



## VA Refinance Cash Out

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing. It is not intended as a replacement for VA guidelines. Users are expected to know and comply with VA requirements. **Loans must meet the new guidance in VA Circular 26-18-13 dated May 25, 2018 as well as Ginnie Mae APM 18-04 dated May 30, 2018.**

NOTE: This matrix includes overlays, which may be **more restrictive** than VA requirements. A thorough reading of this matrix is recommended.

### Program Qualifications

- LSM's VA Cash Out Refinance loan is designed for the cash out refinance of an owner occupied primary residence using VA insured financing. There must be an existing lien on the property and it may be from any source.
- **Important new GNMA Loan Seasoning Requirements: See Guaranty/Entitlement – APM18-04**
- **Important new requirements per VA Circular 26-18-13 dated May 25, 2018.**
  - **Applies to applications dated May 25, 2018 and later. Loans that do not meet these requirements will not be eligible for guaranty by VA.**

### Eligibility Matrix Loan Amount & LTV Limitations

#### VA Refinance – Cash Out Primary Residence Only

Units	Maximum Base LTV
1-4	100% of the VA reasonable value (NOV)  * All VA refinance loans that fall under Section 50(a)(6) of the Texas Constitution are ineligible
<ul style="list-style-type: none"> <li>• Basic Entitlement is \$36,000</li> <li>• Bonus Entitlement is available for loans closed on or after 1/1/09.</li> <li>• Important: Ginnie Mae's required minimum 25% guaranty must be met. This may be satisfied by a combination of VA entitlement and equity. It may not consist of only equity in the property.</li> <li>• Maximum 100% CLTV for existing subordinate financing</li> <li>• New subordinate financing is not permitted</li> <li>• The maximum LTV is 100% of the value shown on the VA Notice of Value plus the VA funding fee, not to exceed the limitations set by the maximum guarantee allowed by VA.</li> <li>• <b>Maximum LTV for Manufactured Housing is 85%</b> of the value shown on the VA Notice of Value plus the VA funding fee, not to exceed the limitations set by the maximum guarantee allowed by VA. See <i>Property Types</i> for additional MFH Restrictions.</li> <li>• The maximum entitlement is 25% of the VA County Loan Limit. The maximum loan amount is limited to the lesser of 100% of the appraised value (NOV) plus funding fee or the <b>maximum allowable total loan amount</b>, providing there is sufficient entitlement plus equity to meet the required minimum guarantee percentage of 25%. The veteran must have entitlement to use toward the new transaction. The 25% cannot consist of only equity in the property.</li> </ul> <p>Refinance of Installment Land Sales Contracts</p> <ul style="list-style-type: none"> <li>• Loan amount may not exceed the lesser of:           <ul style="list-style-type: none"> <li>• VA reasonable value OR</li> <li>• The sum of the outstanding balance of the loan to be refinanced plus allowable closing costs (excluding VA funding fee) and discount points</li> </ul> </li> <li>• Process as a cash-out refinance transaction except the maximum LTV is 100%, excluding VA funding fee</li> <li>• No cash back to borrowers</li> </ul>	

### Maximum Loan Amount

Continental US, Alaska and Hawaii		
Units	Highest Maximum Total Loan Amount	Credit Score
1 – 4 Units	> \$1,250,000 ≤ \$1,500,000	680
	> \$1,000,000 ≤ \$1,250,000	640
	≤ \$1,000,000	580

### Product Description

- VA Fixed Rate 15 and 30 year term; fully amortized
- VA Fixed Rate 15 and 30 year term, high balance; fully amortized
- VA 3/1 and 5/1 ARMs, including high balance

### Product Codes



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Fixed	Product Code	Program Description
15 Years	415	VA 15 YR Fixed
15 Years	715	VA 15 YR Fixed FICO < 620
15 Years	415HB	VA 15 YR Fixed High Bal
15 Years	715HB	VA 15 YR Fixed High Balance FICO < 620
30 Years	401	VA 30 YR Fixed
30 Years	401HB	VA 30 YR Fixed High Bal
30 Years	701	VA 30 year Fixed FICO < 620
30 Years	701HB	VA 30 year Fixed High Balance FICO < 620

### Hybrid ARM

3/1 ARM	A403	VA 3/1 ARM
3/1 ARM	A403HB	VA 3/1 ARM High Balance
3/1 ARM	A903	VA 3/1 ARM FICO < 620
3/1 ARM	A903HB	VA 3/1 ARM FICO < 620 High Balance
5/1 ARM	A405	VA 5/1 ARM
5/1 ARM	A405HB	VA 5/1 ARM High Balance
5/1 ARM	A1005	VA 5/1 ARM FICO < 620
5/1 ARM	A1005HB	VA 5/1 ARM FICO < 620 High Balance

