



VA REFINANCE		
	INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)	CASH-OUT REFINANCE
1. APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> <li>No Appraisal required</li> </ul>	<ul style="list-style-type: none"> <li>A new appraisal completed by a VA approved or VA fee panel Appraiser is required.</li> <li>Appraisal good for 180 days.</li> </ul>
2. ASSET/RESERVES	<ul style="list-style-type: none"> <li>Non-credit qualifying: No asset verification required</li> </ul>	<ul style="list-style-type: none"> <li>AUS Approve/Eligible and Refer/Eligible may follow documentation requirements</li> <li>Non-liquid accounts (i.e. 401K retirement accounts) may not be used as an asset for cash to close or reserves.</li> <li>Liquidated funds from non-liquid accounts can be used if liquidation and deposit into a demand deposit account are documented</li> </ul> <p><b>Cash Reserves</b></p> <ul style="list-style-type: none"> <li>1 unit – none</li> <li>2 - 4 units               <ul style="list-style-type: none"> <li>Rental income not used to qualify – none</li> <li>Rental income is being used to qualify – 6 months</li> </ul> </li> <li>3 months reserves required if the borrower owns other real estate. The reserves are based on the subject property PITIA               <ul style="list-style-type: none"> <li>Reserves not required if rental income not used to qualify</li> </ul> </li> </ul>

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3. BORROWER ELIGIBILITY	The borrowers obligated on the original VA loan must be the same borrowers on the new loan and the veteran must still own the property. A change of mortgagors is permitted in the following cases:																																		
	<table><tr><th>Existing VA Loan</th><th>New Loan</th><th>Yes/No</th></tr><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>Divorced 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)</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></table>		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	Divorced veteran only	Yes	Vet & Spouse	Veteran & different spouse	Yes	Vet & Spouse	Spouse only (deceased)	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
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Trust Agreement																																			
• See the VA Lender’s Handbook																																			
Trust Agreements																																			
• Must be a qualified veteran or surviving spouse																																			
• Certificate of Eligibility must have sufficient entitlement to meet minimum 25% guaranty																																			
• Not allowed																																			

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4. CREDIT	<p><b>Housing Payment History</b></p> <ul style="list-style-type: none"> <li>Inclusive of all liens regardless of lien position <ul style="list-style-type: none"> <li>0x30 in preceding months 1-12</li> <li>0x30 if fewer than 12 payments made on mortgage</li> </ul> </li> </ul> <p><b>Credit Score Requirements</b></p> <ul style="list-style-type: none"> <li>Mortgage only credit report with three credit scores</li> <li>Minimum 580</li> </ul> <p><b>CAIVRS</b></p> <p>CAIVR clearance must be obtained for all borrowers on the transaction.</p>	<p><b>Housing Payment History</b></p> <ul style="list-style-type: none"> <li>Inclusive of all liens regardless of lien position</li> <li>Applies to all mortgages on all financed properties</li> <li>All loans must be current at time of application <ul style="list-style-type: none"> <li>0x30 in last 12 months</li> <li>0x30 if fewer than 12 payments made on mortgage</li> </ul> </li> </ul> <p><b>Credit Score Requirements</b></p> <ul style="list-style-type: none"> <li>Full Credit Report Required.</li> <li>Minimum 580</li> </ul> <p><b>Significant Derogatory Credit</b></p> <ul style="list-style-type: none"> <li>See the VA Handbook <ul style="list-style-type: none"> <li>Bankruptcy – <ul style="list-style-type: none"> <li>Chapter 7 - 2 years from discharge date.</li> <li>Chapter 13 – 1 year from the pay-out period under the bankruptcy has elapsed, evidence all payments have been made on time, and the Trustee or the Bankruptcy Judge approves of the new credit.</li> </ul> </li> <li>Foreclosure – 2 years from when the foreclosure was finalized. If the AUS findings are Approve/Eligible, no wait period is required, as long as the credit report clearly identifies the foreclosure.</li> <li>Deed-in-lieu or Short Sale– 2 years from the execution date. If payments were on time before the DIL, no wait period. If they were delinquent, the veteran must wait 2 years from the DIL.</li> </ul> </li> </ul> <p><b>NOTE:</b> if the foreclosure, DIL or Short Sale were on a VA loan, the veteran may not have full entitlement available for a VA loan.</p> <p><b>CAIVRS</b></p> <p>CAIVR clearance must be obtained for all borrowers on the transaction.</p>
5. CO-BORROWERS	All borrowers must occupy the subject property per VA guidelines	All borrowers must occupy the subject property per VA guidelines

