

VA RATE REDUCTION REFINANCE (VAFX)



Table of Contents

1. Eligible Mortgage Product Existing Loan.....	2
2. Eligible Mortgage Product New Loan.....	2
3. VA Funding Fee (VAFF).....	2
4. VA IRRRL (Interest Rate Reduction Loan) Case #.....	2
5. Entitlement/Guaranty.....	2
6. Underwriting Requirements.....	2
7. Age of Documents.....	2
8. Appraisal Requirements.....	2
9. Assets.....	2
10. Borrower(s).....	3
11. Cash Out.....	3
12. Credit Requirements.....	3
13. Demand.....	3
14. Discount Points.....	3
15. Documentation Required.....	4
16. Employment Verification.....	4
17. FICO.....	4
18. High Cost/High Priced.....	4
19. Maximum Loan Amount.....	4
20. Maximum LTV/CLTV.....	4
21. Property Type.....	4
22. Ratios.....	5
23. Residual Income.....	5
24. Same Sex Married Couples.....	5
25. Solar Energy Efficient Improvements.....	6
26. Title.....	6
27. VA Allowable & Non-Allowable Fees.....	6

VA RATE REDUCTION REFINANCE (VAFX)



ELIGIBLE MORTGAGE PRODUCT-EXISTING LOAN	VA to VA Refinance
ELIGIBLE MORTGAGE PRODUCT-NEW LOAN	Fixed Rate 30 year Fixed Rate 15 year (Retail Only- Manual Lock)
VAFF (VA Funding Fee)	<ul style="list-style-type: none"> • VA Funding Fee .50% • VA Funding Fee paid in cash- Worksheet will have to be manually completed by the underwriter.
VA IRRRL CASE#	<p>Order from VA Portal: https://vip.vba.va.gov/portal/VBAH/Home</p> <ol style="list-style-type: none"> 1. Access VA Portal 2. Access Weblog 3. Access Loan- drop down order IRRRL 4. Enter LIN of current loan being refinanced or veterans social security number and veterans birthdate
ENTITLEMENT/GUARANTY	<ul style="list-style-type: none"> • Certificate of Eligibility is not required on IRRRL. VA issues 25% guarantee on all IRRRL's.
UNDERWRITING REQUIREMENTS	<ul style="list-style-type: none"> • Must be manually underwritten by PBM Approved VA Underwriter • Must decrease of current interest rate on old loan by a minimum of .125% (1/8%)
AGE OF DOCUMENTS	<ul style="list-style-type: none"> • APPRAISAL – DRIVE BY ONLY- No older than 120 days at time of funding. • CREDIT- MORTGAGE RATING ONLY – No older than 120 days at time of funding • INCOME- VERBAL ONLY- No older than 120 days at time of funding • ASSETS – IF REQUIRED FOR CLOSING – No older than 120 days at time of funding
APPRAISAL REQUIREMENTS	<p>Requires Conventional 2055 exterior (SFR & PUD), 1075 exterior (Condo), 1025 interior/exterior 2-4 units</p> <ul style="list-style-type: none"> • Loan Amount with VAFF cannot exceed the appraised value <p>No Appraisal Required:</p> <ul style="list-style-type: none"> • LLPA by Secondary • See Rate Sheet for details • Lender Specific Exception from PBM Exception Request <p>See Maximum Loan Amounts</p>
ASSETS	<p>If the Closing Disclosure indicates that the borrowers are required to bring in funds for closing, a bank statement or VOD verifying the source of funds is required.</p>

VA RATE REDUCTION REFINANCE (VAFX)