### Eligibility Requirements

<b>Adjustable Rate Details</b>	<table border="1"> <tbody> <tr> <td><b>Interest rate adjustment caps</b></td> <td>3/1 and 5/1 ARM = 1/1/5 Initial: 1% up/down; Subsequent: 1% up/down; Lifetime : 5% up</td> </tr> <tr> <td><b>Margin</b></td> <td>2.00%</td> </tr> <tr> <td><b>Index</b></td> <td>1-Year CMT, defined as the weekly average yield on United States (U.S.) Treasury securities adjusted to a constant maturity of one year</td> </tr> <tr> <td><b>Interest rate Floor</b></td> <td>The interest rate Floor is equal to the Margin</td> </tr> <tr> <td><b>Change dates</b></td> <td>3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. Government ARM initial change dates are the first day of January, April, July, or October, depending on disbursement date.</td> </tr> <tr> <td><b>Conversion Option</b></td> <td>None</td> </tr> <tr> <td><b>Assumption</b></td> <td>Permitted after the first adjustment for qualified borrowers.</td> </tr> <tr> <td><b>Temporary Buydowns</b></td> <td>Temporary Buydowns may not be used with an ARM product</td> </tr> <tr> <td><b>Qualification</b></td> <td>Borrowers qualify at the note rate</td> </tr> </tbody> </table>	<b>Interest rate adjustment caps</b>	3/1 and 5/1 ARM = 1/1/5 Initial: 1% up/down; Subsequent: 1% up/down; Lifetime : 5% up	<b>Margin</b>	2.00%	<b>Index</b>	1-Year CMT, defined as the weekly average yield on United States (U.S.) Treasury securities adjusted to a constant maturity of one year	<b>Interest rate Floor</b>	The interest rate Floor is equal to the Margin	<b>Change dates</b>	3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. Government ARM initial change dates are the first day of January, April, July, or October, depending on disbursement date.	<b>Conversion Option</b>	None	<b>Assumption</b>	Permitted after the first adjustment for qualified borrowers.	<b>Temporary Buydowns</b>	Temporary Buydowns may not be used with an ARM product	<b>Qualification</b>	Borrowers qualify at the note rate
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<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>A new appraisal completed by a VA approved or VA fee panel Appraiser is always required.</li> <li>VA LAPP approved Underwriting Consultant will issue the Notice of Value</li> <li>Copy of the signed Notice of Value must remain in the loan file</li> </ul> <p>Note: Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot. This is in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector (Lender Manual 12.06)</p> <p>Natural Disasters</p> <ul style="list-style-type: none"> <li>Loans secured by properties located in areas federally declared as major disaster areas must have additional inspections, send an email to <a href="mailto:Scenarios_Ismortgage.com">Scenarios_Ismortgage.com</a> for details</li> </ul> <p>Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.</p> <p><u>Site Condos</u> VA appraisals for site condos must be on condo appraisal form (1073)</p> <p><u>Value Adjustments and Photographs (Circular 26-17-05, dated 2-10-17)</u> SAR's may only issue the NOV at the appraised value reflected in an appraisal report that is acceptable to VA.</p> <p>Interior photographs are required for all VA appraisals and should include the following:</p> <ul style="list-style-type: none"> <li>The kitchen</li> <li>All bathrooms</li> </ul>																		



