VA Lenders Handbook (VA Pamphlet 26-7), Chapter 8, Topic 7 — Fees and Charges That Can Be Included in the Loan

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7. Fees and Charges That Can Be Included in the Loan Amount Change Date November 8, 2012, Change 21 • This section has been updated to make minor grammatical edits. a. All VA Loans For all types of VA loans, the loan amount may include the VA funding fee. No other fees and charges or discount points may be included in the loan amount for regular purchase or construction loans. Only refinancing loans may include other allowable fees and charges and discount points in the loan amount. Note: Maximum loan amounts are discussed in section 3 of chapter 3. b. “Cash-out” Refinancing Loans For “cash-out” refinancing loans, allowable fees and charges and discount points (as discussed in section 2 of this chapter) may be paid from cash proceeds of the loan. Only the VA funding fee (and the cost of any energy efficiency improvements) can be added to increase the loan amount. c. IRRRLs The following fees and charges may be included in an IRRRL: • Any allowable fees and charges discussed in section 2 of this chapter. This includes closing costs from the “Itemized Fees and Charges” list, the funding fee, and the lender’s flat charge. • However, there is one limitation unique to IRRRLs: While the borrower may pay any reasonable amount of discount points in cash, no more than two discount points can be included in the loan amount. Continued on next page VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-16 7. Fees and Charges That Can Be Included in the Loan Amount, Continued d. Other Refinancing Loans The following information applies to any loan to refinance: • 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. The loan amount may include: • any allowable fees and charges discussed in section 2 of this chapter, and • reasonable discount points. Note: Maximum loan limits may not allow inclusion of the full amount of these items. The maximum loan amount will be the lesser of the • sum of the outstanding balance of the loan being refinanced plus allowable fees and charges (other than the funding fee) plus discount points, or • VA reasonable value of the property, plus • VA funding fee, plus • cost of any energy efficiency improvements. VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-17

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