

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

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



### ♦ 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 <u>VA Lender Handbook</u>** 
  - ♦ Chapter 6: Refinances
- **♦** Circulars
  - ♦ <u>VA 26-19-5</u> (VA Guaranteed Cash-Out Refinancing Home Loans)
- **⋄** Favorite Websites
  - ♦ VA Porta
  - 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 – 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><b>Type I</b></u> Prior Loan = VA			
<u><b>Type I</b></u> Prior Loan = Non-VA			
<u><b>Type II</b></u> Prior Loan = VA			
<u><b>Type II</b></u> Prior Loan = Non-VA			

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



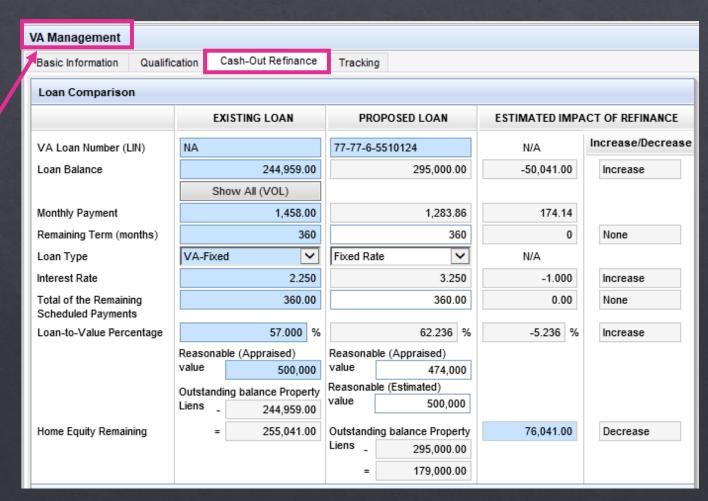