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	<ul style="list-style-type: none"> <li>• Main living area</li> <li>• Examples of physical deterioration, if present</li> <li>• Examples of recent updates, such as restoration, remodeling, and renovation, if present.</li> </ul> <p>Exterior photographs should include photos showing the front view, rear view (preferable including a different side view in each photograph), and street scene of the subject property. The front view of each comparable sale is also required. Photos of comparable listings are encouraged, but not required.</p> <p><u>Clarification of Locational Requirements of Comparable Sale Properties (Circular 26-17-14, dated 5-19-17)</u>          Comparable sales should be located as close to the subject as practical. In suburban or rural communities, the market areas may be greatly expanded and suitable comparable sales may be many miles away from the subject. In such cases, the appraiser should specify why those comparable sales were used and how they compare/compete with the subject. The appraiser should evaluate whether extended distances are normal for this market, submit a description of the market area, and determine whether the comparable sales are within the subject's market. The appraiser should also indicate whether or not any adjustments were made for locality or proximity. If there are any other recent comparable sales closer to the subject, include a discussion regarding why they were not used.</p>
<b>Appraiser Requirements</b>	Appraisal ordered through and appraiser assigned at the VA Portal at the time the case number is ordered.
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Two months bank statements to cover any funds necessary to close</li> </ul>
<b>Assumptions</b>	Permitted – Credit worthy borrowers only
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guarantee</li> <li>• Joint loans involving a veteran and a non-veteran who is not the veteran's spouse (VA prior approval required. Refer to <i>Special Requirements/Restrictions</i> for more details)</li> <li>• Joint loans involving two unmarried veterans (VA prior approval required. Refer to <i>Special Requirements/Restrictions</i> for more details)</li> </ul> <p><b>Ineligible</b></p> <ul style="list-style-type: none"> <li>• Non-Permanent Resident Aliens are ineligible</li> <li>• Inter Vivos Revocable Trust is not allowed as borrower or vested owner at closing             <ul style="list-style-type: none"> <li>◦ Loan must close with the veteran (as individual) and ownership may be transferred into an inter vivos trust at a separate later time in accordance with the VA Lender Manual. (LSM overlay)</li> </ul> </li> </ul>
<b>Certificate of Eligibility (COE)</b>	A Certificate of Eligibility (COE) is required.
<b>Co-borrowers</b>	<p>All borrowers must occupy the subject property</p> <p><b>Exception:</b>          In cases where a veteran is unable to occupy the property because of his/her active duty status as a member of the Armed Forces, certification of occupancy by the veteran's spouse is sufficient.          Under P.L. 112-154, the occupancy requirement is also considered met if a dependent child occupies, or will occupy, the property as a home and the veteran's attorney-in-fact or the dependent child's legal guardian makes the occupancy certification.</p>
<b>Credit</b>	<p>Housing (Mortgage/Rental) Payment History Requirements</p> <ul style="list-style-type: none"> <li>• It may be necessary to verify the current and previous mortgage to establish a 12-month payment history.</li> </ul> <p>Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types.</p> <ul style="list-style-type: none"> <li>• All loans must be current</li> <li>• Cash-Out – Regardless of AUS Decision – 12 month payment history or life of loan if property is owned less than 12 months via a credit report, cancelled checks, or VOM to reflect no more than 0x30 during the previous 12 months.</li> </ul> <p><b>Minimum Fico Score Requirement</b></p> <ul style="list-style-type: none"> <li>• <b>580</b>, AUS Approve/Eligible or LP/Accept. Manual underwriting due to Refer/downgrade is not allowed.</li> <li>• <b>600</b>, AUS or manual underwriting due to Refer/downgrade</li> </ul> <p>Non-traditional credit is ineligible</p> <p>Credit reports charged to veterans are limited to the <u>actual invoice price charged to the lender</u>, not to exceed a maximum combined total of \$100. Charge must be substantiated with an invoice</p> <p>AUS fees charged to veterans are limited to the <u>actual evaluation fee charged to the lender in lieu of a credit report charge</u> not to exceed a maximum total of \$100. Charge must be substantiated with an invoice.</p> <p>The only time where both a credit report and an AUS can be charged to the veteran is on AUS "Refer" cases. A maximum total of \$100 still applies for the combined total of the credit report and AUS charges.          See Circular 26-14-36, dated 11-18-14).</p>



