

## VA REFINANCE OPTIONS

	<b>INTEREST RATE REDUCTION REFINANCE LOANS (IRRRLS)</b>	<b>CASH OUT AND RATE / TERM REFINANCES</b>
<b>ELIGIBILITY</b>		
<b>1. ELIGIBLE PRODUCT</b>	<ul style="list-style-type: none"> <li>ÿ VA Fixed Rate Product</li> <li>ÿ VA 3/1 and 5/1 Hybrid ARMs</li> <li>ÿ VA High Balance Products</li> </ul>	<ul style="list-style-type: none"> <li>ÿ VA Fixed Rate Product</li> <li>ÿ VA 3/1 and 5/1 Hybrid ARMs</li> <li>ÿ VA High Balance Products</li> </ul>
<b>2. CURRENT FIRST MORTGAGE ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>ÿ Existing VA Mortgages</li> </ul>	<ul style="list-style-type: none"> <li>ÿ No restrictions on the current investor                             <ul style="list-style-type: none"> <li>• There must be an existing lien on the property from any source such as:                                     <ul style="list-style-type: none"> <li>ÿ Tax or judgment liens and/or</li> <li>ÿ FHA, VA or Conventional mortgage</li> </ul> </li> </ul> </li> </ul>
<b>3. LOAN AMOUNT &amp; LTV LIMITS</b>	<p>For Maximum insurable loan amounts, refer to the Product Summaries</p> <ul style="list-style-type: none"> <li>ÿ No LTV/CLTV limit</li> <li>ÿ Maximum guaranty for loans in excess of \$144,000 is calculated by multiplying the loan amount times 25%</li> <li>ÿ The 25% minimum VA guaranty/entitlement is considered satisfied for Interest Rate Reduction Refinance Loans regardless of the dollar amount of guaranty being transferred from the previous loan</li> <li>ÿ Refer to “Geographic Locations/Restrictions” for additional state specific restrictions or requirements</li> </ul>	<ul style="list-style-type: none"> <li>ÿ Basic Entitlement is \$36,000</li> <li>ÿ Bonus Entitlement is available for loans closed on or after 1/1/09. Refer to the attached Required Cash Down payment and Percentage of Guaranty Calculations Worksheet</li> <li>ÿ The minimum 25% guaranty may be satisfied by a combination of VA entitlement and equity or cash</li> <li>ÿ <u>Maximum Base Loan LTV is 90% Rate/Term and 85% for Cash Out (Subject to sufficient entitlement)</u></li> <li>ÿ The 90% LTV limit may be exceeded <u>only</u> by the amount of the funding fee</li> <li>ÿ Maximum Total Loan Amount is calculated as 90% of the value of the property plus funding fee</li> </ul> <p><b>Refinance of Construction Loans and Installment Sales Contracts</b></p> <ul style="list-style-type: none"> <li>ÿ Completion similar to cash-out refinance with the exception of:                             <ul style="list-style-type: none"> <li>• Maximum LTV may be 100% of determined value</li> <li>• No cash back to borrowers</li> </ul> </li> </ul>
<b>4. VA FUNDING FEE</b>	.50%	<ul style="list-style-type: none"> <li>ÿ 2.15 % Active Duty or Veteran</li> <li>ÿ 2.40% National Guard/Reserves</li> <li>ÿ 3.30% 2<sup>nd</sup> or Subsequent use</li> <li>ÿ <b>Refer to attached funding fee chart for additional requirements</b></li> </ul>
<b>5. TYPES OF FINANCING</b>	<p><b>Interest Rate Reduction Refinances</b></p> <ul style="list-style-type: none"> <li>• <b>No seasoning on first mortgage</b></li> <li>• New loan amount may include                             <ul style="list-style-type: none"> <li>ÿ Unpaid principal balance (including accrued interest and late fees, if applicable)</li> <li>ÿ Allowable closing costs</li> <li>ÿ Prepaid expenses</li> </ul> </li> </ul>	<p><b>Rate/Term/Cash-Out (Equity Refinances)</b></p> <ul style="list-style-type: none"> <li>ÿ Subject property must have an existing lien</li> <li>ÿ No seasoning on first mortgage or junior liens</li> <li>ÿ New loan amount may include                             <ul style="list-style-type: none"> <li>• Payoff of existing liens</li> <li>• Reasonable discount points</li> <li>• Allowable fees and charges (other than funding fee)</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>Ÿ Maximum 2 discount points</li> <li>Ÿ Funding fee</li> <li>Ÿ 25% guaranty is considered satisfied</li> <li>Ÿ No cash back to borrower permitted (incidental minor adjustment at closing not exceeding \$500.00 cash back is acceptable)</li> <li>Ÿ No satisfaction of junior liens</li> <li>Ÿ Premium pricing permitted</li> <li>Ÿ Complete VA Form 26-8923 Interest Rate Reduction Refinance Worksheet</li> </ul> <p>IRRRL Refinance Transactions on Properties in Texas</p> <p>The following guidelines pertain to IRRRL refinance transactions for properties in Texas</p> <ul style="list-style-type: none"> <li>• If the first mortgage is subject to Texas Section 50(a)(6), VA financing is not permitted. Once a cash-out, always a cash-out.</li> <li>• All second liens must subordinate</li> <li>• The title policy will reference Texas Section 50(a)(6) or Article XVI of the Texas Constitution must effective January 1, 1998</li> <li>• When VA financing is permitted, underwriting conditions and closing instructions must indicate “<b>No Cash back to borrower is permitted</b>” (not even one dollar is permitted)</li> </ul>	<ul style="list-style-type: none"> <li>• Cash back to the borrower</li> </ul> <ul style="list-style-type: none"> <li>Ÿ Premium pricing permitted</li> <li>Ÿ Cash out not permitted in Texas</li> </ul> <p><b>Refinance of Construction Loans and Installment Land Sales Contracts</b></p> <ul style="list-style-type: none"> <li>Ÿ Loan amounts may not exceed the lesser of: <ul style="list-style-type: none"> <li>• The VA reasonable value plus the VA funding fee <b>OR</b></li> <li>• The sum of the outstanding balance of the loan to be refinanced plus allowable closing cost (including the funding fee) and discount points</li> <li>• Loan must be established as a purchase transaction to permit the maximum LTV to exceed 90% of the reasonable value</li> </ul> </li> </ul>
<b>6. OCCUPANCY</b>	Primary residence	
<b>7. PROPERTY TYPE</b>	<p><b>Eligible Properties</b></p> <ul style="list-style-type: none"> <li>Ÿ 1 unit</li> <li>Ÿ VA approved condos</li> <li>Ÿ Modular Pre-Cut/Panelized housing</li> </ul> <p><b>Ineligible Properties</b></p> <ul style="list-style-type: none"> <li>Ÿ Co-ops</li> <li>• 2 – 4 Units</li> <li>Ÿ Manufactured Homes</li> </ul>	<p><b>Eligible Properties</b></p> <ul style="list-style-type: none"> <li>Ÿ 1 unit</li> <li>Ÿ VA approved condos</li> <li>Ÿ Modular Pre-Cut/Panelized housing</li> </ul> <p><b>Ineligible Properties</b></p> <ul style="list-style-type: none"> <li>Ÿ Co-ops</li> <li>• 2- 4 units</li> <li>Ÿ Manufactured Homes</li> </ul>
<b>8. GEOGRAPHIC LOCATIONS / RESTRICTIONS</b>	Colorado Florida Louisiana Oklahoma Oregon Texas	Colorado Florida Louisiana Oklahoma Oregon Texas
<b>9. UNDERWRITING</b>	Ÿ Not eligible for submission on DU	Ÿ Eligible for submission on DU

