

VA-Guaranteed Home Loan Cash-Out Refinance Comparison Certification

PROPOSED REFINANCE LOAN

*Sections I through III should be completed within 3 business days of the loan application. Please note that the information provided in these sections represent an **estimate** of the refinance loan and its impact.*

Section I – PROPOSED REFINANCE LOAN COMPARISON

(This section to be completed by the Lender. Please refer to instructions for more information.)

Loan Application Date: _____

	<u>EXISTING LOAN</u>	<u>PROPOSED LOAN</u>	<u>ESTIMATED IMPACT OF REFINANCE</u>
VA Loan Number (LIN)	_____	_____	
Loan Balance	\$ _____	\$ _____	\$ _____
Monthly Payment	\$ _____	\$ _____	\$ _____
Remaining Term (months)	_____	_____	
Loan Type	_____	_____	N/A
Interest Rate	_____ %	_____ %	_____ %
Total of the Remaining Scheduled Payments	\$ _____	\$ _____	\$ _____
Loan-to-Value Percentage	_____ %	_____ %	_____ %
Home Equity Remaining	\$ _____	\$ _____	\$ _____

Section II – NET TANGIBLE BENEFIT FOR PROPOSED REFINANCE LOAN

(This section to be completed by the Lender. Please refer to instructions for more information.)

To the best of my knowledge, I, [insert Lender name], have determined that the proposed refinance loan outlined in Section I meets the following net tangible benefits (check all that apply):

- The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance
- The term of the new loan is shorter than the term of the loan being refinanced
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced
- The payment on the new loan is lower than the payment on the loan being refinanced
- The new loan results in an increase in the borrower’s monthly residual income as explained by 38 CFR 36.4340(e)
- The new loan refinances an interim loan to construct, alter, or repair the primary home
- The new loan amount is equal to or less than 90 percent of the reasonable value of the home
- The new loan refinances an adjustable rate mortgage to a fixed rate loan

Section III – BORROWER CERTIFICATION FOR PROPOSED REFINANCE LOAN

I/We hereby certify that I/we understand the estimated effect the proposed refinancing has on my loan balance, payments, interest rate, term, total payback of payments, and remaining equity in my home should I/we accept a refinance loan.

Borrower _____

Date:

Co-Borrower _____

Date:

FINAL REFINANCE LOAN

Sections IV through VII should be completed at or before the closing of the refinance loan.

Section IV – FINAL REFINANCE LOAN COMPARISON

(This section to be completed by the Lender. Please refer to instructions for more information.)

	<u>EXISTING LOAN</u>	<u>NEW LOAN</u>	<u>IMPACT OF REFINANCE</u>
VA Loan Number (LIN)	_____	_____	
Loan Balance	\$ _____	\$ _____	\$ _____
Monthly Payment	\$ _____	\$ _____	\$ _____
Remaining Term (months)	_____	_____	_____
Loan Type	_____	_____	N/A
Interest Rate	_____ %	_____ %	_____ %
Total of the Remaining Scheduled Payments	\$ _____	\$ _____	\$ _____
Loan-to-Value Percentage	_____ %	_____ %	_____ %
Home Equity Remaining	\$ _____	\$ _____	\$ _____

Section V – REFINANCE CLOSING SUMMARY

(This section to be completed by the Lender. Please refer to instructions for more information.)

Amount of Cash Directly Disbursed to Borrower(s): \$ _____

Payoffs Disbursed, Excluding Mortgages, on Behalf of Borrower(s): \$ _____

Amount of Increase in Total Paid Over Life of Loan: \$ _____

Section VI – NET TANGIBLE BENEFIT FOR FINAL REFINANCE LOAN

(This section to be completed by the Lender. Please refer to instructions for more information.)

I, [insert Lender name], have determined that the new refinance loan outlined in Section IV meets the following net tangible benefits (check all that apply):

- The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance
- The term of the new loan is shorter than the term of the loan being refinanced
- The interest rate on the new loan is lower than the interest rate on the loan being refinanced
- The payment on the new loan is lower than the payment on the loan being refinanced
- The new loan results in an increase in the borrower’s monthly residual income as explained by 38 CFR 36.4340(e)
- The new loan refinances an interim loan to construct, alter, or repair the primary home
- The new loan amount is equal to or less than 90 percent of the reasonable value of the home
- The new loan refinances an adjustable rate mortgage to a fixed rate loan

Section VII – BORROWER CERTIFICATION FOR FINAL REFINANCE LOAN

I/We hereby certify that I/we understand the effect refinancing has on my loan balance, payments, interest rate, term, total payback of payments, and remaining equity in my home should I/we accept a refinance loan.