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	<p><u>Collections</u> For an <u>AUS Approve/Eligible loan</u>, collections can be ignored so long as they are not manually omitted when running the AUS.</p>
<p><b>Documentation</b></p>	<p><b>Important</b> – Review Circular 26-17-11 and Exhibits A and B, <i>Instructions Regarding Documentation of Allowable Fees and Charges on the TILA-RESPA TRID-CD Form</i> (dated 4-11-17)</p> <p><b>VA no longer accepts an itemized list of credits and charges.</b> Underwriters must document all allowable fees and charges assessed against the borrower, in accordance with 38 C.F.R. 36.4313, as well as any lender credits on the TRID-CD.</p> <p>Fees charged to the veteran must be listed in the “Borrower Paid” column of the TRID-CD. Lender credits are to be listed in the “Paid by Others” column. Borrower closing costs, paid for by the lender, should be placed in the “Paid by Others” column. This eliminates the need to provide a separate itemized list of fees and charges.</p> <p><u>Clarification of Third-Party Verification Requirements (26-17-43)</u> VA accepts third-party verifications, subject to 38 C.F.R. § 36.4340(j) which states, in relevant part.:</p> <ul style="list-style-type: none"> <li>• Brokers are fully responsible for developing all credit information; i.e., for obtaining verifications of employment and deposit, credit reports, and for the accuracy of the information contained in the loan application.</li> <li>• Verifications of employment and deposits, and request for credit reports, and/or credit information must be initiated and received by the Brokers Employee.</li> <li>• In cases where the real estate broker/agent, or any other party request any of this information the report(s) must be returned directly to the brokerr. This fact must be disclosed by appropriately completing the required certification on the loan application, or report and the parties must be identified as agents of the broker.</li> <li>• Where the broker relies on other parties to secure any of the credit, or employment information, or otherwise accepts such information obtained by any other party, such parties shall be construed for purposes of the VA submitted loan documents to be authorized agents of the lender, regardless of the actual relationship between such parties and the lender, even if disclosure is not provided to VA under paragraph (j)(3) of this section. Any negligent or willful misrepresentation by such parties shall be imputed to the lender as if the lender had processed those documents, and the lender shall remain responsible for the quality, and accuracy of the information provided to VA.</li> <li>• All such relationships must be disclosed on VA form 26-1820, Report and Certification of Loan Disbursement, section II, 24, j.</li> <li>• Under 38 C.F.R. § 36.4313, lenders may not charge to a Veteran the cost of obtaining third-party verifications of borrower income, employment and asset information.</li> </ul> <p><u>Clarification and Reminder per Circular 26-18-4 (February 23, 2018)</u> VA does not allow charges to the Veteran for unallowable costs, like cash advances on principal. A charge made to a Veteran in exchange for paying, crediting, funding, advancing, or otherwise establishing methods to advance funds to a Veteran on or after the VA loan closing (other than for advancing allowable charges) is prohibited.</p>
<p><b>Employment / Income</b></p>	<p>Employment documentation</p> <ul style="list-style-type: none"> <li>• Verification of employment</li> <li>• Paystubs covering at least the most recent 30 day period</li> <li>• Most recent W-2</li> <li>• 2 years tax returns for self-employed borrowers</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Paystubs covering at least the most recent 30 day period</li> <li>• 2 years W2s</li> <li>• 2 years tax returns for self-employed borrowers</li> <li>• Completed Telephone VOE             <ul style="list-style-type: none"> <li>• If telephone VOE does not verify income, full documentation is required</li> </ul> </li> </ul> <p>Form 4506-T must be processed prior to closing.</p> <ul style="list-style-type: none"> <li>• A new IRS Form 4506-T is required to be signed with the closing package as well as at application even when the form has been processed.</li> </ul>
<p><b>Escrow Holdback</b></p>	<p>Ineligible</p>
<p><b>Escrow Waivers</b></p>	<p>Ineligible</p>
<p><b>Financing Types</b></p>	<p><b>Cash-Out</b></p> <ul style="list-style-type: none"> <li>• Subject property must have an existing lien</li> <li>• 6 months seasoning required if the loan being refinanced is a government loan (i.e., FHA, USDA, VA) – See <i>Guaranty/Entitlement</i> section for GNMA seasoning requirements</li> <li>• New loan amount may include the following.             <ul style="list-style-type: none"> <li>• Payoff of existing liens</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>• Reasonable discount points</li> <li>• Allowable fees and charges (other than funding fee)</li> <li>• Cash back to the borrower</li> </ul> <ul style="list-style-type: none"> <li>• Premium pricing permitted</li> <li>• All VA refinance loans that fall under Section 50(a)(6) of the Texas Constitution are ineligible</li> </ul>
<b>Overlay</b>	<p><u>Amended Tax Returns:</u></p> <ul style="list-style-type: none"> <li>• Will not be considered if within 60 days of the purchase contract or application date (whichever is earlier) and;</li> <li>• Will not be considered if documentation cannot be provided to support the increase and;             <ul style="list-style-type: none"> <li>• Example(s): 1099 missed and increase is exact amount, schedule E missed and cancelled checks for rent provided.</li> </ul> </li> <li>• Will not be considered until transcripts reflect amended income.</li> </ul>
<b>Geographic Locations/ Restrictions, as applicable</b>	<p>Eligible states are as follows:</p> <ul style="list-style-type: none"> <li>• AZ, CA, CO, DC, FL, GA, IL, IN, KY, LA, MA, MD, MT, MI, NV, NM, NJ, NC, OK, OR, PA, SC, TX, UT, VA, WA and WI.</li> </ul> <p>Texas Cash-out 50(a)(6) is ineligible</p> <p>State specific regulatory requirements supersede all underwriting guidelines set forth by LSM.</p>
<b>Guaranty/ Entitlement</b>	<p>Must meet both VA and GNMA requirements.</p> <p><u>If the prior loan being refinanced is a government loan (i.e., FHA, VA, USDA), GNMA requires:</u></p> <ul style="list-style-type: none"> <li>• The borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and</li> <li>• The first payment due date of the new refinance loan occurs no earlier than 210 days after the first payment due date of the initial loan. (APM17-06)</li> </ul> <p>Regardless of the LTV, the veteran must have sufficient entitlement to guaranty the loan. Link to county loan limits for VA guaranty: <a href="http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp">http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp</a></p> <p>Effective January 1, 2015, VA's effective guaranty limits have been reset to FHFA's limits. Use the One-Unit maximum loan amount for all VA loans on 1-4 unit properties. Note: The VA county loan limits (for guaranty purposes) do not apply to IRRRLs. VA will guarantee 25 percent of the principal balance on an IRRRL, regardless of whether the loan exceeds the limit for the particular county.</p> <p>Financing above the VA county loan limits is permissible but will require the borrower to make a down payment or to have equity, which when added to the amount of their available VA guaranty, equals at least 25% of the gross loan amount, including the funding fee.</p> <p>VA loans with partial entitlement are allowed per VA guidelines. Must meet VA guaranty and GNMA guaranty requirements.</p>
<b>High-Cost Mortgage Loans</b>	<p>LSM does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)</p>
<b>Income</b>	<p><u>Income used for loan qualification related to Cannabis (aka marijuana) is disallowed</u> This applies to all types of employment and income, including:</p> <ul style="list-style-type: none"> <li>• Self-employed owners of farms, shops, dispensaries, etc.</li> </ul>