BORROWER(S)	<p>Borrower(s) must have been obligated on the original VA Loan. Change in Mortgagors are only permitted with the proper documentation in following cases:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">EXISTING VA LOAN</th> <th style="text-align: center;">NEW LOAN</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Vet and Spouse</td> <td>Divorced Veteran only (Copy of 6 mo cancelled checks)</td> </tr> <tr> <td>Vet and Spouse</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> </tr> <tr> <td>Veteran and spouse</td> <td>A Veteran's Widow/Widower- One time purchase</td> </tr> <tr> <td>Veteran and non-veteran joint loan obligors</td> <td>Veteran alone</td> </tr> </tbody> </table>	EXISTING VA LOAN	NEW LOAN	Unmarried Vet	Veteran and New Spouse	Vet and Spouse	Divorced Veteran only (Copy of 6 mo cancelled checks)	Vet and Spouse	Veteran and New Spouse	Veteran alone	Different veteran who has substituted entitlement	Veteran and spouse	A Veteran's Widow/Widower- One time purchase	Veteran and non-veteran joint loan obligors	Veteran alone
EXISTING VA LOAN	NEW LOAN														
Unmarried Vet	Veteran and New Spouse														
Vet and Spouse	Divorced Veteran only (Copy of 6 mo cancelled checks)														
Vet and Spouse	Veteran and New Spouse														
Veteran alone	Different veteran who has substituted entitlement														
Veteran and spouse	A Veteran's Widow/Widower- One time purchase														
Veteran and non-veteran joint loan obligors	Veteran alone														
CASH OUT	<ul style="list-style-type: none"> Maximum cash back to borrower at closing is Zero. However, Maximum cash up to \$500 will need to be applied towards principal reduction Maximum cash over \$500, loan documents will need to be re-drawn 														
CREDIT REQUIREMENTS	<ul style="list-style-type: none"> Mortgage Rating ONLY with Scores from all three repositories "Experian, TransUnion and Equifax." <ul style="list-style-type: none"> Note: Borrowers must have a minimum of one credit score. All Mortgage(s) must have a mortgage history of 0 x 30 in the last 12 months Refinanced cannot be less than 6 months payment history with NO 0 x 30 day lates during the life of the loan If more than (4) financed properties, secondary pricing exception is required. 														
DEROGATORY CREDIT	<ul style="list-style-type: none"> 2 Years elapsed since the discharge of Chapter 7, Chapter 13 Bankruptcy or Deed in Lieu/Short sale when the borrower was not delinquent at transfer. 3 years elapsed since completion of Foreclosure, Deed in Lieu/Short Sale when the borrower was delinquent at time of transfer. All judgments must be paid in full or subject to repayment plan with a history of timely payments. <p>Note: In a case where the borrower(s) has less than 3 years, but over 2, an exception is required. Branch must email the information below with the PBM Loan Exception Form dated 1-16-13 to <u>PBM Loan Exception Request</u>,</p> <ul style="list-style-type: none"> VA Loan Analysis/1003 DU Approval Credit Appraisal And any other documentation associated with the exception request. 														
DEMAND	<ul style="list-style-type: none"> Payoff must reflect current loan balance and not more than 60 days interest. (example; closing month of May, May payment not made, interest for April & May allowed on demand & financed). VA Interest Rate Reduction Refinancing Loan Worksheet (29-8923) must be completed to determine the total loan amount. <ul style="list-style-type: none"> VA IRRRL Worksheet can be found on the VA Website (Form 29-8923) OR In Empower. <p style="text-align: center;">http://www.va.gov/vaforms/form_detail.asp?FormNo=26-8923</p> 														
DISCOUNT POINTS	Limited to 2%														

VA RATE REDUCTION REFINANCE (VAFX)



DOCUMENTATION REQUIRED	<ul style="list-style-type: none"> • VA Benefit Letter fully completed and executed by the Veteran, only if not noted on the IRRRL Case Assignment in loan file. • VA IRRRL Worksheet to be completed by Underwriter • VA Loan Comparison Worksheet • Copy of fully executed Note/Deed on existing mortgage to establish rate reduction • 1802A and 1003 must be processed as follows: <ul style="list-style-type: none"> ○ Initial 1003 & pages 1 & 2 only of the 1802A must be executed prior to loan documents. The 1003 page 3 and Page 1 of the 1802A must be signed by the loan officer. ○ Final 1003 & pages 1 & 2 only of the 1802A must be executed at closing. Pages 1 of the 1802A are to be executed by PBM VA Approved Underwriter with final loan approval date. • CAIVRS must be run on all borrowers. • LDP/GSA required on all parties. • CD Prefunding and Final must be reviewed to assure any closing costs financed in the loan will meet the 1% origination vs Non-allowable fee requirement. (Veteran is not allowed to pay more than 1% in non allowable fees or 1% origination)
EMPLOYMENT VERIFICATION	<ul style="list-style-type: none"> • VVOE needed 10 days prior to Note date • No income documentation required if PITIA is \leq 20% • If > 20% PITIA- Full credit qualification is required per PBM Guidelines
FICO	<ul style="list-style-type: none"> • 620 Conforming • 640 High Balance
HIGH COST/ HIGH PRICED	<ul style="list-style-type: none"> • Not Allowed
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • 620 FICO Maximum loan amount including VA Funding Fee (VAFF) is \$424,100 • 640 FICO Maximum loan amount including VA Funding Fee (VAFF) is \$424,101 and Above <p>The maximum loan amount is the existing VA loan balances plus the following:</p> <ul style="list-style-type: none"> • Any late charges • Allowable Fees (see "Allowable Fees") • Non-Allowable Fees equal to 1% origination when no origination fee is charged to Veteran (See "NON-Allowable Fees") • VAFF of .50% <p>No delinquent payments can be financed. The Veteran must be paid current to month of closing.</p>
MAXIMUM LTV/CLTV	<ul style="list-style-type: none"> • Total LTV cannot exceed 100% of appraised value with VAFF and maximum loan amount • No appraisal – See Appraisal Requirements and Maximum Loan Amount
PROPERTY TYPE	<ul style="list-style-type: none"> • 1-4 units; • PUDs & Condos (VA approved only) Owner occupied ON
RATIOS	<ul style="list-style-type: none"> • No Ratio if PITIA is not increasing more than 20% • If > 20% increase, Max DTI is 41% & a full credit qualify is required