# **INITIAL DISCLOSURS**

- ♦ 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



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

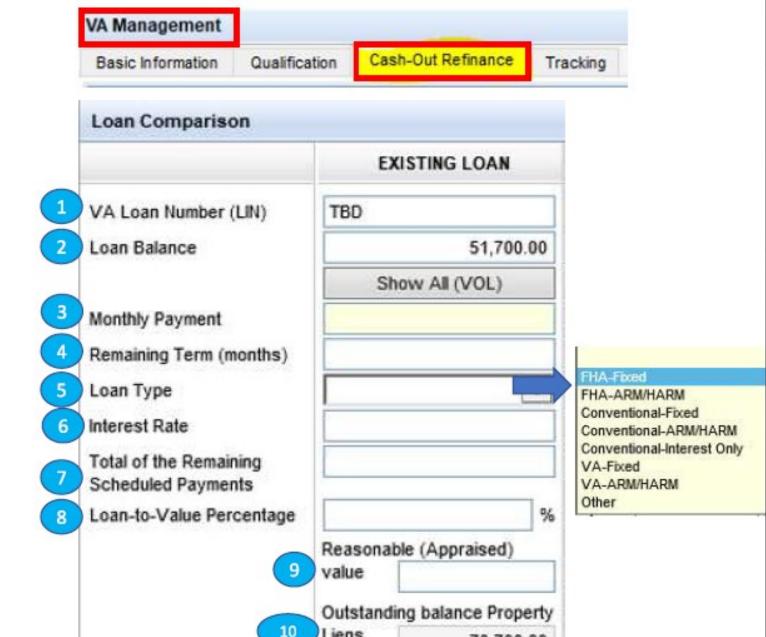






### **EXISTING DATA**

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



Liens

=

Home Equity Remaining

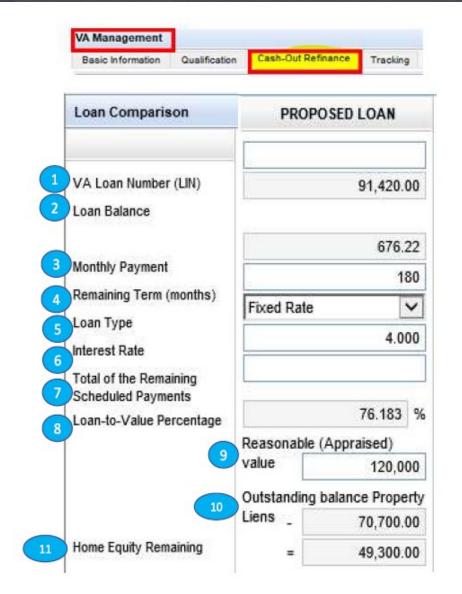
11

70,700.00



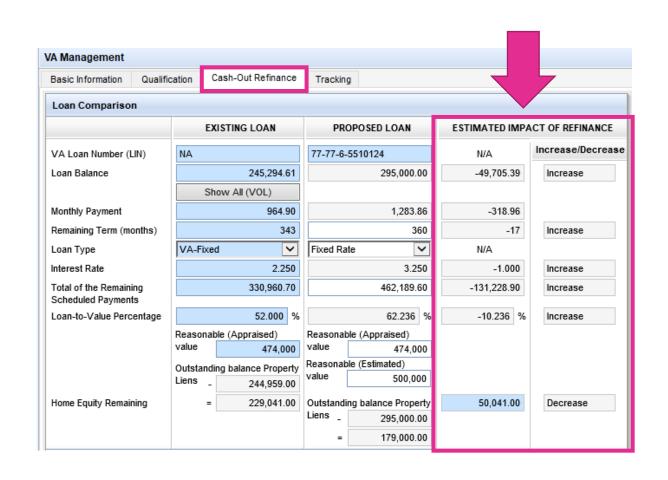
# PROPOSED DATA

- 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)





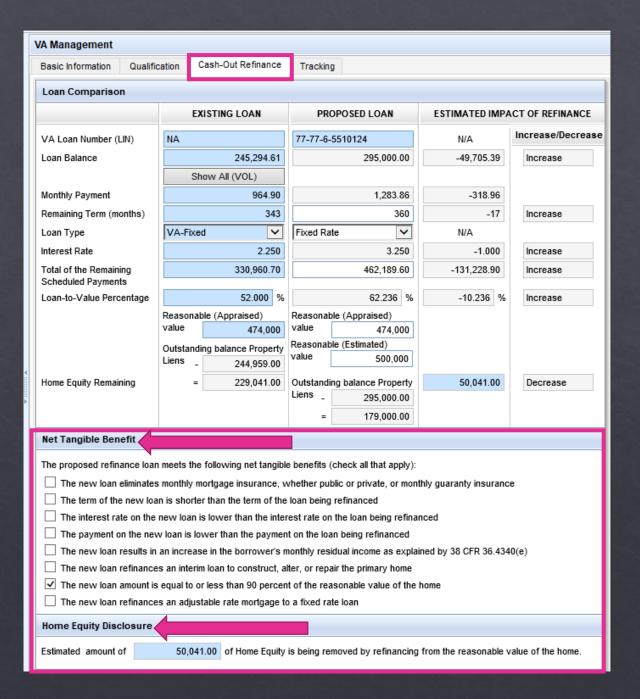
If all data is complete: estimated impact of refinance will show increase or decrease





# 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



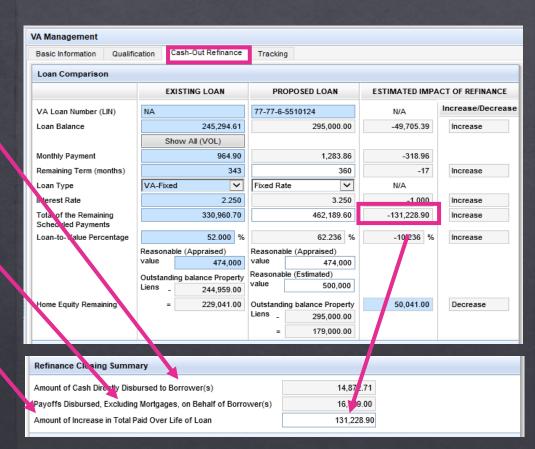


# VA REFINANCE CLOSING SUMMARY

Cash to Borrower (copies from URLA – Lender)