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	<ul style="list-style-type: none"> <li>Workers/wage earners paid from businesses above</li> <li>Regardless of state laws, filing of tax returns, receipt of 1099s/W-2s</li> </ul>
<b>Internet Links</b>	<p><b>The Appraisal System.</b> Order Case Numbers, Appraisals and obtain Automated Certificates of Eligibility at VA Portal <a href="https://vip.vba.va.gov/portal/VBAH/Home">https://vip.vba.va.gov/portal/VBAH/Home</a></p> <p>VA Lenders Handbook <a href="http://www.benefits.va.gov/warms/pam26_7.asp">http://www.benefits.va.gov/warms/pam26_7.asp</a></p> <p>VA Lender Resources <a href="http://benefits.va.gov/homeloans/lenders.asp">http://benefits.va.gov/homeloans/lenders.asp</a></p> <p>VA Regional Loan Centers <a href="http://www.homeloans.va.gov/rlcweb.htm">http://www.homeloans.va.gov/rlcweb.htm</a></p> <p>VA Forms <a href="http://www.va.gov/vaforms/">http://www.va.gov/vaforms/</a></p>
<b>Liabilities</b>	<p><u>Student Loans (Lender's Handbook Ch. 4, section 5, para G) (VA Circular 26-17-02)</u></p> <ul style="list-style-type: none"> <li>If the veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, a monthly payment does not need to be considered.</li> <li>If a student loan is in repayment or scheduled to begin within 12 months from the date of VA loan closing, the underwriter must consider the anticipated monthly obligation in the loan analysis and utilize the payment established in (1) or (2) below. Calculate each loan at a rate of 5 percent of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes).             <ol style="list-style-type: none"> <li>The underwriter must use the payment(s) reported on the credit report for each student loan(s) if the reported payment is greater than the threshold payment calculation above.</li> <li>If the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of VA loan closing and may be an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.</li> </ol> </li> </ul>
<b>Limitations on Other Real Estate Owned</b>	None
<b>Minimum Loan Amt</b>	\$75,000
<b>Loan Seasoning</b>	<p>Certain VA-guaranteed loans must be seasoned for a period of time before doing a cash-out refinance. This applies to cash-out refinances when the principal amount of the new loan is less than the loan being refinanced.</p> <p>Seasoning shall <b>not</b> apply to a VA cash-out or "regular" refinance if the principal amount of the new cash-out loan will exceed the amount of the loan being refinanced.</p> <p>The required seasoning is the later of:</p> <ul style="list-style-type: none"> <li>The date that is 210 days after the date on which the first payment was made on the mortgage being refinanced (old loan) and</li> <li>The date on which the sixth full monthly payment have been made on the mortgage being refinanced (old loan).</li> </ul>
<b>Mortgage Insurance</b>	Refer to <i>VA Funding Fee</i> for specifics
<b>Occupancy</b>	Primary Residence
<b>Prepayment Penalty</b>	None
<b>Property Types</b>	<p>Eligible Properties</p> <ul style="list-style-type: none"> <li>1 – 4 units</li> <li>Condos - VA approved             <ul style="list-style-type: none"> <li>All condos must be VA approved, even 2 unit condos require VA approval                 <ul style="list-style-type: none"> <li>The list of VA approved Condo Projects may be found on VA's Condo/Builder Website located at: <a href="https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch">https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch</a></li> </ul> </li> <li>LSM will not submit condo projects for VA approval</li> </ul> </li> <li>PUDs</li> <li>Modular housing</li> <li><u>Manufactured Housing acceptable to VA that is classified as real estate and subject to the following restrictions:</u> <ul style="list-style-type: none"> <li>Primary Residence Only</li> <li>Multi-width property only – no single wide</li> <li>No High Balance Loans</li> <li>Fixed Rate only, no ARMs</li> <li><b>Maximum 85% LTV</b> <ul style="list-style-type: none"> <li><b>Exception: A refinance transaction where borrower is financing a new manufactured home on a site already owned and encumbered by borrower is allowed to 100% LTV with minimal cash back to borrower.</b></li> </ul> </li> <li>No Manufactured Homes in Condo Projects</li> <li>MFH may not have been re-sited</li> <li>No MFH on leased land</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>○ Built after June 15, 1976 as evidenced by HUD labels</li> <li>○ Permanently affixed to a foundation (see VA Lender Manual 12.10)</li> </ul> <p>Contiguous parcels are allowed so long as the parcels are a single marketable real estate entity. Properties divided by a road or waterway will be analyzed on a case by case basis.</p> <p>Property must be residential in character and any commercial use may not exceed 25%.</p> <p><u>Individual Condominium Loan Processing (26-17-34)</u>          Condominium identification (Condo ID) fields were removed from sections of WebLGY used for ordering a VA Loan Identification Number (LIN)/Appraisal, as well as when issuing a Notice of Value (NOV). While the fields have been removed, requesters can still order VA LINs/Appraisals without inputting this data. Likewise users with proper authority can still issue an NOV without having a Condo ID associated with that LIN.</p> <ul style="list-style-type: none"> <li>• Requestors should ensure that the Condo Project is on the list of VA approved Condo Projects.</li> </ul> <p><u>Ineligible Properties</u></p> <ul style="list-style-type: none"> <li>• Condo Hotels</li> <li>• Co-ops</li> <li>• Leasehold properties</li> <li>• Properties with greater than 25 acres</li> <li>• Uniquely designed properties such as dome homes, log cabins, earth berms, and underground homes</li> <li>• Properties located in a Coastal Barrier Resources System (CBRS) area</li> <li>• Properties on which Cannabis (aka marijuana) is grown, stored, or dispensed regardless of state laws.</li> </ul>
<p><b>Qualifying Rate and Ratios</b></p>	<p><b>Qualifying Ratios</b>          Qualify at note rate for all fixed and hybrid ARMs (e.g., 3/1, 5/1)          AUS Approve loans – Ratios evaluated by AUS</p> <ul style="list-style-type: none"> <li>• AUS Refer loans – 41% - manual underwrite</li> <li>• The DTI ratio of 41% may be exceeded provided this ratio does not exceed 50%</li> <li>• DTI Ratios &gt;41% &lt;=50% require residual income exceeding 120% in addition to significant documented compensating factors such as:             <ul style="list-style-type: none"> <li>• Conservative use of consumer credit</li> <li>• Excellent credit history</li> <li>• Existence of equity in refinancing loans</li> <li>• High residual income</li> <li>• Little or no increase in shelter expense</li> <li>• Long-term employment</li> <li>• Military benefits</li> <li>• Minimal consumer debt</li> <li>• Satisfactory homeownership experience</li> <li>• Significant liquid assets</li> </ul> </li> </ul>
