

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 3 — Cash-Out Refinancing Loans

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3. Cash-Out Refinancing Loans Change Date April 10, 2009, Change 11 • Subsections a, b, and c were changed to remove references to a 90 percent limit on refinancing. P.L. 110-389, Veterans' Benefits Improvement Act of 2008, signed October 10, 2008, removed this limit. • Subsection b has been changed to state that refinances can now be made up to 100 percent of value, plus funding fee and any energy efficient improvements. • Subsection d has been changed to remove the \$36,000 maximum guaranty limit on most refinance loans. • This section has been updated to correct hyperlinks and to make minor grammatical edits.

a. What is a VA Cash-Out Refinancing Loan? A cash-out refinancing loan is a VA-guaranteed loan that refinances any type of lien or liens against the secured property. The liens to be paid off may be: • current or delinquent, and • from any source, such as - tax or judgment liens, or - VA, FHA, or conventional mortgages. Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the borrower for any purpose acceptable to the lender. The loan must be secured by a first lien on the property.

b. Maximum Loan Amount The maximum loan amount is 100 percent of the appraised value, plus the cost of any energy efficiency improvements, plus the VA funding fee.

c. What Fees and Charges Can be Included in the Loan? Cash proceeds from the loan may be used to pay allowable fees and charges and discount points. Continued on next page VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-18

3. Cash-Out Refinancing Loans, Continued

d. Maximum Guaranty The maximum guaranty for regular (i.e., "cash-out") refinancing loans is the same as the maximum guaranty for purchase loans. Prior to October 10, 2008, the maximum guaranty had been limited to \$36,000. However, guaranty on this type of loan is now computed the same as for purchases (i.e., can vary depending on location).

e. Veteran's Entitlement The veteran must have sufficient available entitlement for the loan. If an existing VA loan on the same property will be paid off by the refinancing loan, the entitlement used for that existing loan can be restored for purposes of obtaining the new loan.

f. Occupancy The veteran must certify that he or she intends to personally occupy the property as his or her home. Reference: See section 5 of chapter 3 for details.

g. Automatic or Prior Approval Processing Only lenders with authority to close loans automatically may close cash-out refinancing loans automatically. All others must submit these loans for prior approval by VA.

h. Lender Procedures Loan processing procedures are virtually the same as for non-refinancing loans. A full appraisal, credit information, and underwriting are required. Generally, follow the procedures described in chapter 5 of this handbook. To report loan closing, submit all of the documents required for non- refinancing loans (see chapter 5) plus a statement signed by the veteran which shows: • the cash proceeds paid, • an itemization of the debts paid from loan proceeds, and • the identification of those debts secured by liens of record. VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-19

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