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<b>10. RATIO REQUIREMENTS</b>	N/A	Y AUS Approve loans – Ratios evaluated by AUS																																	
<b>11. INVESTOR ELIGIBILITY</b>	VA																																		
<b>12. PROCESSING STYLES</b>	Y Streamline	Y Standard																																	
<b>13. SPECIAL RESTRICTIONS / REQUIREMENTS</b>	<p><b>Eligible Borrowers for an IRRRL</b></p> <p>Y Generally the parties obligated on the original VA loan must be the same parties on the new loan and the veteran must still own the property. However, some ownership changes may be acceptable. <b>The following outlines when a change in mortgagors is permitted:</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 25%;">Existing VA Loan</th> <th style="width: 50%;">New Loan</th> <th style="width: 25%;">Yes/No</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran &amp; new spouse</td> <td>Yes</td> </tr> <tr> <td>Unmarried Vet</td> <td>Spouse only (deceased veteran)</td> <td>No</td> </tr> <tr> <td>Vet</td> <td>Different veteran who has substituted his/her entitlement</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorce veteran only</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Veteran &amp; different spouse</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Spouse only (deceased veteran)</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Divorced spouse only</td> <td>No</td> </tr> <tr> <td>Vet &amp; Spouse</td> <td>Different spouse only (deceased veteran)</td> <td>No</td> </tr> <tr> <td>Vet &amp; Non-Vet (joint obligors)</td> <td>Veteran only</td> <td>Yes</td> </tr> <tr> <td>Vet &amp; Non-Vet (joint obligors)</td> <td>Non-Veteran only</td> <td>No</td> </tr> </tbody> </table> <p><b>Term Increase</b> Y The term of the new loan may not exceed the original term by more than 10 years, subject to the maximum term of 30 years and 32 days</p> <p><b>Interest Rate Decrease</b> Y The interest rate of the new loan must be less than the interest rate of the existing VA loan unless refinancing an ARM to a fixed rate</p> <p><b>Payment Increase</b> Y The P&amp;I payment must be less than the P&amp;I payment of the existing VA</p>	Existing VA Loan	New Loan	Yes/No	Unmarried Vet	Veteran & new spouse	Yes	Unmarried Vet	Spouse only (deceased veteran)	No	Vet	Different veteran who has substituted his/her entitlement	Yes	Vet & Spouse	Divorce veteran only	Yes	Vet & Spouse	Veteran & different spouse	Yes	Vet & Spouse	Spouse only (deceased veteran)	Yes	Vet & Spouse	Divorced spouse only	No	Vet & Spouse	Different spouse only (deceased veteran)	No	Vet & Non-Vet (joint obligors)	Veteran only	Yes	Vet & Non-Vet (joint obligors)	Non-Veteran only	No	<p>Y The maximum guaranty provided by VA is \$36,000</p> <p>Y Cash out (equity refinance) not permitted in Texas</p> <p>Y 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</p> <p>Y 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</p> <p>Y Guaranty of at least 25% is required</p> <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>
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	<p>loan <b>unless</b></p> <ul style="list-style-type: none"> <li>• Refinancing an ARM to a Fixed Rate: <b>OR</b></li> <li>• The term of the new loan is less than the term of the existing VA loan</li> </ul> <p>Ÿ If the PITI increases by 20% or more the veteran’s ability to repay must be demonstrated (Refer to the Credit, Income and Documentation Requirements Sections for more details)</p> <p><b>General Guidelines</b></p> <p>Ÿ The loan being paid off through the refinance must be the loan indicated on the COE. In some cases, a copy of the note may be required to verify the LHG number</p> <p>Ÿ The minimum on an IRRRL is 25% regardless of the dollar amount of guaranty being transferred from the prior loan</p> <p>Ÿ If the veteran is deceased and the surviving spouse was a co-obligor, the spouse is considered a veteran for the IRRRL</p> <ul style="list-style-type: none"> <li>• Surviving spouse must own the property</li> </ul> <p><b>Online Status Inquiry in Lieu of COE</b></p> <p>Ÿ In lieu of obtaining an updated COE from the VA, confirm the status of an existing VA loan by visiting the website <a href="http://vip.vba.va.gov">http://vip.vba.va.gov</a></p> <ul style="list-style-type: none"> <li>• This automated service is permitted for all VA loans, irrespective of the property location, or VA office of jurisdiction</li> </ul> <p>Ÿ To submit IRRRL status inquires</p> <ul style="list-style-type: none"> <li>• The first six digits of the VA lender identification number and an e-mail address are required</li> <li>• If the response from the RLC confirms the loan is an active VA guaranteed loan made to the veteran, <b>a COE will not be required.</b> Use the printout from the RLC</li> <li>• Verify the VA case number provided by the VA matches the VA case number of the existing loan before closing the IRRRL</li> </ul>	
<b>DOCUMENTATION</b>		
<p><b>14. EMPLOYMENT / INCOME</b></p>	<p>Ÿ No income documentation required, <b>except</b> where PITI will increase 20%</p> <ul style="list-style-type: none"> <li>• <b>Documentation for loans if PITI Increases by 20% or more</b> <ul style="list-style-type: none"> <li>Ÿ Determine that the borrower has stable and reliable income to support the proposed housing payment along with other recurring monthly obligation</li> <li>Ÿ Pay stubs covering at least the most recent 30 day-period</li> </ul> </li> </ul>	<p><b>Employment documentation</b></p> <p>Full Documentation</p>