VA RATE REDUCTION REFINANCE (VAFX)



RESIDUAL INCOME	<p>Table of Residual Income by Region For loan amounts of \$79,999 and below</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Family size</th> <th style="width: 20%;">Northeast</th> <th style="width: 20%;">Midwest</th> <th style="width: 20%;">South</th> <th style="width: 25%;">West</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>\$390</td> <td>\$382</td> <td>\$382</td> <td>\$425</td> </tr> <tr> <td>2</td> <td>\$654</td> <td>\$641</td> <td>\$641</td> <td>\$713</td> </tr> <tr> <td>3</td> <td>\$788</td> <td>\$772</td> <td>\$772</td> <td>\$859</td> </tr> <tr> <td>4</td> <td>\$888</td> <td>\$868</td> <td>\$868</td> <td>\$967</td> </tr> <tr> <td>5</td> <td>\$921</td> <td>\$902</td> <td>\$902</td> <td>\$1004</td> </tr> <tr> <td>Over 5</td> <td colspan="4" style="text-align: center;">Add \$75 for each additional member up to a family of 7</td> </tr> </tbody> </table> <p style="text-align: center;">For Loan Amounts of \$80,000 and above</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Family Size</th> <th style="width: 20%;">Northeast</th> <th style="width: 20%;">Midwest</th> <th style="width: 20%;">South</th> <th style="width: 25%;">West</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>\$450</td> <td>\$441</td> <td>\$441</td> <td>\$491</td> </tr> <tr> <td>2</td> <td>\$755</td> <td>\$738</td> <td>\$738</td> <td>\$823</td> </tr> <tr> <td>3</td> <td>\$909</td> <td>\$899</td> <td>\$899</td> <td>\$990</td> </tr> <tr> <td>4</td> <td>\$1,025</td> <td>\$1,003</td> <td>\$1,003</td> <td>\$1,117</td> </tr> <tr> <td>5</td> <td>\$1,062</td> <td>\$1,039</td> <td>\$1,039</td> <td>\$1,158</td> </tr> <tr> <td>Over 5</td> <td colspan="4" style="text-align: center;">Add \$80 for each additional member up to a family of 7</td> </tr> </tbody> </table>	Family size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1004	Over 5	Add \$75 for each additional member up to a family of 7				Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$899	\$899	\$990	4	\$1,025	\$1,003	\$1,003	\$1,117	5	\$1,062	\$1,039	\$1,039	\$1,158	Over 5	Add \$80 for each additional member up to a family of 7			
Family size	Northeast	Midwest	South	West																																																																			
1	\$390	\$382	\$382	\$425																																																																			
2	\$654	\$641	\$641	\$713																																																																			
3	\$788	\$772	\$772	\$859																																																																			
4	\$888	\$868	\$868	\$967																																																																			
5	\$921	\$902	\$902	\$1004																																																																			
Over 5	Add \$75 for each additional member up to a family of 7																																																																						
Family Size	Northeast	Midwest	South	West																																																																			
1	\$450	\$441	\$441	\$491																																																																			
2	\$755	\$738	\$738	\$823																																																																			
3	\$909	\$899	\$899	\$990																																																																			
4	\$1,025	\$1,003	\$1,003	\$1,117																																																																			
5	\$1,062	\$1,039	\$1,039	\$1,158																																																																			
Over 5	Add \$80 for each additional member up to a family of 7																																																																						
SAME-SEX MARRIED COUPLES	<p>Lender Processing:</p> <p>Same-sex married couples when executing the 1003 and 1802a acknowledge that they meet the following VA requirement:</p> <ul style="list-style-type: none"> The marriage was legal in the place where the Veteran or the Veteran's spouse resided at the time of the marriage; Legal in the place where the Veteran or the Veteran's spouse resided at the time the completed 1003 and 1802a were submitted to PBM; Legal in the place where the Veteran or the Veteran's spouse resided in at the time of closing. If the borrower asserts a spousal relationship in item 19 (1802a) and signs the form, which includes a certification by the borrower that "the information is true and complete to the best of their knowledge and belief", PBM may process the loan per normal practices without submitting a loan package to VA for approval of spousal status: <p>If the borrower informs the lender that he or she is uncertain as to whether the marriage may be recognized for VA purposes, the underwriter must request that VA make a determination regarding whether the marriage can be recognized, The following information should be provided to Phoenix Regional Loan Center via email at : LPGC.VBAPHO@va.gov for further review:</p> <ul style="list-style-type: none"> Date and state of marriage; State(s) of residence of the parties at the time of marriage; State where the subject property is located; Current state(s) of residence of the parties; Estimated date of loan closing; and Whether VA has previously recognized the marriage for the purpose of a different VA benefit or service. The underwriter should request this information from the borrower if not already available. 																																																																						

