Streamline Refinances FHA-VA-USDA

Introduction and Overview

Streamline options:

FHA	VA IRRRL	USDA

Streamlines are typically best in a lower rate environment – NOW IS THAT TIME

FHA Streamline

FHA Streamline

Used to payoff an FHA loan type only

Cannot payoff a 2nd mortgage

Can payoff the outstanding principal balance plus any interest due on the existing mortgage plus any new UFMIP minus any UFMIP refund

Max cash out of $500, but unlikely to occur

Borrower will almost always bring money to closing - If funds to close, need to verify

Max term available – lessor of

- 1. the remaining balance of the existing mortgage + 12 years
- 30 years

FHA – Property requirements

Appraisal not required

Principal residences, HUD-approved secondary residences, or non-owner occupied properties.

FHA – Borrower Requirements

Borrower Eligibility

- A borrower is eligible for a streamline refinance without credit qualification if all borrowers on the existing mortgage remain as borrowers on the new mortgage.
- Mortgages that have been assumed are eligible provided the previous borrower was released from liability
- EXCEPTION:
  - A borrower on the mortgage to be paid may be removed from the title and new mortgage in cases of divorce, legal separation or death when:
    - The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable, and
    - The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of six months prior to case number assignment.

Need proof borrower is employed using current paystub or VVOE within one month of closing (COVID OVERLAY)

1003 does not show income

Debts are not required on 1003 except mortgage

No DTI calculated

Net disposable income not calculated

FHA Credit

Mortgage only Credit report is required

Proof mortgage is not in forbearance and 0 x 30 last 12 months (COVID OVERLAY)

No score on credit, use 720 for pricing

Purpose of loan is No Cash-out streamline

Loan purpose is FHA streamline refinance (w/o appraisal)

FHA Streamline type is Noncredit qualifying

Enter mortgage only and no debts in liability section

No DTI calculated

CAIVRS is NOT required

FHA – Additional Requirements

The note date of the refinance loan must be on, or after, the **later of**:

(1) the date on which the borrower has made at least six monthly payments on the loan being refinanced; **and**

(2) the date that is 210 days after the first payment due date of the loan being Refinanced

No DU or LP needs run

Comparison of Streamline to Regular FHA refinance

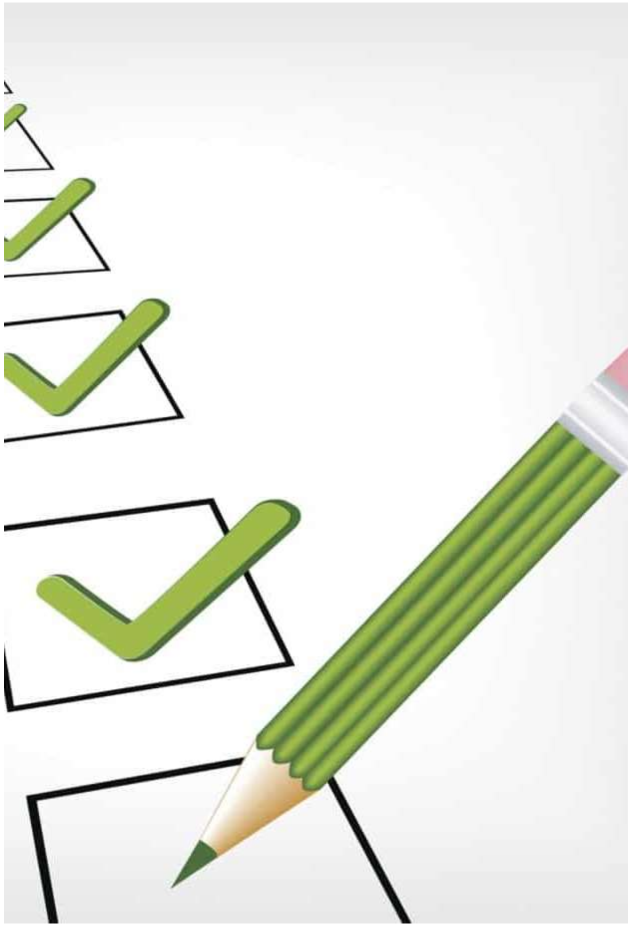
<u>**FHA Streamline Non-Credit Qualifying**</u>	<u>**FHA Refinance**</u>
No Appraisal	Appraisal
No Income	Need Income
No VOE	Verbal VOE at closing
No DTI calculated	DTI max per AUS
No AUS	Need AUS
Need proof of money to closing	Need proof of money to closing
Mortgage only credit report	Tri-merge credit report
No minimum score (no scores needed)	Min score of 580
Cannot finance closing costs into the loan	Can finance closing costs into loan

FHA Streamline

How to calculate initial loan amount at RESPA

1. Start by using current balance from the credit report.
2. Add in 30 days interest.
   - Example – if your loan balance is $97,500 and their current rate is 4%. $97,500 x 4%/365 x 30 = $320.55 (97500 + 320.55 = 97820.55)
3. Determine if your loan was closed in the last 3 years. If so, calculate and subtract the FHA UFMIP refund. Use this as your initial base loan amount.
4. Excel spread sheets are provided to assist the calculation on Sharepoint – LO Toolbox under FHA Streamline Max Loan Amounts.

