL borrowers is spouse who was also a co-borrower on the loan being refinanced.
3. The veteran has already been determined to be exempt from the funding fee as evidenced on IRRRL assignment screen in WebLGY.

If the COE does not show the veteran as exempt from paying the funding fee, the veteran must confirm whether they have a claim for compensation pending with VA. If so, obtain an updated COE no earlier than 3 days before loan closing using the COE "correct" function in WebLGY.

VA Interest Rate Reduction Refinance Loan (IRRRL)

Seasoning and 210 Day Rule

The Note Date of any VA-guaranteed refinance loan must be on or after the later of:

- 210 days ***after*** the date on which the first monthly payment was ***due*** on the mortgage that is being refinanced, or
- The date on which 6 consecutive monthly payments have been ***made*** on the mortgage being refinanced.

VA's audit process will look for evidence confirming proper seasoning. Such evidence could include, for example, a payment history/ledger documenting all payments, or a credit supplement that clearly identifies all payments made in that timeframe.

Note: The Date the payment is made is based on the date the payment is posted by the current mortgage lender. In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days, i.e., first payment due 6/1, but Borrower made payment 5/25. The 210 days is calculated from 6/1.

Reference VA Circular 26-19-22.

Seasoning Requirements for Modified Loans

GNMA seasoning requirements must be met on all government streamline or cash-out refinance transactions, including VA. Specific to VA refinances, IRRRL and full doc, the Note date of the (new) refinance loan must be on or after the later of the following:

- The date on which at least six modified payments have been made on the mortgage being refinanced, or
- The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced.

Eligibility Requirements

Pay off ***existing*** VA-guaranteed mortgage loan by obtaining a new first mortgage loan secured by the ***same*** property.

Occupancy Requirements

Owner Occupied. Secondary and Investment properties are eligible, but the loan file must contain documentation that the veteran previously occupied the subject as their principal residence at one point in time.

Maximum Cash Back

Details of the transaction must show no funds to the Borrower (zero out). In the event of a required adjustment at closing, cash back is limited to $500. If the cash back to the Borrower will exceed $500, a closer may apply one monthly payment (PITIA) of the new loan, as a principal reduction.

Note:

- A principal reduction of more than one PITIA payment of the new loan is not permitted.
- Assets are not required to be verified for cash to close on IRRRL, unless credit qualifying.

Non-Credit Qualifying

May proceed without credit and income qualification when ***all*** the following items are met:

- New loan does not increase principal balance on existing loan except for permitted EEMs and allowable fees and charged.
- Total points and fees (TILA) do not exceed 3% of the proposed principal loan amount.
- Lower interest rate than existing loan, unless changing from ARM to fixed rate.
- New loan is fully amortized.
- Both the original and new loan satisfy all other VA requirements.
- Must meet UHM's mortgage payment history requirements (outlined below).

Credit Qualifying

If the monthly PITI increased by 20% or more, the lender must:

- Determine that the veteran qualifies for the new payment from an underwriting standpoint; such as, determining whether the Borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable, and
- Include a certification that the veteran qualifies for the new monthly payment which exceeds the previously payment by 20% or more.
- No Score Borrowers are not permitted.
    - Non-Traditional credit may not be used to determine the ability to support proposed shelter expense and credit worthiness, unless the loan is currently serviced by UHM.

*Note: UHM requires loans to be structured as cash out refinances if term is being reduced which results in increase in PITI.

Credit Score Requirements

A tri-merged credit report is not required on streamline refinances (unless credit qualifying is required; see above). Please note the following:

- A review of non-mortgage credit history is not required.
- Both non-credit qualifying and credit qualifying loans must meet UHM's mortgage payment history requirements (outlined below).
- A credit score of 680 should be used for pricing purposes.
- High Balance: 620 (UHM Overlay):
  - Due to change with the Blue Water Bill, UHM requires any loan amount that exceeds current conventional loan limits to meet "High Balance" FICO requirements.