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6. CURRENT FIRST MORTGAGE ELIGIBILITY	<ul style="list-style-type: none"><li>Existing VA Mortgage</li><li>The loan to be paid off with the refinance must be the loan indicated on the IRRRL Case Number. A copy of the Note may be required to verify the LIN number</li></ul>		<ul style="list-style-type: none"><li>There must be an existing lien on the property from any source such as tax or judgment liens and/or FHA, VA or Conventional mortgage</li></ul>													
7. EMPLOYMENT/INCOME	<p><b>Non-credit qualifying</b></p> <ul style="list-style-type: none"><li>Income documentation is not required</li><li>1003 should show employer</li><li>Income can be blank</li><li>Verbal VOE to show borrower is employed is required</li></ul> <p><b>Form 4506-C</b></p> <ul style="list-style-type: none"><li>4506-C must be obtained for each borrower.</li><li>4506-C must be signed by each borrower at closing</li></ul>		<ul style="list-style-type: none"><li>See the VA Lender’s Handbook for employment and income documentation requirements</li><li>Verbal VOE required.</li></ul> <p><b>Form 4506-C</b></p> <ul style="list-style-type: none"><li>4506-C must be obtained for each borrower. Transcripts are required when:<ul style="list-style-type: none"><li>tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment, rental income) or</li><li>W-2 or 1099 transcript(s) for salaried borrowers or for borrowers with other types of income not documented with tax returns (retirement, social security disability, etc.)</li></ul></li><li>4506-C must be signed by each borrower at closing</li></ul>													
8. ESCROW WAIVERS	Not permitted															
9. FUNDING FEE	VA Funding Fee of .50% applies unless veteran is exempt		The VA funding fee is 3.60% for subsequent use, 2.4% for first time use or 0% if the veteran is exempt.													
10. LOAN AMOUNT	<ul style="list-style-type: none"><li>If the base loan amount is greater than the County Limit and the veteran does not have full entitlement, split entitlement or reduced entitlement, a down payment may be required and the LTV reduced accordingly. Stockton Mortgage will require that the entitlement, down payment or a combination of both covers at least 25% of your total loan amount.</li></ul> <table><tr><th colspan="4">VA Purchase</th></tr><tr><th>Units</th><th>Loan Amount</th><th>FICO Score</th><th>LTV (excludes Funding Fee)</th></tr><tr><td>1-4</td><td>\$50,000 - \$2,000,000</td><td>580</td><td>100%</td></tr></table> <p>Loans with an appraised value between \$1,000,001 and \$1,500,000 may require a desk review or field review. Loan amounts between \$1,500,001 and \$2,000,000 require an exception. Please contact the Lock Desk.</p>				VA Purchase				Units	Loan Amount	FICO Score	LTV (excludes Funding Fee)	1-4	\$50,000 - \$2,000,000	580	100%
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<b>11. LOAN AMOUNT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>The new loan may not increase the principal balance outstanding on the existing loan except to the extent of fees and charges allowed by VA</li> <li>Loan amount may include               <ul style="list-style-type: none"> <li>Unpaid principal balance (including accrued interest and late fees, if applicable)</li> <li>Allowable fees and charges</li> <li>Maximum 2 discount points</li> <li>Prepaid expenses</li> <li>VA funding fee</li> <li>No cash back to borrower (incidental cash back not to exceed \$500)</li> <li>No satisfaction of junior liens</li> <li>Premium pricing permitted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Loan amount may include               <ul style="list-style-type: none"> <li>Unpaid principal balance (including accrued interest and late fees, if applicable)</li> <li>Allowable fees and charges</li> <li>Prepaid expenses</li> <li>Cash back to the borrower allowed</li> <li>Satisfaction of junior liens</li> </ul> </li> <li>Premium pricing permitted</li> </ul>
<b>12. LTV/CLTV LIMITATIONS</b>	No LTV Limitation	<ul style="list-style-type: none"> <li>Maximum 90% LTV / CLTV including funding fee</li> </ul>
<b>13. LIMITATIONS ON OTHER R.E. OWNED</b>	None	
<b>14. OCCUPANCY</b>	Primary residences	Primary residences
<b>15. PREPAYMENT PENALTY</b>	Not permitted	
<b>16. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>VA Fixed Rate and ARM Mortgages for Refinance Transactions</li> <li>Fixed Rate Mortgage               <ul style="list-style-type: none"> <li>10 to 30 years in 5 year increments</li> <li>Fully amortizing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VA Fixed Rate for Refinance Transactions</li> <li>Fixed Rate Mortgage               <ul style="list-style-type: none"> <li>10 to 30 years in 5 year increments</li> <li>Fully amortizing</li> </ul> </li> </ul>

