

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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NEW VA REFINANCE RULES

While most of us were enjoying the holidays, the VA was publishing news rules for VA refinancing. These rules appear to be, in part, a reaction to many stories from veterans regarding the refinancing of their VA loans and paying high fees to get some equity back. The veteran's cash out in some instances is less than the amount of fees paid. These fees are then added to the principle balance. There are other stories of abusive practices in the refinancing of veteran mortgages which VA and Ginnie Mae have addressed piecemeal in the past couple of years.

Congress and the VA have taken action.

VA published an interim final rule on December 19, 2018 addressing requirements for cash-out refinance loans. This rule implements *The Economic Growth, Regulatory Relief, and Consumer Protection Act*. This new legislation provides criteria to determine when VA may guarantee a refinancing loan. The Act requires VA to promulgate regulations for cash-out refinancing loans. This includes

refinancing of construction loans (construction-to-permanent loans), regardless of whether there is a change in the principal loan amount.

Public comments on the interim final rule will be accepted until February 15, 2019

The rule is effective on February 15, 2019, and will apply to VA refinance loan applications taken on, or after, the effective date.

The rule addresses 3 categories of loans, (1) IRRRLs, (2) cash out where the new loan amount does not exceed the amount of the loan being refinanced and (3) cash out where the new loan amount does exceed the amount of the loan being refinanced. The rule discusses LTV limits, LTV calculations, loan seasoning and fee recoupment.

Perhaps most importantly, the rule discusses in some detail the *Net Tangible Benefit* test which all loans must meet.

A good summary of the new rule and the full rule itself may be found along with contact information for any comments you may wish to offer may be found at:

https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30.pdf?mkt_tok=eyJpIjoIT0RsaE1XWmpaR1JpWkRFMSIsInQiOiJWaXZQNWVaZm9HUFplckdnRlpzMTZ1UVVwSHdTbmdNdmhxaDFhblwvQ1NFM3hyVWlwZEUrY1RqVXdYc3ZjK3RleTVXQTB0VmdMYmdNdVVOc2dnRG9Hd1B3dTVhK2I5WGNSUkJCQlkrWUw5SjJ2TEFkb3MyR0o0MjhXaW5uZGpyTkt6In0%3D

We wish all of you the very best in the New Year.

ABOUT ALT & ASSOCIATES

Alt & Associates publishes the *Lenders Update* via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Over the past three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their business operations. Legal counsel provided to the mortgage industry includes, but is not limited to:

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- ✚ Operational advice
- ✚ Transactional work Agreements such as Loan Officer
- ✚ Compensation Agreements etc.
- ✚ Various forms of employee, officer, and/or manager contracts
- ✚ Litigation representation

You may direct any questions or comments directly to:

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