Borrower _____

Date:

Co-Borrower _____

Date:

INFORMATION AND INSTRUCTIONS FOR THE CASH-OUT REFINANCE COMPARISON CERTIFICATION

IMPORTANT: Please read the information below carefully to help you understand the information presented on this form. Some sections of the form also contain notes or specific instructions for completing that section.

What is the purpose of this certification?

This form/document is intended to provide the *Borrower(s)* with a comparison of key loan characteristics on both an existing loan and a (proposed) cash-out refinance loan. The information provides the *Borrower(s)* with information about the overall cost of the cash-out refinance loan and assists in making an informed decision about whether to proceed with the refinance loan.

Who completes this certification?

The *Lender* of the refinanced loan must provide the *Borrower(s)* with completed Sections I and II not later than 3 business days from the date of the loan application. The *Lender* must then provide the *Borrower(s)* with completed Sections IV, V, and VI at loan closing.

The *Borrower(s)* must review the form and certify via signature that he/she received the information on both occasions.

Do I need to keep a copy of this certification?

Lenders must maintain copies of all loan origination records of VA guaranteed home loans for at least 2 years from the date of loan closing. The *Borrower(s)* should also keep a copy of the certification as part of his/her loan records.

Sections I and IV – Refinance Loan Comparison

The *Lender* should complete the Refinance Loan Comparison for both the initial disclosure at application and the disclosure at closing. **Important:** For the initial disclosure (e.g., Section I), when possible, the *Lender* may use estimated information about the existing loan and proposed loans. If such information is not available or is incomplete (i.e., current appraised value of the home), the *Lender* must estimate this information and explain this to the *Borrower*.

VA Loan Identification Number (LIN) should be provided for the existing loan and the proposed/new loan. If the existing loan is not a VA guaranteed or insured loan, the *Lender* should indicate the type of existing loan (i.e., FHA, conventional, etc.).

The **(Estimated) Impact of Refinance** must be shown as an increase or (decrease) from the existing loan to the proposed/new loan.

Loan Balance reflects the remaining unpaid principal balance for the existing loan, including any second liens or HELOCS, and the principal balance for the proposed/new refinance loan. For the proposed/new refinance loan, this amount should include any VA funding fee and other (estimated) closing costs if such costs are financed as part of the loan.

Monthly Payment reflects the total monthly amount of principal, interest, and mortgage insurance (if any) owed by the borrower on the existing loan and proposed/new refinance loan.

The *Lender* should indicate the appropriate **Loan Type** for the existing loan and proposed/new refinance loan (i.e., Fixed; Adjustable Rate Mortgage (ARM); Hybrid ARM; Home Equity Line of Credit (HELOC)). The *Borrower* should consult with the Lender if more information is needed about the listed loan type.

Total of the Remaining Scheduled Payments reflects the (estimated) total the *Borrower* will have paid after making all remaining payments of principal, interest, and mortgage or guaranty insurance (if applicable) for the existing loan and proposed/new refinance loan.

The Loan-to-Value Percentage is calculated by dividing the Loan Balance by the appraised value of the property, expressed as a percentage. Important: *For the initial disclosure (e.g., Section I), the Lender must estimate the current appraised value of the property if a current appraisal is not available. The final disclosure (e.g., Section IV) must use the VA appraisal (also known as the Notice of Value (NOV)) to calculate the Loan-to-Value Percentage.*

Home Equity reflects the difference between the home's reasonable (appraised) value and the outstanding balance of all liens on the property.

Section II and VI – Net Tangible Benefit

To be eligible for VA guaranty, a cash-out refinance loan must demonstrate that it meets at least one of eight net tangible benefits. In completing this form, the *Lender* must select all net tangible benefits that apply to the proposed/new refinance loan. The *Borrower* should consult with the *Lender* if additional information is needed about each net tangible benefit selected and how the *Lender* determined it was met.

Section V – Refinance Closing Summary

The *Lender* should complete this section only for the disclosure provided at closing. The purpose of this section is to provide the *Borrower(s)* with a summary of the proposed refinance loan BENEFIT (e.g., the amount of cash directly disbursed to the *Borrower(s)* and/or the amount of payoff disbursed on behalf of the *Borrower(s)* at closing) and COST (e.g., the amount of increase in total paid over life of the refinance loan for this one-time cash disbursement). Payoffs should include all payoffs for debt on behalf of the *Borrower(s)*, excluding mortgages, at time of closing. If the *Borrower* has any concerns or questions about this information, he/she should discuss these with the *Lender* prior to closing.