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<b>17. PROPERTY TYPES</b>	<p><b>Eligible Property Types</b></p> <ul style="list-style-type: none"> <li>• 1-4 Units</li> <li>• Condos – must be VA approved</li> <li>• Manufactured Homes (Doublewide only) <ul style="list-style-type: none"> <li>• Existing construction only</li> <li>• Must be classified and titled as real property at time of application</li> <li>• Must be properly affixed to a permanent foundation</li> <li>• ALTA 7 or state specific equivalent Title Endorsement required</li> <li>• Manufactured Housing PUD units</li> </ul> </li> <li>• Modular, Pre-cut, Panelized Housing</li> <li>• PUDs</li> </ul> <p><b>Ineligible Property Types</b></p> <ul style="list-style-type: none"> <li>• 2-4 Unit PUDs</li> <li>• Condo Hotels</li> <li>• Singlewide Manufactured Homes</li> <li>• Co-ops</li> </ul> <p>See the VA Handbook for eligibility guidelines and complete ineligible property types</p>	
<b>18. QUALIFYING RATE</b>	N/A	Qualify at the note rate
<b>19. QUALIFYING RATIOS</b>	None	<ul style="list-style-type: none"> <li>• Approve – follow AUS</li> <li>• AUS Refer – 41%</li> <li>• DTI may exceed 41% up to a maximum 50% when residual income exceeds 120% and significant documented compensating factors exist such as: <ul style="list-style-type: none"> <li>• Excellent credit history</li> <li>• Conservative use of consumer credit</li> <li>• Minimal consumer debt</li> <li>• Long-term employment</li> <li>• Significant liquid assets</li> <li>• Little or no increase in housing expense</li> <li>• Housing payment paid as agreed</li> <li>• Front Housing ratio does not exceed 40%</li> </ul> </li> </ul>

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20. RESIDUAL INCOME	• Residual income requirements not required for non-credit qualifying IRRRL				
	Residual Income Requirements				
	Loan Amounts \$79,999 and Below				
	Family Size	Northeast	Midwest	South	West
	1	\$390	\$382	\$382	\$425
	2	\$654	\$641	\$641	\$713
	3	\$788	\$772	\$772	\$859
	4	\$888	\$868	\$868	\$967
	5	\$921	\$902	\$902	\$1,004
	Above 5	Add \$75 for each additional member up to a family of 7			
	Loan Amounts \$80,000 and Above				
	1	\$450	\$441	\$441	\$491
	2	\$755	\$738	\$738	\$823
	3	\$909	\$889	\$889	\$990
	4	\$1,025	\$1,003	\$1,003	\$1,117
	5	\$1,062	\$1,039	\$1,039	\$1,158
	Above 5	Add \$80 for each additional member up to a family of 7			
21. SECONDARY FINANCING	• Existing secondary financing may be subordinated • New secondary financing is not permitted				
22. SPECIAL REQUIREMENTS/ RESTRICTIONS	Ineligible • The Energy Efficient Mortgage Program • Mortgage Credit Certificate (MCC)/Section 8 Vouchers			Ineligible • The Energy Efficient Mortgage Program • Mortgage Credit Certificate (MCC)/Section 8 Vouchers	