Mortgage Payment History Requirements (Non-Credit Qualifying and Credit Qualifying)

A 12-month mortgage payment history is required. If the mortgage is less than 12 months old:

- The mortgage must meet all Agency seasoning requirements, and
- A payment history from the note date through closing is required.

Borrower Delinquency

Non-UHM to UHM Loans:

Borrowers may not have more than one 30-day late payment in the last 12 months and may not have any 30-days late payments in the last 6 months.

UHM to UHM Loans:

UHM will allow borrowers with one 30-day late payment in the last 12 months (or since origination if <12 months, provided the loan meets seasoning requirements).

VA requires documentation to verify the loan will not be more than 30 days past due as of closing. Any IRRRL made to refinance a loan that will be 30 days or more past due at the date of closing must be submitted to VA for prior approval. See CH6 of the VA Lender Handbook for specific requirements.

LTV Limitations

Max loan amount is based on VA Worksheet. No LTV requirement.

Exception: If refinancing from Fixed-to-ARM with discount points, reference VA Circular 26-19-22.

Maximum Loan Amount Calculation

The maximum loan amount calculation is the:

- Outstanding existing VA principal loan balance **plus**
- A full monthly payment (or 30 days) of interest, **plus**
- Payoff interest and allowable payoff fees, **plus**
- New loan paid fees (all costs, charges, prepaids and funding fee) **minus**
- Any lender credits

The new IRRRL must have a principal balance that is below the existing VA-guaranteed loan principal balance + paid VA allowable fees & charges and a full monthly payment or 30 days of interest.

Adjusted Loan Amount: (New principal balance with funding fee – financed fees) cannot exceed (Outstanding Principal Balance + Interest/Allowable Payoff fees).

Max Loan Term

Existing VA loan term plus 10 years, not to exceed 30 years + 32 days.

Recoupment Requirements

The lender must certify that the recoupment period of fees, expenses, and closing costs (both included in the loan and paid outside of closing), do not exceed 36 months from the date of the loan closing.

- **Recoupment Calculation:** The recoupment period is calculated by dividing all fees, minus any lender credits, expenses, and closing costs included in the loan and paid outside of closing, by the reduction of the monthly principal and interest (see VA Circular 26-19-22 Exhibit B). If loan has been modified, refer to VA Circular 26-19-5.
    - The VA funding fee, escrow and prepaid expenses, such as, insurance, taxes, special assessments, and HOA fees shall be excluded from the recoupment calculation.
    - VA allowable fees as established in 38 C.F.R. and 36.4313 offset by lender credits and/or premium pricing may also be excluded from the recoupment.

Net Tangible Benefit

- New loan must have a lower interest rate than the loan being refinanced, unless the current loan is an ARM.
    - Fixed Rate-to-**fixed** Rate: The interest rate of the refinancing loan may not be less than 0.5% (50 basis points) of the interest rate on the loan being refinanced.
    - Fixed Rate-to-**adjustable** Rate: The interest rate of the refinancing loan may not be less than 2% (200 basis points) of the interest rate on the loan being refinanced.
- The principal and Interest (PI) on the new loan must be less than the PI on the existing loan unless one of the following exceptions applies:
    - The IRRRL is refinancing an ARM,
    - Term of the IRRRL is shorter than the term of the existing loan, or
    - Energy efficient improvements are included in the IRRRL.

Ineligible Transactions

When ***any*** of the following conditions exist, the transaction is ineligible as an IRRRL refinance:

- Taking out equity subject property for any other purpose than to pay off existing lien and associated costs of the new loan.
- Paying off any debts outside of the original VA-guaranteed mortgage.
- Life Estates
- VA Indian Leasehold Properties
- Co-Ops
- VA loans with any Section 50(a)(6) financing
- Loans that do not meet UHM's mortgage payment history requirements (outlined above)

Acceptable Uses

- Pay off existing VA-guaranteed loan when the party(ies) on the original loan are the same as the party(ies) on the new loan. See CH6 of the VA Lender Handbook for specifics on when the loan may be eligible for changes to the party(ies) on the loan.
- Refinance of existing VA guaranteed loans only.

