VA Lenders Handbook (VA Pamphlet 26-7), Chapter 3, Topic 7 — Discount Points

Register va-m26-7-ch03-t07

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 3, Topic 7 — Discount Points.

1 verbatim provision(s). Each quote is a verified substring of the regulator-published source snapshot, not retyped.

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 3, Topic 7 — Discount Points

7. Discount Points Change Date November 8, 2012, Change 21 • This section has been updated to make minor grammatical edits. a. Requirement Veterans may pay reasonable discount points on VA-guaranteed loans. The amount of discount points is whatever the borrower and lender agree upon. Discount points can be based on the principal amount of the loan after adding the VA funding fee, if the funding fee will be paid from loan proceeds. b. When Can Points be Included in the Loan? Discount points may be rolled into the loan only in the case of refinancing loans, subject to the following limitations: Interest Rate Reduction Refinancing Loans A maximum of two discount points can be rolled into the loan. If the borrower pays more than two points, the remainder must be paid in cash. Refinancing of Construction Loans, etc. Loans to refinance are: • a construction loan, • an installment land sales contract, or • a loan assumed by the veteran at an interest rate higher than that for the proposed refinancing loan Any reasonable amount of discount points may be rolled into the loan as long as the sum of the outstanding balance of the loan plus allowable closing costs and discount points does not exceed the VA reasonable value. Reference: See the maximum loan limitations in section 3 of this chapter. Cash-out Refinancing Loans While discount points cannot specifically be included in the loan amount, the borrower can receive cash from loan proceeds, subject to maximum loan limits (See section 3 of this chapter). The cash received by the borrower can be used for any purpose acceptable to the lender, including payment of reasonable discount points. Continued on next page VA Pamphlet 26-7, Revised Chapter 3: The VA Loan and Guaranty 3-18 7. Discount Points, Continued c. Changes to the Agreed Upon Discount Points The lender and borrower are expected to honor any agreements they have entered into which impact the discount points paid on the loan. VA does not object to changes in the agreed upon points, as long as no lender/borrower agreements are violated. The following procedures apply in such cases. Any increase in discount points requires: • verification that the borrower has sufficient assets to cover the increase, • documentation of the change, and • a new or corrected URLA with any corrections initialed and dated by the borrower. Reference: For prior approval loans, see section 4 of chapter 5. VA Pamphlet 26-7, Revised Chapter 3: The VA Loan and Guaranty 3-19

Source: VA Lenders Handbook (VA Pamphlet 26-7), Chapter 3, Topic 7 — Discount Points · snapshot 73e5d344e2743889