YOUR BORROWER WILL NEED MONEY TO CLOSE. THIS IS TO COVER CLOSING COST AND ESCROW SET UP.



Items to review with your customer

Borrower should make their current monthly payment for the month you are closing in!

Skipping a payment will result in more cash needed to close the loan from the borrower's funds.

- Example – If closing is February 23, February's payment should have been made.
- A payment made late in the month will result in the need for an additional pay off statement which could result in delaying loan closing.

The borrower will need to give you proof of assets. This is never avoidable on a streamline.

**** FHA payoffs starting 1/21/2015 include per diem interest ****

NET TANGIBLE BENEFIT

	To		
From	**Fixed Rate New Combined Rate**	**One-Year ARM New Combined Rate**	**Hybrid ARM New Combined Rate**
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.
Any ARM With Less Than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
Any ARM With Greater Than or Equal to 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.

Reduction in Term

The net tangible benefit test is met if:

- the remaining amortization period of the existing Mortgage is reduced;
- the new interest rate does not exceed the current interest rate; and
- the combined principal, interest and MIP payment of the new Mortgage does not exceed the combined principal, interest and MIP of the refinanced Mortgage by more than $50.

Mortgage Insurance

Regular chart for loans that pay off an FHA loan that was endorsed after 5/31/09

- 1.75% UFMIP
- **<u>Loan Term More Than 15 Years – Monthly MIP</u>**
  Base Loan Amount $625,500 or less
  - LTV 95.01% or more = .85%
  - LTV 95.00% or less = .80%
  Base Loan Amount above $625,500
  - LTV 95.01% or more = 1.05%
  - LTV 95.00% or less = 1.00%

If the FHA loan being paid off was endorsed on or before 5/31/2009, the UFMIP and monthly MIP is reduced.

- .01% UFMIP
- .55% Monthly MIP

UFMIP Refunds

Whenever you refinance an FHA loan to another FHA loan within 3 years of the 1st FHA loan, the borrower is entitled to a refund of a portion of the original UFMIP.

When your processor gets a case number, they will be able to request a refinance authorization which will give them the exact amount of the refund. The FHA chart on the next page shows how the amount is determined.

This refinance authorization also has the original value of the property. This value must be entered as your current appraised value as it is used as a basis for the calculation of your monthly MIP.

Upfront Mortgage Insurance Premium Refund Percentages												
	Month of Year											
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	80	78	76	74	72	70	68	66	64	62	60	58
2	56	54	52	50	48	46	44	42	40	38	36	34
3	32	30	28	26	24	22	20	18	16	14	12	10

Price the FHA Streamline Non-credit qualifying in OB

Use 720 as score - Enter 720 in ENC as the Credit Score for Decision Making (Lock Request Form)

Pricing Tip #1 – ENC pushes to OB as R&T Refi, change Loan Purpose to FHA Streamline Refi

Pricing Tip #2 – Product Type select Standard

Pricing Tip #3 – Eligible Products should reflect Streamline in the product name and don't be afraid of the Full Set tab if you get no Best Price results

Pricing


VA Loan
General Questions
Proposed Insured's Name:
(Please use capital letters)
Birth Date:
Gender:
Male
Female
Passport no:
Address:
Email Address:
Social Security Number:
Married
Devorced
Others
Are you a retiree?
Yes
No
Status:

VA IRRRL

What is an VA IRRRL?

An IRRRL is a VA-guaranteed loan made to refinance an existing VA-guaranteed loan, generally at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing VA loan.

Pays off a VA loan

Cannot payoff a 2nd mortgage

Payoff of mortgage loan plus VA funding fee plus VA allowable closing costs

Max $500 cash out

Mortgage only credit report

No score on credit, use 720 for pricing

DTI not calculated

What we are not requiring…

NO Full Credit Report

NO Appraisal

NO Income Verification

NO Asset Verification

NO AUS

No Loan Analysis

What we do require…

Mortgage Only Credit Report

VOE or current paystub showing no furlough (COVID OVERLAY)

Proof current mortgage is not in forbearance (COVID OVERLAY)

2 months bank statements or asset information if any cash to closing

COE necessary to prove if any funding fee for the veteran

Clear CAIVRS

Prior Loan validation

Need prior mortgage payoff statement

Net tangible benefit

Who can an IRRRL be made to?