Appraisal Requirements

No appraisal is required, except in cases where refinancing from Fixed-to-ARM with discount points is involved. VA's interpretation is such that these appraisals need not be ordered through VA's appraisal system.

Exception: If property is located in FEMA declared county, the property must be inspected to determine if there is any sustained damage. See TPOLG for inspection requirements in Declared Disaster Areas.

VA Underwriting Cash-Out Refinance

Eligibility Requirements

Subject property ***must*** have existing lien to be paid off.

Occupancy Requirements

Principal Residence only.

Payment History Requirements

All payments on the existing mortgage must have been made within the month due for the last 12 months or since the Borrower obtained the mortgage, whichever is less, including the month prior to disbursement of the new loan.

Credit Score Requirements

- 600 (UHM Overlay) with AUS Approve/Eligible Recommendation
- High Balance – 640 with AUS Approve/Eligible Recommendation
    - Due to change with the Blue Water Bill, UHM requires any loan amount that exceeds current conventional loan limits to meet "High Balance" FICO requirements.
- Manufactured Homes – 620

LTV/CLTV Limitations

100%. Total loan amount ***with*** financed VA funding fee may not exceed 100%.

Max Loan Term

30 years + 32 days.

Entitlement/County Limits

- Cash-out Refinance with a base loan amount equal to or less than the VA County Loan Limit must have the total loan amount reviewed, including any financed funding fee. The total loan amount may never exceed the VA County Loan Limit.
- Cash-out Refinance with a base loan amount greater than the VA County Loan Limit may add the funding fee to the base loan amount ***if*** the property has sufficient equity plus entitlement.
- The VA guaranty plus cash/equity must equal 25% of the loan amount (including the funding fee).

Types of Cash-Out Refinances

- **Type 1:** Refinance loan in which the loan amount (including VA funding fee) ***does not exceed*** the payoff amount of the loan being refinanced.
    - Rate Reduction Requirements:
        - **Fixed Rate-to-FIXED Rate:** The interest rate of the refinancing loan may not be less than 0.5% (50 basis points) of the interest rate on the loan being refinanced.
        - **Fixed Rate-to-ADJUSTABLE Rate:** The interest rate of the refinancing loan may not be less than 2% (200 basis points) of the interest rate on the loan being refinanced.
            - **Discount Points Greater than 1%** - If discount points are included in the refinancing loan amount, the loan amount may not exceed an LTV of 90%.
            - **Discount Points Less than 1%** - If discount points are included in the refinancing loan amount, the loan amount may not exceed an LTV of 100%.

- Fee Recoupment Requirements: Fee recoupment applies to Type 1 Cash-Out Refinance loans made to refinance a VA-guaranteed home loan (VA to VA). To obtain a Loan Guaranty Certificate (LGC), the lender must certify that the recoupment period of fees, expenses, and closing costs (both included in the loan and paid outside of closing), do not exceed 36 months from the date of the loan closing.
  - **Recoupment Calculation:** The recoupment period is calculated by dividing all fees (excluding the VA funding fee), expenses, and closing costs included in the loan and paid outside of closing by the reduction of the monthly principal and interest (see VA Circular 26-19-5). If loan has been modified, refer to VA Circular 26-19-5.
    - Escrow and prepaid expenses, such as, insurance, taxes, special assessments, and HOA fees shall be excluded from the recoupment calculation.
    - VA allowable fees as establish in 38 C.F.R. and 36.4313 offset by lender credits and/or premium pricing may also be excluded from the recoupment.
- **Type 2:** Refinance loan in which the loan amount (including VA Funding fee) ***does exceed*** the payoff of the loan being refinanced.

Seasoning and 210 Day Rule

VA Type 1 Cash-Out Refinances are considered seasoned when both conditions below are met:

- The due date of the first monthly payment of the VA loan being refinanced is 210 days or more prior to the nate date of the cash-out refinance loan, and
- Six consecutive (uninterrupted) monthly payments have been made on the VA loan being refinanced.
- **Note:** To meet the six consecutive monthly payment requirement, six individual consecutive monthly payments must be made in full, in the month in which they are due. Once the loan is seasoned, it does not need to be re-seasoned after a subsequent delinquency.