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	<p>           Ÿ 2 years W2s            Ÿ Telephone VOE of the borrower's current employment         </p> <p> <b>VA Interest Rate Reduction Refinance Loans in <u>Colorado</u></b> <ul style="list-style-type: none"> <li>• Income <b>must</b> be stated on the application</li> <li>• No verification of income is required</li> <li>• No analysis of income is performed</li> </ul> </p>	
<p><b>15. ASSET</b></p>	<p>No asset verification required</p>	<p>The following is required if funds are needed to close</p> <p>Ÿ Verification of Deposit plus one month bank statement</p> <p><b>OR</b></p> <p>Ÿ Two months bank statements to cover any funds necessary to close</p>
<p><b>16. CREDIT</b></p>	<p><b>Housing (Mortgage/Rental) Payment History Requirements</b>  <b>It may be necessary to verify the current and previous mortgage to establish a 12 month payment history.</b>          Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types.</p> <p>Ÿ All loans must be current</p> <p>Ÿ 12 <b>month</b> 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</p> <p><b>Ÿ Loans where the PITI increases more than 20% require credit report or tri-merged in-file</b></p> <p>Minimum Fico Score Requirements: <b>640</b></p> <p>Ÿ Only a FICO score is required. If a full credit report is provided, the report must be analyzed to ensure there are no serious delinquent obligations in the last 12 months. Loans may be subject to further review and 12 month income documentation.</p>	<p><b>Housing (Mortgage/Rental) Payment History Requirements</b>  <b>It may be necessary to verify the current and previous mortgage to establish a 12 month payment history.</b>          Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types.</p> <p>Ÿ All loans must be current</p> <p>Ÿ AUS Approve – Mortgage history evaluated by AUS</p> <p>Minimum Fico Score Requirements</p> <p>Ÿ Regardless of AUS Decision: 640</p> <p>Ÿ Non-traditional credit is ineligible</p>
<p><b>17. APPRAISAL AND APPRAISER REQUIREMENTS</b></p>	<p>Ÿ No appraisal required</p> <p>Ÿ Refer to "Geographic Locations/Restrictions" for additional state specific restrictions or requirements</p> <p>Ÿ When a state restriction requires an appraisal:</p> <ul style="list-style-type: none"> <li>• Provide a conventional interior/exterior appraisal report</li> <li>• Notice of Reasonable Value is not required to be issued</li> <li>• If health and/or safety issues are noted on appraisal report the borrower must provide a written statement, prior to funding, to address how deficiencies will be corrected</li> </ul>	<p>Ÿ A new appraisal completed by a VA approved or VA fee panel Appraiser is always required</p> <p>Ÿ VA LAPP approved Underwriting Consultant will issue the Notice of Value</p> <p>Ÿ Copy of the signed Notice of Value must remain in the loan file</p>

