



VA CASH-OUT DISCLOSURES

Desk-Top Reference to Completing VA Cash-Out Docs (Initial & Final)

*****NOTE: ALL EXAMPLES USED ARE FROM ENCOMPASS LOS*****



VA CASH-OUT DISCLOSURES

◆ Overview:

- ◆ Resources
- ◆ Cash-Out Types
- ◆ Required Disclosures based on Refinance Types
- ◆ Disclosure Timing Requirements
- ◆ How to Complete Initial Disclosures for Cash-Out Loans
- ◆ How to Complete Final Disclosures for Cash-Out Loans

*NOTE: All Screen Shot Examples are based off Encompass LOS

RESOURCES

- ◇ AllRegs and/or [VA Lender Handbook](#)
 - ◇ Chapter 6: Refinances
- ◇ Circulars
 - ◇ [VA 26-19-5](#) (VA Guaranteed Cash-Out Refinancing Home Loans)
- ◇ Favorite Websites
 - ◇ [VA Portal](#)
 - ◇ [VA RLC Contact Info](#)
 - ◇ [VA Circulars](#)
 - ◇ [VA Lender's Page](#)

NO MATTER
WHICH LOS YOU
USE, THE VA
FORMS ARE THE
SAME AND
COMPLIANCE IS
REQUIRED!!

VA CASH-OUT DISCLOSURES

VA Cash-Out – Type I

- ◇ NEW Loan Amount $< / =$ 100% of Payoff amount of loan being refinanced
- ◇ Recoupment must be met

VA Cash-Out – Type II

- ◇ NEW Loan Amount $>$ of Payoff amount of loan being refinanced
 - ◇ NOTE: 98% or more fall into this category
- ◇ Recoupment is NOT a factor

THE PRIOR LOAN TYPE DOES NOT DICTATE THE TYPE OF CASH-OUT REFINANCE
BUT...

Required documentation changes depending on the prior loan type

REQUIRED DISCLOSURES

	Cash-Out Comparison (Includes NTB)	Cash-Out Home Equity Disclosure	Cash-Out Recoupment Certification
<u>Type I</u> Prior Loan = VA	✓	✓	✓
<u>Type I</u> Prior Loan = Non-VA	✓	✓	
<u>Type II</u> Prior Loan = VA	✓	✓	
<u>Type II</u> Prior Loan = Non-VA	✓	✓	

NOTE: DISCLOSURES NOTED ABOVE ARE REQUIRED WITHIN 3 DAYS OF APPLICATION AND AT CLOSING!

INITIAL DISCLOSURS

- ◇ All information in EXISTING loan column must be complete (Except the current VA LIN)
- ◇ All information may be an ESTIMATE based upon data collected from the Borrower, Credit Report, etc.
- ◇ At least ONE Net Tangible Benefit (NTB) must be selected, or the disclosure is VOID
 - ◇ *NOTE: If this happens, the loan will need to be restarted again unless your compliance department allows for an exception as this will create a VA loan defect post-closing and may impact the ability to guaranty or sell the loan*
- ◇ All VA Cash-Out Disclosures must be provided within 3 days of initial loan application (based upon the TRID defined date)
- ◇ No Change of Circumstance (COC) or Re-Disclosure options available – Correct forms must be used and completed per VA Requirements
 - ◇ *NOTE: NTB changes do not constitute a “COC” – Data may change or be added during the loan process*

VA CASH-OUT DISCLOSURES

LOS = ENCOMPASS: VA CASH-OUT DISCLOSURES ARE FOUND IN THE VA MANAGEMENT SCREEN

Forms Tools Services

- USDA Management
- LW Comparison
- VA 26-0286 Loan Summary
- VA 26-1805 Reasonable Value
- VA 26-1820 Loan Disbursement
- VA 26-6393 Loan Analysis
- VA 26-8261A Veteran Status
- VA 26-8923 Rate Reduction WS
- VA Appraisal Tracking
- VA Cert of Eligibility
- VA Management**
- VA Rate Reduction Certification
- VA Residual Income Guideline Table
- Verbal Verification of Employment
- Verification of Additional Loans
- Verification of Gifts and Grants
- Verification of Other Assets
- Verification of Other Income
- Verification of Other Liability
- VOD