VA Type 2 Cash-Out Refinances are considered seasoned when both conditions below are met:

- The date that the first monthly payment was made on the VA loan being refinanced is 210 days or more prior to the closing date of the no cash-out refinance, and
- Six monthly payments have been made on the VA loan being refinanced (the payments do not need to be consecutive).
- **Note:** The Date the payment is made is based on the date the payment is posted by the current mortgage lender. In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days, i.e., first payment due 6/1, but Borrower made payment 5/25. The 210 days is calculated from 6/1. Reference VA Circular 26-19-22.

VA's audit process will look for evidence confirming proper seasoning. Such evidence could include, for example, a payment history/ledger documenting all payments, or a credit supplement that clearly identifies all payments made in that timeframe.

Seasoning Requirements for Modified Loans

GNMA seasoning requirements must be met on all government streamline or cash-out refinance transactions, including VA. Specific to VA refinances, the Note date of the (new) refinance loan must be on or after the later of the following:

- The date on which at least six modified payments have been made on the mortgage being refinanced, or
- The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced.

Net Tangible Benefit

NTB standards apply to all Cash-Out Refinance loans. It consists of the NTB test, Loan Comparison, and Home Equity Disclosure.

- **NTB Test:** All Cash-Out Refinancing loans must pass the NTB test. This requirement is met if the refinancing loan satisfies ***at least one*** of the following:
    - The new loan eliminates monthly mortgage insurance; *or*
    - Loan term of the new loan is less than the loan term of the loan being refinanced; *or*
    - Interest rate of the new loan is less than the interest rate of the loan being refinanced.
    - (**Note:** If the loan being refinanced had an adjustable interest rate or was modified, the current interest rate must be used when determining if this requirement has been met.); *or*
    - The monthly (principal and interest) payment of the new loan is less than the monthly (principal and interest) payment of the loan being refinanced; *or*
    - The Veteran's monthly residual income is higher as a result of the new loan. (Residual income, including refinancing monthly PITI (principal, interest, taxes, and insurance) payment vs. current residual income, including monthly PITI payment of the loan being refinanced.) In cases where TI amounts are changing between the application date and the closing date of the refinance transaction, the new TI amount will be used in determining residual income for both the current and refinanced loan); *or*
    - The new loan is used to pay off the Veteran's interim construction loan; *or*
    - The new loan LTV is equal to or less than 90 percent of the reasonable value of the home, i.e., LTV greater than or equal to 90%; *or*
    - Refinance of an adjustable-rate mortgage to a fixed-rate mortgage.
- **Comparison Disclosure:** Lenders must provide the following information for the existing ***and*** new loan for all Cash-Out Refinancing loans:
    - Loan Amount vs. Payoff Amount
    - Loan Type
    - Interest rate
    - Loan term
    - Total amount the Veteran will have paid after making all payments as scheduled
    - LTV
    - Home equity being removed from property

Ineligible Transactions

When ***any*** of the following conditions exist, the transaction is ineligible as a Cash-Out Refinance:

- Investment Properties
- Second home transactions
- Manual Underwrite (UHM overlay)
- No Foreclosures, short-sales, deed in Lieu of foreclosure in the past 7 years on High Balance Mortgages (UHM overlay)
- Manufactured Homes built prior to June 15, 1976
- No Co-Op
- Non-Traditional Credit
- Life Estates
- VA Indian Leasehold properties
- Cooperatives
- VA loans with any Section 50(a)(6) financing
- Refinance of property owned free and clear

Acceptable Uses

The following are acceptable uses for Cash-Out Refinance transactions:

- Paying off the unpaid principal balance of the existing first mortgage.
- Paying off any outstanding subordinate mortgage liens of any age.
- Taking equity out of the subject property that may be used for any purpose.

Appraisal Requirements

Property must be appraised within the 120 days that precede the date of the note.