

## Announcement 2019 – 01

### Planet Home Lending VA Cash Out Refinances

The VA recently issued Circular 26-18-30, which outlined new policies regarding VA guaranteed Cash-Out Refinances. Planet Home Lending will align with these changes, as of the effective date of February 15, 2019. The changes apply **ONLY** to VA Cash-Out Refinance transactions.

The CORE Seller Portal and Seller Guide are in the process of being updated to accommodate the required system changes and policy changes. Planet Home Lending will continue to communicate updates as the effective date approaches. Sellers should reach out to the RSM for assistance should any questions arise prior to the effective date.

**Effective Date:** The guideline changes are effective for applications dated on or after February 15, 2019.

The new requirements and changes are outlined in the following table:

| <u>Category</u>            | <u>New Guidance</u>  | <u>Prior Guidance</u>   |
|----------------------------|--|---|
| Loan Type                  | <u>Refinances are categorized as:</u> <ul style="list-style-type: none"> <li>• IRRRL</li> <li>• Cash Out Type I</li> <li>• Cash Out Type II</li> </ul>   | <u>Refinances were categorized as:</u> <ul style="list-style-type: none"> <li>• IRRRL</li> <li>• Cash Out</li> </ul>      |
| Max LTV                    | 100% based on total loan amount  | 100% based on base loan amount  |
| LTV Determination          | LTV is now determined by dividing the total loan amount, including the VA Funding Fee, by the Reasonable Value on the NOV  | LTV was determined by dividing the base loan amount, NOT including the VA Funding Fee, by the Reasonable Value on the NOV |
| Net Tangible Benefit (NTB) | <u>Loan must meet one of the following:</u> <ul style="list-style-type: none"> <li>• Eliminate Mortgage Insurance (MI)</li> <li>• Reduced Loan Term</li> <li>• Lower Interest Rate</li> <li>• Reduction in amount of monthly payment</li> <li>• Increase in borrower's residual income</li> <li>• Refinance of interim loan to construct or repair the property</li> <li>• LTV is 90% or less</li> <li>• ARM to Fixed</li> </ul> | Cash to borrower was the NTB  |

|  |   |   |
|--|---|---|
| Evidence of NTB to Borrower                        | <p>Within three business days, Loan Originator must disclose to the borrower the NTB and the key terms of the new loan compared to the existing loan, including:</p> <ul style="list-style-type: none"> <li>• New Loan Amount vs. Payoff</li> <li>• Loan Type (e.g. Fixed to Fixed; ARM to Fixed)</li> <li>• Interest Rate</li> <li>• Loan Term</li> <li>• Principal and Interest (including MI of prior loan, when applicable)</li> <li>• LTV</li> <li>• Estimate of the equity being removed from the home, AND an explanation on the impact of removing that equity</li> </ul> | Not Required  |
| Seasoning<br>(applies only when Refi is VA to VA)  | <p><u>The later of:</u><br/>6 regular payments -and-<br/>210 days after the first monthly payment is made</p>   | <p><u>The later of:</u><br/>6 regular payments -and-<br/>210 days after the first monthly payment is made</p> |
| Recoupment<br>(applies only when Refi is VA to VA) | <p><u>Required only on Type I Cash Out:</u><br/>Recoupment period of all fees, closing costs and expenses must not exceed 36 months. (does not include taxes, escrows, insurance)</p>   | Not Required  |

All Planet Home Lending documentation will be updated to reflect those changes as applicable.

If you have any questions, please contact your Regional Sales Manager.