Show in Alpha Order Show All

VA Management

Basic Information Qualification **Cash-Out Refinance** Tracking

Loan Comparison

	EXISTING LOAN	PROPOSED LOAN	ESTIMATED IMPACT OF REFINANCE	
VA Loan Number (LIN)	NA	77-77-6-5510124	N/A	Increase/Decrease
Loan Balance	244,959.00	295,000.00	-50,041.00	Increase
Show All (VOL)				
Monthly Payment	1,458.00	1,283.86	174.14	
Remaining Term (months)	360	360	0	None
Loan Type	VA-Fixed	Fixed Rate	N/A	
Interest Rate	2.250	3.250	-1.000	Increase
Total of the Remaining Scheduled Payments	360.00	360.00	0.00	None
Loan-to-Value Percentage	57.000 %	62.236 %	-5.236 %	Increase
Reasonable (Appraised) value	500,000	474,000		
Outstanding balance Property Liens	244,959.00	500,000		
Home Equity Remaining	= 255,041.00	Outstanding balance Property Liens = 295,000.00	76,041.00	Decrease
		= 179,000.00		

EXISTING DATA

1. TBD if not available @ initial application
2. Total of all mortgage liens on subject
3. PIMI ONLY (Do NOT include Taxes, Insurance, HOA, etc.)
4. Remaining months on current loan
5. Current loan type
6. Current Interest of 1st Mtg
7. Remaining payments expressed as a dollar amount (Remaining months x PIMI payment = Remaining Payments)
8. Estimated LTV (Automatically calculated from #9 = Estimated Value)
9. Estimated Value
10. Liens carry over from Balance/Payoff in Liabilities (VOL)
11. Remaining Home Equity (Est. LTV – Est Loan Balance)

VA Management

Basic Information

Qualification

Cash-Out Refinance

Tracking

Loan Comparison

		EXISTING LOAN
1	VA Loan Number (LIN)	TBD
2	Loan Balance	51,700.00
		Show All (VOL)
3	Monthly Payment	
4	Remaining Term (months)	
5	Loan Type	
6	Interest Rate	
7	Total of the Remaining Scheduled Payments	
8	Loan-to-Value Percentage	%
9	Reasonable (Appraised) value	
10	Outstanding balance Property Liens	- 70,700.00
11	Home Equity Remaining	=

- FHA-Fixed
- FHA-ARM/HARM
- Conventional-Fixed
- Conventional-ARM/HARM
- Conventional-Interest Only
- VA-Fixed
- VA-ARM/HARM
- Other

PROPOSED DATA

1. TBD if not available @ initial application (NOTE – Case # pulled during loan process – must be updated!!!)

2. New Loan Amount

3. P&I ONLY (Do NOT include Taxes, Insurance, HOA, etc.)

4. New Loan Term

5. New Loan Type

6. New Interest Rate

7. Remaining payments expressed as a dollar amount (New Loan Term x New P&I Payment = Remaining Pmts)

8. LTV (Automatically calculated from #9 = Actual Value from URAR/NOV)

9. Reasonable Appraised Value (Estimated Value will be updated once NOV is complete)

10. New Loan Amount (Imports from URLA – Lender Screen)

11. Remaining Home Equity (Actual Value – New Loan Balance)

Loan Comparison	PROPOSED LOAN
1 VA Loan Number (LIN)	91,420.00
2 Loan Balance	
3 Monthly Payment	676.22
4 Remaining Term (months)	180
5 Loan Type	Fixed Rate <input type="button" value="v"/>
6 Interest Rate	4.000
7 Total of the Remaining Scheduled Payments	
8 Loan-to-Value Percentage	76.183 %
	9 Reasonable (Appraised) value
	120,000
	10 Outstanding balance Property Liens
	- 70,700.00
11 Home Equity Remaining	= 49,300.00

If all data is complete:
estimated impact
of refinance will
show increase or
decrease