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**18. SOCIAL DOCUMENTATIONS REQUIREMENTS OR ENHANCEMENTS**

**The following documents are required at the time of submission to Underwriting**

- Ÿ VA IRRRL Case Assignment screen to confirm new case number
- Ÿ Original Certificate of Eligibility (VA Form 26-8320) or E-mail response from VA with Loan Status information
  - If original Certificate of Eligibility is unavailable, provide VA Form 26-1880 Request for Certificate of Eligibility for VA Home Loan Benefits With Supporting Evidence of Service
- Ÿ All veteran applicants whose income is being used to qualify for the loan transaction must complete and sign the VA Reserves or National Guard Certification. The VA Underwriter must then use this information to determine the veteran-borrower's true monthly qualifying income
- Ÿ Verification of VA Benefit-Related Indebtedness (VA Form 26-8937) required if borrower or co-borrower or co-borrower: (1) is receiving VA disability benefits (2) Would receive benefits but for the receipts of retired pay (3) Has received VA disability benefits in the past (4) Is a surviving spouse of a veteran who died on active duty or as a result of a service connected disability
- Ÿ Original of signed and completed Uniform Residential Loan Application (URLA)
- Ÿ Original HUD/VA Addendum to the URLA (VA Form 26-1802a)
- Ÿ Mortgage history for past 12 months
- Ÿ Current payoff statement for existing mortgage
- Ÿ Copy of original note and mortgage
- Ÿ VA Interest Rate Reduction Refinancing Worksheet VA Form 26-8923
- Ÿ VA Loan summary Sheet (VA Form 26-0286) must be signed by the CHF VA Underwriter
- Ÿ CAIVRS information must be checked and noted on the IRRRL Worksheet in the remarks section
- Ÿ Nearest Living Relative Certification
- Ÿ Initial Good Faith Estimate and Truth in Lending disclosures
- Ÿ Interest Rate Disclosure
- Ÿ Affiliated Business Disclosure
- Ÿ VA Funding Fee Notice or evidence borrower is exempt
- Ÿ Notice Regarding Refinance Transaction
- Ÿ VA Payment Comparison Letter and Lender Certification
  - Statement signed by the veteran acknowledging the effect of the refinance loan on the veteran's loan payments and interest rate. (The statement must show the interest rate and monthly payments for the new loan verses the old loan)