VA RATE REDUCTION REFINANCE (VAFX)



SOLAR/ ENERGY EFFICIENT IMPROVEMENTS	<ul style="list-style-type: none"> • <u>PACE/HERO-(Lender Specific Required)</u> <ul style="list-style-type: none"> ○ IRRRL can be done with PACE/HERO program. ○ PACE/HERO program must be on prelim after original loan was guaranteed ○ Underwriter will need proof of new property tax debt and must be used in the new PITI for IRRRL. ○ Subordination agreement executed by County/City Tax collector, Energy Efficient company holding Lien & Borrowers • <u>Solar Leased equipment-</u> <ul style="list-style-type: none"> ○ Equipment that is leased is acceptable to remain. Solar payments need to be viewed by underwriter to determine if the payment is in excess of the Maintenance/Utility allow fee for home. (Example- \$.14 x sq. ft. of home = Fee) if fee is \$275.00 and Solar lease is \$350 file will need to be processed as Rate and Term to credit qualify. ○ Solar lease agreement must be reviewed by Corporate to validate foreclosure position meets VA guidelines. (Solar company to have following foreclosure verbiage: Must remove equipment without recourse to the lender or VA and return roof to water tight status).
TITLE	Closing Protection Letter
VA ALLOWABLE AND NON-ALLOWABLE FEES	<ul style="list-style-type: none"> • VA Allowable Fees <ul style="list-style-type: none"> ○ Appraisal ○ Recording Deed of Trust ○ Credit Reports ○ Prepaid ○ Hazard Ins. ○ Flood Zone Determination ○ Title Policies ○ VAFF ○ Additional third party fees that the veteran has authorized (Home Inspection) • NON-Allowable Fees- <ul style="list-style-type: none"> ○ Base Escrow Fee ○ Loan Tie-in Fee ○ Demand/Payoff Statement fee (ok on refinance only) ○ Sub Escrow Fee (title payoff fee) ○ Re-conveyance Fee (ok on refinance only) ○ Prepayment penalties (ok on refinance only) ○ Any Lender Document Fee ○ Processing Fee ○ Warehouse Fee ○ Loan Discount Points ○ Charges by other Lenders ○ Tax Service Contract ○ Underwriting Fee ○ Administration Fee ○ Photo Inspection Fee ○ Recording Fee (grant deed) ○ Messenger or Delivery Fees

VA RATE REDUCTION REFINANCE (VAFX)



VA ALLOWABLE AND NON-ALLOWABLE FEES CONTINUED

- Notary Fee
- Homeowners Assoc. Transfer Fee
- Assignment Fees
- Documentary Transfer Tax Fee
- Bring Down Fee
- Change of Ownership Fee
- Commission
- Transaction Coordinator Fee
- Title Policy Endorsement Fees

- **Note:** As long as there is no origination fee being charged to the veteran, the veteran can pay up to 1% of the total loan amount in NON-Allowable fees.