VA Management

Basic Information Qualification **Cash-Out Refinance** Tracking

Loan Comparison

	EXISTING LOAN	PROPOSED LOAN	ESTIMATED IMPACT OF REFINANCE	
VA Loan Number (LIN)	NA	77-77-6-5510124	N/A	Increase/Decrease
Loan Balance	245,294.61	295,000.00	-49,705.39	Increase
Show All (VOL)				
Monthly Payment	964.90	1,283.86	-318.96	
Remaining Term (months)	343	360	-17	Increase
Loan Type	VA-Fixed	Fixed Rate	N/A	
Interest Rate	2.250	3.250	-1.000	Increase
Total of the Remaining Scheduled Payments	330,960.70	462,189.60	-131,228.90	Increase
Loan-to-Value Percentage	52.000 %	62.236 %	-10.236 %	Increase
Reasonable (Appraised) value	474,000	474,000		
Outstanding balance Property Liens	- 244,959.00	Reasonable (Estimated) value 500,000		
Home Equity Remaining	= 229,041.00	Outstanding balance Property Liens - 295,000.00	50,041.00	Decrease
		= 179,000.00		



NET TANGIBLE BENEFIT & HOME EQUITY

- All VA C/O Disclosures, Type I & Type II, must reflect the appropriate Net Tangible Benefit & Home Equity Withdrawn @ Initial AND Final Disclosure
- At least ONE NTB must be disclosed @ Initial AND Final
- NTB(s) may change during process
- Home Equity W/D = New Loan Amount – Old Loan Balance
- Home Equity Amount will change during process

VA Management

Basic Information
Qualification
Cash-Out Refinance
Tracking

Loan Comparison				
	EXISTING LOAN	PROPOSED LOAN	ESTIMATED IMPACT OF REFINANCE	
VA Loan Number (LIN)	NA	77-77-6-5510124	N/A	Increase/Decrease
Loan Balance	245,294.61	295,000.00	-49,705.39	Increase
	Show All (VOL)			
Monthly Payment	964.90	1,283.86	-318.96	
Remaining Term (months)	343	360	-17	Increase
Loan Type	VA-Fixed	Fixed Rate	N/A	
Interest Rate	2.250	3.250	-1.000	Increase
Total of the Remaining Scheduled Payments	330,960.70	462,189.60	-131,228.90	Increase
Loan-to-Value Percentage	52.000 %	62.236 %	-10.236 %	Increase
	Reasonable (Appraised) value	Reasonable (Appraised) value		
	474,000	474,000		
	Outstanding balance Property Liens	Reasonable (Estimated) value		
	- 244,959.00	500,000		
Home Equity Remaining	= 229,041.00	Outstanding balance Property Liens	50,041.00	Decrease
		- 295,000.00		
		= 179,000.00		

Net Tangible Benefit

The proposed refinance loan meets the following net tangible benefits (check all that apply):

- The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance
- The term of the new loan is shorter than the term of the loan being refinanced
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced
- The payment on the new loan is lower than the payment on the loan being refinanced
- The new loan results in an increase in the borrower's monthly residual income as explained by 38 CFR 36.4340(e)
- The new loan refinances an interim loan to construct, alter, or repair the primary home
- The new loan amount is equal to or less than 90 percent of the reasonable value of the home
- The new loan refinances an adjustable rate mortgage to a fixed rate loan

Home Equity Disclosure

Estimated amount of 50,041.00 of Home Equity is being removed by refinancing from the reasonable value of the home.

VA REFINANCE CLOSING SUMMARY

Cash to Borrower (copies from URLA – Lender)

Payoff of consumer debts (non-mtg debts; copies from URLA – Lender)

Amount of increase in Total Paid Over Life of Loan = Difference between CURRENT and PROPOSED total of remaining payments

VA Management				
Basic Information Qualification Cash-Out Refinance Tracking				
Loan Comparison				
	EXISTING LOAN	PROPOSED LOAN	ESTIMATED IMPACT OF REFINANCE	
VA Loan Number (LIN)	NA	77-77-6-5510124	N/A	Increase/Decrease
Loan Balance	245,294.61	295,000.00	-49,705.39	Increase
	Show All (VOL)			
Monthly Payment	964.90	1,283.86	-318.96	
Remaining Term (months)	343	360	-17	Increase
Loan Type	VA-Fixed	Fixed Rate	N/A	
Interest Rate	2.250	3.250	-1.000	Increase
Total of the Remaining Scheduled Payments	330,960.70	462,189.60	-131,228.90	Increase
Loan-to-Value Percentage	52.000 %	62.236 %	-10.236 %	Increase
Reasonable (Appraised) value	474,000	474,000		
Outstanding balance Property Liens	244,959.00	500,000		
Home Equity Remaining	= 229,041.00	Outstanding balance Property Liens = 295,000.00	50,041.00	Decrease
		= 179,000.00		
Refinance Closing Summary				
Amount of Cash Directly Disbursed to Borrower(s)		14,872.71		
Payoffs Disbursed, Excluding Mortgages, on Behalf of Borrower(s)		16,119.00		
Amount of Increase in Total Paid Over Life of Loan		131,228.90		