<p><b>Secondary Financing</b></p>	<p>New subordinate/secondary financing is not permitted.</p> <p>Existing subordinate financing is limited to a maximum of 100% CLTV.</p> <p>The second lien should not restrict the veteran's ability to sell the property (i.e. assumability feature)</p> <ul style="list-style-type: none"> <li>• New combo seconds, if used, must be assumable.</li> <li>• Existing resubordinated seconds are not required to be assumable.</li> </ul>
<p><b>Special Documentation Requirements</b></p>	<p>Documents required in order to underwrite the full file are as follows.</p> <ul style="list-style-type: none"> <li>• VA Case Number Assignment Screen to confirm new case number</li> <li>• Automated Certificate of Eligibility printed from the VA ACE system</li> <li>• VA Form 26-1880, Request for Certificate of Eligibility for VA Home Loan Benefits, with supporting evidence of service</li> <li>• All veteran applicants whose income is being used to qualify for the loan transaction must complete and sign a VA Reserves or National Guard Certification.             <ul style="list-style-type: none"> <li>• The VA Underwriter must then use this information to determine the veteran-borrower's true monthly qualifying income and service pay</li> </ul> </li> <li>• Verification of VA Benefit (VA Form 26-8937) required if borrower or co-borrower is:             <ul style="list-style-type: none"> <li>• A surviving spouse of a veteran who died on active duty or as a result of a service connected disability                 <ul style="list-style-type: none"> <li>• Submit form to the VA Regional Loan Center having jurisdiction over property state.</li> <li>• Cannot issue final loan approval until VA completes and returns the form</li> <li>• Cannot submit loan to the VA for prior approval unless completed form is received from the VA</li> </ul> </li> <li>• If automated Certificate of Eligibility shows the veteran is exempt from paying the funding fee, VA Form 26-8937 is not required.</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>• Original, signed and fully completed Uniform Residential Loan Application (FNMA 1003)</li> <li>• Original HUD/VA Addendum to the URLA (VA Form 26-1802a)</li> <li>• VA Loan Analysis Worksheet (VA Form 26-6393)</li> <li>• VA Loan Summary Sheet (VA Form 26-0286)</li> <li>• Notice of Value completed and signed by LAPP Approved Underwriter or issued by the VA</li> <li>• CAIVRS information must be checked</li> <li>• Residual income requirements must be met</li> <li>• Nearest living relative Information</li> <li>• Initial Good Faith Estimate and Truth in Lending Disclosures</li> <li>• Affiliated Business Disclosure</li> <li>• Child Cared Letter</li> <li>• Provide all other applicable VA related forms</li> </ul> <p>The following documents will be required at closing</p> <ul style="list-style-type: none"> <li>• Federal Collection Policy Notice (VA Form 26-0503) or the HUD/VA addendum to the URLA</li> <li>• VA Transmittal List VA Form 26-0285</li> <li>• Counseling Checklist for Military Homeowners VA Form 26-0592</li> <li>• Report and Certification of Loan Disbursement VA Form 26-1820</li> </ul>
<p><b>Special Requirements/Restrictions</b></p>	<ul style="list-style-type: none"> <li>• All VA refinance loans that fall under Section 50(a)(6) of the Texas Constitution are ineligible</li> <li>• If the loan being paid off through the refinance is an existing VA loan, this must be the same loan indicated on the COE. In some cases a copy of the note may be required to verify the case number.</li> <li>• Entitlement is the guaranty or insurance benefit available to an eligible veteran. The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.</li> <li>• Ginnie Mae Guaranty of at least 25% is required.             <ul style="list-style-type: none"> <li>• The 25% guaranty may be satisfied through a combination of available entitlement plus equity in the property.</li> </ul> </li> </ul> <p><b>CAIVR System</b> Access the FHA Connection to check CAIVRS for all borrowers on the transaction: Borrowers, co-borrowers and co-signors if applicable</p> <p>'A' in front of the CAIVRS number deems the authorization acceptable 'C' in front of CAIVRS number means the borrower has an open federal debt. Debt must be documented as:</p> <ul style="list-style-type: none"> <li>• Paid in full, or</li> <li>• Payment plan established (documented payments)</li> </ul> <p>FHA 'C' CAIVRS numbers can be ignored because FHA loans require monthly mortgage insurance and there is no debt. FHA posts these 'C' claims to track their own foreclosure time frames.</p> <p><u>Access to property / Private Road Maintenance Agreement (Ch. 12, Sec 12.05)</u> Private streets must be</p> <ul style="list-style-type: none"> <li>• Protected by a permanent easement, and</li> <li>• Maintained by a homeowners association or joint maintenance agreement</li> </ul> <p>All streets must have an all-weather surface (Dirt is not acceptable; gravel is acceptable with maintenance agreement)</p> <p><b><u>Properties Subject to Flooding</u></b> Proposed or new construction that is located in a Special Flood Hazard Area or where there is an indication that the property is subject to regular flooding is not eligible.</p> <p><b><u>Water/Sewer Connection Requirements (VA Circular 26-13-24)</u></b> For properties served by individual water and/or sewer systems, connection to public water and/or public sewer will only be mandatory when such connection is required by the local building, planning, or health authorities.</p> <p>For properties on individual water and/or sewer (septic) systems where well water or septic tests or certifications are required, the validity of those tests or certifications is 90 days unless the local health authority indicates otherwise.</p> <p>All Notices of Value (NOVs) issued on properties served by individual water and/or sewer systems will require NOV Item #6 to be checked for connection to public water or public sewer <b>ONLY</b> if the local building, planning, or health authority requires such connection.</p> <p><u>Water Quality (Ch. 12, Sec 12.08)(NOV #5)</u> A water quality test is required anytime there is a well present, and hookup to public water is not available.</p> <p>Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.</p> <p><u>Clarification of Individual Water Supply System Testing (Circular 26-17-19, dated 7-19-17)</u></p>





