VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 4 — Quick Reference Table for IRRRLs Versus Cash-Out

Register va-m26-7-ch06-t04

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 4 — Quick Reference Table for IRRRLs Versus Cash-Out.

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 6, Topic 4 — Quick Reference Table for IRRRLs Versus Cash-Out

4. Quick Reference Table for IRRRLs Versus Cash-Out Refinancing Loans Change Date April 10, 2009, Change 11 • This section has been updated to remove references to a 90 percent limit and a maximum guaranty on refinance loans, and to make minor grammatical edits. a. Table IRRRL versus Cash-out The following table provides a quick reference for IRRRL loans versus cash- out refinancing loans: Feature IRRRL Cash-out Refinancing Purpose To refinance an existing VA loan at a lower interest rate To pay off lien(s) of any type - can also provide cash to borrower Interest Rate Rate must be lower than on existing VA loan (unless existing loan is an ARM) Any negotiated rate Monthly Payment Amount Payment must be lower than that on an existing VA loan (unless the ARM is being refinanced, a term is shortened, or energy efficiency improvements are being included) No requirement Discount Points Reasonable points can be paid - only two of these points can be included in the loan amount Reasonable points can be paid - if paid from loan proceeds Maximum Loan Existing VA loan balance, plus allowable fees and charges, plus up to two discount points, plus the cost of any energy efficiency improvements, plus the VA funding fee 100 percent of the reasonable value of the property indicated on the NOV, plus the cost of any energy efficiency improvements, plus the VA funding fee Maximum Guaranty Guaranty is at least 25 percent in all cases (See section 1, subsection h of this chapter) Maximum guaranty is the same as for purchases Continued on next page VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-20 4. Quick Reference Table for IRRRLs Versus Cash-Out Refinancing Loans, Continued a. Table IRRRL versus Cash-out (continued) Feature IRRRL Cash-out Refinancing Entitlement Veteran re-uses the entitlement used on the existing VA loan - the IRRRL does not impact the amount of entitlement the veteran has in use Must have sufficient available entitlement - if existing VA loan on the same property is being refinanced, entitlement can be restored for the refinance Fees and Charges in the Loan All allowable fees and charges, including up to two discount points, may be included in the loan Allowable fees and charges and points may be paid from the loan proceeds Cash to Borrower Not permitted Borrower can receive cash for any purposes acceptable to the lender Lien/Owner- ship Must be secured by first lien - veteran must own property Must be secured by first lien - veteran must own property Refinance of Other Liens Cannot refinance other liens - can only refinance the existing VA loan Can refinance any type of lien(s) Maximum Loan Term Existing VA loan term plus 10 years, not to exceed 30 years + 32 days 30 years + 32 days Occupancy Veteran or spouse of an active duty servicemember must certify to prior occupancy Veteran or spouse of an active duty servicemember must certify as to intent to occupy Appraisal No appraisal is required Appraisal is required Credit Underwriting No underwriting is required except in certain cases Full credit information and underwriting are always required Automatic Authority All lenders can close IRRRLs automatically, except if the loan being refinanced loan is 30 days or more past due, prior approval is always required Only lenders with automatic authority can close these loans automatically Law 38 U.S.C.

3710(a)(8) 38 U.S.C. 3710(a)(5) VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-21

Source: VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 4 — Quick Reference Table for IRRRLs Versus Cash-Out · snapshot e9c94ae5dc0a61f0