VA LOAN COMPARISON RECOUPMENT

- TYPE I: VA to VA ONLY!
- MOST VA C/O Refinance transactions = TYPE II
 - Check the Correct Refinance Type during Application/Disclosure
 - Recoupment must be $< / = 36.00$ months if TYPE I (VA to VA) or does NOT qualify

Recoupment			
Previous Loan Information		Proposed Loan Information	
Original Loan Amount	252,430.00	Proposed Loan Amount	
Original Loan Term	360	Proposed Loan Term	
Interest Rate	2.250	Interest Rate	
Original Amortization Type	VA-Fixed	Proposed Amortization Type	Fixed
Monthly Payment (PI)	964.90	Proposed Monthly Payment (PI)	
Existing Loan Date	08/01/2020	Closing Date	02/11
Existing Loan First Payment Date	09/01/2020		
Closing Cost Recoupment			
Monthly Decrease in Payments	-318.96		
Total Closing Costs Less Guarantee Fee	18,503.68		
Recoup Closing Costs		Month(s)	
Refinance Type			
<input checked="" type="checkbox"/> TYPE I Cash-Out Refinance <input type="checkbox"/> TYPE II Cash-Out Refinance			

VA LOAN COMPARISON RECOUPMENT

- TYPE II does NOT require recoupment to be met
 - Check the correct Refinance type during application/disclosure
 - Payments generally increase with TYPE II Cash-Out transactions

Recoupment			
Previous Loan Information	Proposed Loan Information		
Original Loan Amount	252,430.00	Proposed Loan Amount	295,000.00
Original Loan Term	360	Proposed Loan Term	360
Interest Rate	2.250	Interest Rate	3.250
Original Amortization Type	VA-Fixed	Proposed Amortization Type	Fixed Rate
Monthly Payment (PI)		Proposed Monthly Payment (PI)	1,283.86
Existing Loan Date	08/01/2020	Closing Date	02/11/2022
Existing Loan First Payment Date	09/01/2020		
Closing Cost Recoupment			
Monthly Decrease in Payments			
Total Closing Costs Less Guarantee Fee	18,503.68		
Recoup Closing Costs		Month(s)	
Refinance Type			
<input type="checkbox"/> TYPE I Cash-Out Refinance	<input checked="" type="checkbox"/> TYPE II Cash-Out Refinance		

EXAMPLE: Type II = Nothing to Recoup!

VA CASH-OUT DISCLOSURES



VA Required Disclosures

Redisclosure is no longer required or permitted.

- Initial documents must be complete and correct, or the loan is out of compliance.
 - Loan may not be redisclosed to meet compliance requirements
 - Changes in benefit do not need to be redisclosed

VA CASH-OUT DISCLOSURES



VA Required Disclosures

UW Must confirm
data is correct
PRIOR to final CTC
(final disclosures
signed @ closing)

Final Disclosures

Included in the final closing package

- VA Cash-Out Refi Comparison – Final
- VA Cash-out Refi Home Equity Disclosure
- VA Loan Comparison Recoupment

Closing should make
sure final disclosures
are sent with closing
package; Funding to
confirm signed prior
to funding

Must be signed by borrowers at closing & in file prior to funding

VA CASH-OUT DISCLOSURE EXAMPLES

VA C/O Refinance Comparison (Includes comparison, NTB & Refinance Closing Summary – 2 Pages)

VA-GUARANTEED HOME LOAN CASH-OUT REFINANCE COMPARISON CERTIFICATION

Borrower(s): [REDACTED] Date: **February 11, 2022**
 Loan Number: [REDACTED]

Property Address: [REDACTED]
 Lender: [REDACTED]
 License NMLS #: [REDACTED]

FINAL REFINANCE LOAN
Sections IV through VII should be completed at or before the closing of the refinance loan.

Section IV – FINAL REFINANCE LOAN COMPARISON
 (This section to be completed by the Lender. Please refer to instructions for more information.)