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

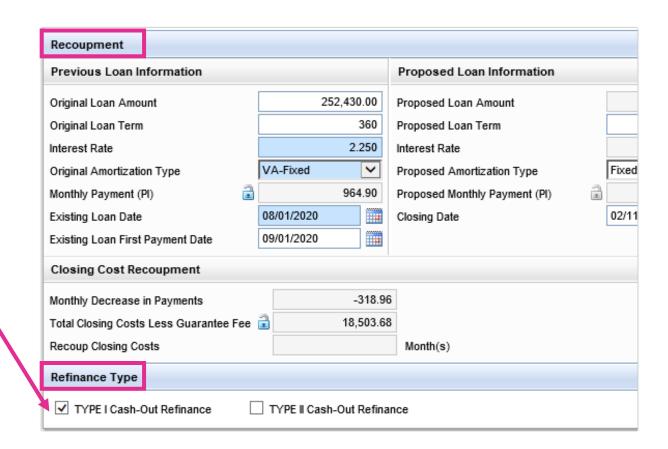
Amount of increase in Total Paid Over Life of Loan = Difference between CURRENT and PROPOSED total of remaining payments





# VA LOAN COMPARISON RECOUPMENT

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

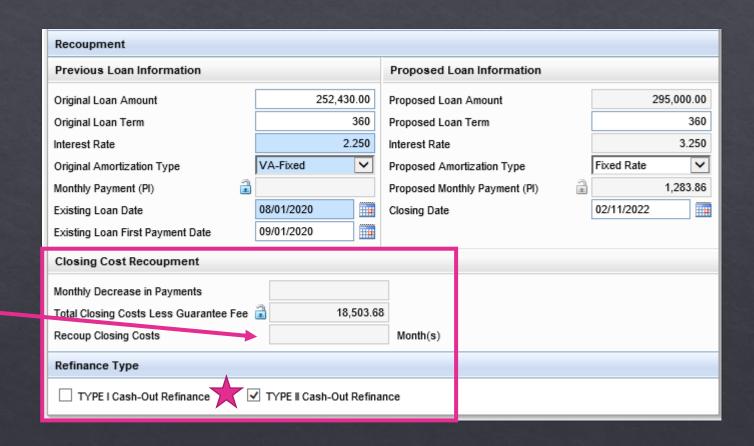




# VA LOAN COMPARISON RECOUPMENT

- 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

EXAMPLE: Type II = Nothing to Recoup!







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 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-GUARANTEED HOME LOAN CASH-OUT REFINANCE COMPARISON CERTIFICATION

Borrower(s)

Date: February 11, 2022

Loan Number:



#### **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	%	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

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

#### 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):

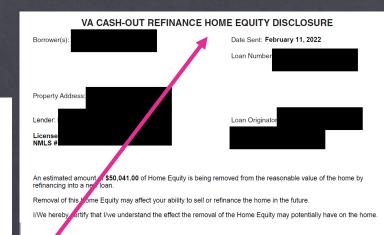
- ☐ The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance ☐ The term of the new loan is shorter than the term of the loan being refinanced
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced
- ☐ The payment 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)



Properb Address:

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.

VA CASH-OUT RECOUPMENT PERIOD CERTIFICATION

Date: December 28, 2021

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, expended 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:
 3.756 %

 Principal & Interest Payment:
 \$2,921.23
 Principal & Interest Payment:
 \$2,539.03

 Fees/Expenses/Closing Cost:
 \$29,444.06
 \$29,444.06
 \$29,444.06

 Fees/Expenses/Closing Cost:
 \$29,444.06

 Reduction of monthly P&I:
 \$382.20

 Fee Recoupment Period:
 78

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