**The following documents are required at the time of submission to Underwriting**

- Ÿ VA Case Number Assignment screen to confirm new case number
- Ÿ Original Certificate of Eligibility (VA Form 26-8320) or automated certificate of eligibility printed from the VA ACE System
  - If original Certificate of Eligibility is unavailable, provide VA Form 26-1880 Request for Certificate of Eligibility for VA Home Loan Benefits With Supporting Evidence of Service
- Ÿ All veteran applicants whose income is being used to qualify for the loan transaction must complete and sign the VA Reserves or National Guard Certification. The VA Underwriter must then use this information to determine the veteran-borrower's true monthly qualifying income
- Ÿ Verification of VA Benefit-Related Indebtedness (VA Form 26-8937) required if borrower or co-borrower or co-borrower: (1) is receiving VA disability benefits (2) Would receive benefits but for the receipt of retired pay (3) Has received VA disability benefits in the past (4) Is a surviving spouse of a veteran who died on active duty or as a result of a service connected disability
- Ÿ Original of signed and completed Uniform Residential Loan Application (FNMA 1003)
- Ÿ Original HUD/VA Addendum to the URLA (VA Form 26-1802a)
- Ÿ VA Loan Analysis Worksheet (VA Form 26-6393)
- Ÿ VA Loan Summary Sheet (VA Form 26-0286) – must be signed by the VA Automatic Underwriter
- Ÿ Notice of Value completed and signed CHF
- Ÿ CAIVRS information must be checked
- Ÿ Residual income requirements must be met
- Ÿ Nearest Living Relative Certification
- Ÿ Initial Good Faith Estimate and Truth in Lending Disclosures
- Ÿ Interest Rate Disclosure
- Ÿ Affiliated Business Disclosure
- Ÿ Child Care Letter
- Ÿ VA Funding Fee Notice or evidence borrower is exempt
- Ÿ Notice Regarding Refinance Transaction
- Ÿ Provide All other applicable VA related forms

**The following documents will be required at closing**

- Ÿ Federal Collection Policy Notice (VA Form 26-0503) or the HUD/VA addendum to the URLA
- Ÿ VA Transmittal List VA Form 26-0285

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- **It is also required that the statement indicates how long it will take for the veteran borrower to recoup ALL closing costs (both those included in the loan and those paid outside of closing)**
  - ÿ The VA Comparison Letter and Lender Certification has been revised and is to be used immediately for all VA files
- If the monthly mortgage payment (PITI) increases by 20% or more, a Lender's Certification must also be completed by the VA Underwriter:
  - ÿ A certification on company letterhead stating that "the borrower qualifies for the new monthly mortgage payment which exceeds the previous payment by 20% or more"
  - ÿ If applicable, the Veteran's Statement may be combined with the Lender's Certification
  - ÿ The VA Underwriter signs and certifies the Lender Certification that "the borrower qualifies for the new monthly mortgage payment which exceeds the previous payment by 20% or more"

ÿ Provide all other applicable VA related forms

**The following documents will be required at closing**

- ÿ Federal Collection Policy Notice VA Form 26-0503 or the HUD/VA addendum to the URLA
- ÿ VA Transmittal List VA Form 26-0285
- ÿ Lender Certification VA IRRRL 0352
- ÿ Counseling Checklist for Military Homeowners VA Form 26-0592
- ÿ Report and Certification of Loan Disbursement VA Form 26-1820
- ÿ Payment Comparison Letter must be signed at closing

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