	EXISTING LOAN	NEW LOAN	IMPACT OF REFINANCE
VA Loan Number (LIN)	NA	77-77-6-5510124	
Loan Balance	\$ 245,294.61	\$ 295,000.00	\$49,705.39 (Increase)
Monthly Payment	\$ 964.90	\$ 1,283.86	\$318.96 (Increase)
Remaining Term (months)	343	360	17 (Increase)
Loan Type	VA Fixed Rate	Fixed Rate	N/A
Interest Rate	2.250%	3.250%	1.000% (Increase)
Total of the Remaining			
Scheduled Payments	\$ 330,960.70	\$ 462,189.60	\$131,228.90 (Increase)
Loan-to-Value Percentage	52.000%	62.236%	10.236% (Increase)
Home Equity Remaining	\$ 229,041.00	\$ 179,000.00	\$50,041.00 (Decrease)

Section V – REFINANCE CLOSING SUMMARY
 (This section to be completed by the Lender. Please refer to instructions for more information.)

Amount of Cash Directly Disbursed to Borrower(s): \$ 14,872.71
 Payoffs Disbursed, Excluding Mortgages, on Behalf of Borrower(s): \$ 16,329.00
 Amount of Increase in Total Paid Over Life of Loan: \$ 131,228.90

Section VI – NET TANGIBLE BENEFIT FOR FINAL REFINANCE LOAN
 (This section to be completed by the Lender. Please refer to instructions for more information.)

I, **Nationwide Mortgage Bankers, Inc.**, have determined that the new refinance loan outlined in Section IV meets the following net tangible benefits (check all that apply):

- The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance
- The term of the new loan is shorter than the term of the loan being refinanced
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced
- The payment on the new loan is lower than the payment on the loan being refinanced
- The new loan results in an increase in the borrower's monthly residual income as explained by 38 CFR 36.4340(e)
- The new loan refinances an interim loan to construct, alter, or repair the primary home
- The new loan amount is equal to or less than 90 percent of the reasonable value of the home
- The new loan refinances an adjustable rate mortgage to a fixed rate loan

Section VII – BORROWER CERTIFICATION FOR FINAL REFINANCE LOAN

I/We hereby certify that I/we understand the effect refinancing has on my loan balance, payments, interest rate, term, total payback of payments, and remaining equity in my home should I/we accept a refinance loan.

VA C/O Refinance Home Equity Disclosure

VA C/O Refinance Recoupment Certification (TYPE I: VA to VA)

VA CASH-OUT REFINANCE HOME EQUITY DISCLOSURE

Borrower(s): [REDACTED] Date Sent: **February 11, 2022**
 Loan Number: [REDACTED]

Property Address: [REDACTED]
 Lender: [REDACTED] Loan Originator: [REDACTED]
 License NMLS #: [REDACTED]

An estimated amount of **\$50,041.00** of Home Equity is being removed from the reasonable value of the home by refinancing into a new loan.

Removal of this Home Equity may affect your ability to sell or refinance the home in the future.

I/We hereby certify that I/we understand the effect the removal of the Home Equity may potentially have on the home.

VA CASH-OUT RECOUPMENT PERIOD CERTIFICATION

Borrower(s): [REDACTED] Date: **December 28, 2021**
 VA Loan No.: [REDACTED]
 Lender Loan: [REDACTED]

Property Address: [REDACTED]
 Lender: [REDACTED]

A VA TYPE I cash-out refinance is a refinancing loan in which the loan amount (including VA funding fee) does not exceed the payoff amount of the loan being refinanced.

Fee recoupment applies to TYPE I cash-out refinancing 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 (included in the loan and paid outside of closing) does not exceed 36 months from **December 28, 2021**.

Existing Loan Balance:	\$500,000.00	New Loan Amount:	\$548,250.00
Interest Rate:	4.750%	Interest Rate:	3.750%
Principal & Interest Payment:	\$2,921.23	Principal & Interest Payment:	\$2,539.03
Fees/Expenses/Closing Cost:	\$29,444.06		
Reduction of monthly P&I:	\$382.20		
Fee Recoupment Period:	78	Month(s)	

Lender hereby certifies that the recoupment period of fees, expenses, and closing costs (included in the loan and paid outside of closing) does not exceed 36 months from the date of the loan closing.

Q&A