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23. UNDERWRITING/AUS DECISIONS	<ul style="list-style-type: none"><li>• Not eligible for submission to AUS</li></ul> <p><b>Term Increase</b></p> <ul style="list-style-type: none"><li>• 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</li></ul> <p><b>Interest Rate Decrease</b></p> <ul style="list-style-type: none"><li>• 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</li></ul> <p><b>Payment Increase</b></p> <ul style="list-style-type: none"><li>• Increase in P&amp;I not permitted unless one of the following applies: The new loan is refinancing an ARM to a fixed rate or The term of the new loan is shorter than the term of the existing loan</li></ul> <p><b>Net Tangible Benefit (NTB):</b></p> <p>A loan that provides a net tangible benefit (NTB) means that it is in the financial interest of the Veteran. The following NTB standards are required:</p> <ul style="list-style-type: none"><li>• Fixed to Fixed: The new loan must have an interest rate that is at least 0.50% less than the original interest rate.</li><li>• Fixed to ARM: The new loan must have an interest rate that is at least 2.00% less than the original interest rate.</li></ul> <p>For a Fixed to ARM refinance in which a lower interest rate is produced solely from discount points (Fixed to Fixed, ARM to Fixed and ARM to ARM are excluded):</p> <ul style="list-style-type: none"><li>• Discount ≤ one point, the LTV cannot exceed 100%.</li><li>• Discount &gt; one point, the LTV cannot exceed 90%.</li><li>• An exterior appraisal (FNMA 2055/FNMA 1075) will be required to determine the LTV:</li></ul>	<ul style="list-style-type: none"><li>• Must be run through DU/LPA</li><li>• May follow documentation requirements</li></ul> <table><tr><td><b>Automated Underwriting Requirements</b></td></tr><tr><td><b>All loans must be submitted to DU/LPA</b></td></tr><tr><td><b>Acceptable Recommendations</b></td></tr><tr><td>Approve/Eligible</td></tr><tr><td>Refer/Eligible</td></tr><tr><td>LPA Accept</td></tr></table> <p><b>Net Tangible Benefit (NTB):</b></p> <p>All cash out refinances must pass the NTB test. This requirement is met if the loan meets one of the following:</p> <ul style="list-style-type: none"><li>(a) The new loan eliminates monthly mortgage insurance; or</li><li>(b) Loan term of the new loan is less than the loan term of the loan being refinanced; or</li><li>(c) Interest rate of the new loan is less than the interest rate of the loan being refinanced. (Note: If the loan being refinanced had an adjustable interest rate or was modified, the current interest rate must be used when determining if this requirement has been met.); or</li><li>(d) The monthly (principal and interest) payment of the new loan is less than the monthly (principal and interest) payment of the loan being refinanced; or</li><li>(e) The Veteran’s monthly residual income is higher as a result of the new loan. (residual income, including refinancing monthly PITI (principal, interest, taxes, and insurance) payment vs. current residual income, including monthly PITI payment of the loan being refinanced.) In cases where TI amounts are changing between the application date and the closing date of the refinance transaction, the new TI amount will be used in determining residual income for both the current and refinanced loan); or</li><li>(f) The new loan is used to payoff the Veteran’s interim construction loan; or</li><li>(g) The new loan LTV is equal to or less than 90 percent of the reasonable value of the home, i.e. LTV ≤ 90%; or</li><li>(h) Refinance of an adjustable-rate mortgage to a fixed-rate mortgage.</li></ul>	<b>Automated Underwriting Requirements</b>	<b>All loans must be submitted to DU/LPA</b>	<b>Acceptable Recommendations</b>	Approve/Eligible	Refer/Eligible	LPA Accept
	<b>Automated Underwriting Requirements</b>							
	<b>All loans must be submitted to DU/LPA</b>							
	<b>Acceptable Recommendations</b>							
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	LPA Accept							

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23. UNDERWRITING/AUS	<p><b>Loan Comparison</b></p> <p><b>Disclosure Requirement</b></p> <p>All IRRRLs require a Loan Comparison Statement that includes the time to recoup all closing costs and related fees of the new refinance loan.</p> <ul style="list-style-type: none"> <li>• The Loan Comparison Statement must be completed and provided within three (3) business days of taking application and with the closing package.</li> <li>• Stockton Mortgage will require evidence that the Veteran/borrower has acknowledged receipt of each statement (at application and closing).</li> </ul> <p><b>Seasoning</b></p> <p>A loan is seasoned if both of the following conditions are met as of the date of closing:</p> <ol style="list-style-type: none"> <li>1. The first monthly payment of the loan being refinanced was made 210 days or more prior to the first payment date of the refinancing loan; and</li> <li>2. Six monthly payments have been made on the loan being refinanced.</li> </ol>	<p><b>Seasoning</b></p> <p>A loan is seasoned if both of the following conditions are met as of the date of closing:</p> <ol style="list-style-type: none"> <li>1. The first monthly payment of the loan being refinanced was made 210 days or more prior to the first payment date of the refinancing loan; and</li> <li>2. Six monthly payments have been made on the loan being refinanced.</li> <li>3. For loans being refinanced within 1 year from the date of closing, lenders must obtain a payment history/ledger from the servicing lender documenting all payments.</li> </ol> <p><b>Loan Comparison</b></p> <p><b>Disclosure Requirement</b></p> <p>The lender must provide the Veteran a comparison of the new loan to the existing loan being refinanced. VA required lenders to generate two loan comparison disclosures, one within 3 business days of taking application and with the closing package.</p> <p>Contents of the Initial &amp; Closing Disclosure must include:</p>