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	<ul style="list-style-type: none"> <li>All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample may be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the veteran or other interested party collect and/or transport the sample.</li> <li>For VA purposes the test is valid for 90 days from the date certified by the local health authority. After 90 days, another sample must be taken and test completed.</li> <li>The water supply must meet the requirements established by the local health authority. If the local health authority has not established specific requirements, then requirements established by the State health authority will be used. In the case where there are no state requirements, then requirements established by the Environmental Protection Agency (EPA) will be used. For further information please see: <a href="https://www.epa.gov/privatewells/private-drinking-water-well-programs-your-state">https://www.epa.gov/privatewells/private-drinking-water-well-programs-your-state</a> or <a href="https://www.cdc.gov/healthywater/drinking/private/wells/testing.html">https://www.cdc.gov/healthywater/drinking/private/wells/testing.html</a></li> </ul> <p>Generally septic inspections are not required unless the appraiser notes specific issues with the septic (usually an odor or seepage). Some states do require septic inspections regardless if the appraiser notes issues or not.</p> <ul style="list-style-type: none"> <li>This generally is only for purchase transactions</li> <li>Refer to local requirements page for states where this may apply: <a href="http://www.benefits.va.gov/HOMELOANS/appraiser_cv_local_req.asp">http://www.benefits.va.gov/HOMELOANS/appraiser_cv_local_req.asp</a></li> </ul> <p><b><u>Wood Destroying Insect Information</u></b> Underwriter must check the appropriate items in the NOV if the property is located in an area where the probability of termite infestation is “very heavy” or “moderate to heavy” according to the Termite Infestation Probability Map published in The Council of American Building Officials (CABO) One and Two Family Dwelling Code. Link to TIP Zones map: <a href="http://www.npmapestworld.org/techresources/hud.cfm">http://www.npmapestworld.org/techresources/hud.cfm</a></p> <p>If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable. Inspection reports are valid for VA purposes for 90 days from the date of inspection.</p> <p>When required, the inspection must be performed by a qualified pest control operator (inspector must be affiliated with pest control company) who meets all requirements for pest control operators with the state in which the property is located</p> <p>Inspection reports are valid for VA purposes for 90 days from the date of inspection.</p> <p><b><u>New required pest forms for new and proposed construction (Circular 26-17-07 dated 2/14/17)</u></b> VA requires the use of the current HUD-NPMA-99A and HUD-NPMA-99B. Prior forms NPCA-99-A and NPCA-99-B are obsolete and should not be used.</p>
<p><b>Underwriting</b></p>	<ul style="list-style-type: none"> <li>Eligible for submission to DU/LP AUS</li> <li>Manual underwriting allowed</li> </ul> <p><b><u>Standard Waiting Periods for Derogatory Events</u></b> Shortened time periods due to mitigating / extenuating circumstances are not allowed.</p> <p>A copy of the divorce decree is required when the loan file indicates income or liability due to divorce.</p> <p><b>VA Prior Approval Required For</b></p> <ul style="list-style-type: none"> <li>Joint loans involving a veteran and non-veteran who is not the veteran's spouse (not on IRRRL loans) <ul style="list-style-type: none"> <li>A non-veteran on a joint VA loan is not required to certify occupancy. Any borrower on a joint loan who does not use entitlement for the loan (such as a non-veteran), does not have to intend to occupy the property.</li> </ul> </li> <li>Joint loans involving two or more veterans who intend to use their entitlement and take title jointly.(not on IRRRL loans)</li> <li>Note: A loan made to a married couple in which both applicants are veterans using their Certificates of Eligibility (COEs) is not required to be sent to VA for prior approval.</li> <li>Loans to veterans in receipt of VA non-service related pension (not on IRRRL loans)</li> <li>Loans to veterans rated incompetent by VA (Not on IRRRL loans)</li> </ul> <p>Prior approval loans must be uploaded through WebLGY See the Prior Approval Reference Guide at: <a href="http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf">http://www.benefits.va.gov/homeloans/documents/docs/prior_approval_LP_lenders.pdf</a> Underwriters must follow the guidelines in Chapter 5 of VA's Lender's Handbook for prior approval procedures including the stacking order in topic 4, section c.</p> <ul style="list-style-type: none"> <li>The underwriter must furnish a cover letter with the upload, that states the reasons for the prior approval and explains any unique circumstances. In addition, the cover letter must include the submitting underwriter's name, phone number, e-mail address and his or her manager's name, phone number and e-mail address.</li> </ul> <p>A joint loan with a veteran and a non-veteran will require a down payment. Only the veteran's portion (half) of the loan</p>