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	<b>INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)</b>	<b>CASH-OUT REFINANCE</b>
<b>DECISIONS (cont.)</b>	<p>3. For loans being refinanced within 1 year from the date of closing, lenders must obtain a payment history/ledger from the servicing lender documenting all payments.</p> <p><b>Recoupment</b></p> <p>All IRRRL refinances must also meet recoupment requirements. The lender must certify that the recoupment period of fees, expenses and closing costs do not exceed 36 months from the date of closing by means of a Fee Recoupment Test.</p> <p>The Fee Recoupment Test describes the length of time it takes for a Veteran to pay for certain fees, closing costs and expenses that were necessitated by the refinance loan.</p> <p>This includes, but is not limited to, IRRRLs in which the principal balance is increasing, the term of the loan is decreasing, or where the loan being refinanced is an adjustable-rate mortgage (ARM).</p> <ul style="list-style-type: none"> <li>For an IRRRL that results in a lower monthly principal and interest (PI) payment, the recoupment test period cannot exceed 36 months from the date of the loan closing.</li> <li>For an IRRRL that results in the same or higher monthly principal and interest (PI) payment, the Veteran may not incur fees, closing costs, or expenses (other than taxes, amounts held in escrow, and the VA Funding Fee). This is applicable to all IRRRL transaction types, including ARM to Fixed.</li> </ul> <p>Recoupment Calculation:</p> <p>Fees Included in Recoupment Test</p> <ul style="list-style-type: none"> <li>Allowable fees and charges <ul style="list-style-type: none"> <li>Included in the loan amount</li> <li>Paid outside of closing</li> </ul> </li> <li>Credit Report (if required)</li> <li>Appraisal Fee (if applicable and the lender requires Veteran to pay)</li> <li>Reasonable discount points <ul style="list-style-type: none"> <li>Included in the loan amount</li> <li>Paid outside of closing</li> </ul> </li> </ul> <p>Note: Lender credits may be used to offset allowable fees and charges (including discount points)</p>	<ul style="list-style-type: none"> <li>Refinancing loan amount (including funding fee) vs. the payoff amount of the loan being refinanced</li> <li>Interest rate</li> <li>Mortgage loan type</li> <li>Loan term of the refinancing loan vs. the remaining term of the loan being refinanced</li> </ul>

Please note that this is not a client offer or solicitation for all loan products listed. All loans submitted for purchase to Stockton Mortgage must be eligible for purchase by Stockton Mortgage and be in full compliance with the Stockton Mortgage Loan Product Matrix, Agency Selling Guide and Client Contract for each approved client. Stockton Mortgage NMLS 8259 Equal Housing Lender Georgia Residential Mortgage License / Stockton GA License 50873



## VA REFINANCE

	INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)	CASH-OUT REFINANCE
<b>23. UNDERWRITING/AUS DECISIONS (contd.)</b>	<p>Fees Excluded from Recoupment Test</p> <ul style="list-style-type: none"><li>• VA funding fee</li><li>• Per diem interest</li><li>• Escrow</li><li>• Prepaid Expenses<ul style="list-style-type: none"><li>• Insurance</li><li>• Taxes (including delinquent taxes)</li><li>• Special assessments</li><li>• Homeowners' association (HOA) fees</li></ul></li></ul> <p>Note: This is not an all-inclusive list of prepaid expenses.</p> <p><a href="https://www.benefits.va.gov/HOMELoANS/documents/circulars/2619_22.pdf">https://www.benefits.va.gov/HOMELoANS/documents/circulars/2619_22.pdf</a></p>	

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