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	is covered by VA guaranty. The non-veteran's portion will require a <u>minimum 25% down payment</u> . As with all VA loans, GNMA requirements must be met as well.
<b>VA Case Number</b>	Order the case from the VA Portal.
<b>VA Funding Fee</b>	VA Funding Fee applies unless veteran is exempt. See <i>VA Funding Fee Table</i> for specific percentages. VA Funding Fee may be split with part paid in cash and part financed.



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From Circular 26-11-19 (Funding Fee Table) November 22, 2011  
 P.L. 112-154 extended the Funding Fee structure through September 30, 2017  
 See VA Circular 26-12-9  
 (Note: Continue to use this table throughout 2018 or until VA publishes any changes)

<b>Loan Fee Structure for VA-Guaranteed Loans - Refinance</b>		
	Veteran / Active Duty	Reservist/National Guard
<b>First Time Use – Cash Out</b>		
November 22, 2011 through September 30, 2017	2.15%	2.40%
<b>Second and Subsequent Use – Cash Out</b>		
November 22, 2011 through September 30, 2017	3.30%	3.30%
<b>Refinancing Loans - IRRRL</b>		
Interest Rate Reduction Refinancing Loan (IRRRL)	0.50%	0.50%
<b>Other</b>		
Service-connected disabled Veterans	0.00%	0.00%