	Parties Obligated on Old VA Loan	Parties to be Obligated on new IRRRL	Is IRRRL Possible?
1	Unmarried veteran	Veteran and new spouse	Yes
2	Veteran and spouse	Divorced veteran alone	Yes
3	Veteran and spouse	Veteran and different spouse	Yes
4	Veteran alone	Different veteran who has substituted entitlement	Yes
5	Veteran and spouse	Spouse alone (veteran died)	Yes
6	Veteran and nonveteran joint loan obligors	Veteran alone	Yes
7	Veteran and spouse	Divorced spouse alone	No
8	Unmarried veteran	Spouse alone (veteran died)	No
9	Veteran and spouse	Different spouse alone (veteran died)	No
10	Veteran and nonveteran joint loan obligors	Nonveteran alone	No

Generally, the party(ies) obligated on the original loan must be the same on the new loan (and the veteran must still own the property).

Beginning a New application

Loan officer takes application

Determines the loan we are paying off is a VA loan

Get the payment information on the loan we are paying off – get 1st payment letter from original ENC file if we did it.

Pull credit like normal

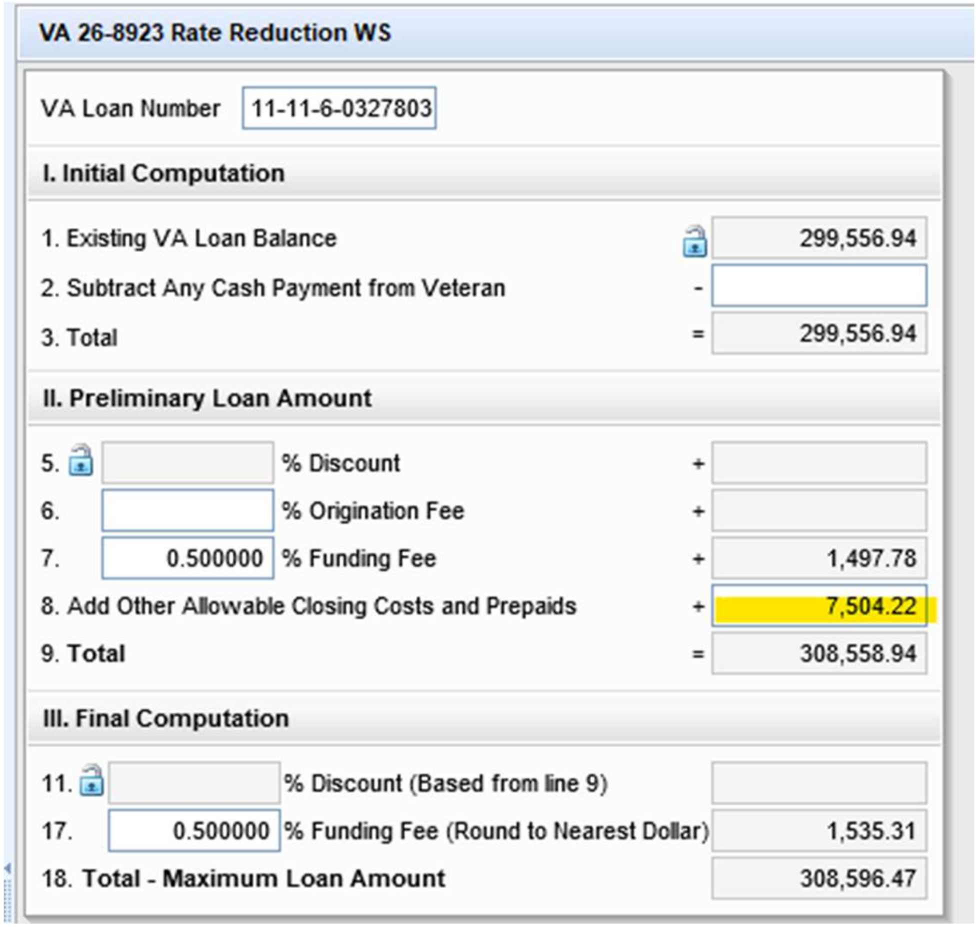
- Processing will convert this credit to a mortgage only credit report once RESPA is ordered
- Processing will ensure that no liabilities other than the mortgage are showing on the 1003 & will place the mortgage only credit report into ENC
- Loan officer will use 720 FICO to price loan since loan will proceed as non-credit qualifying

Complete the 1003

Do not list borrower’s jobs, income, assets, liabilities

Enter the borrower’s personal info entered (full name, phone #, current/prev. address, SSI #, DOB, declarations completed)

All info. pertaining to the refinance, present & proposed housing should be fully completed


VA 26-8923 Rate Reduction WS

VA Loan Number: 11-11-6-0327803

I. Initial Computation

1. Existing VA Loan Balance			299,556.94
2. Subtract Any Cash Payment from Veteran		-	
3. Total		=	299,556.94

II. Preliminary Loan Amount

5.		% Discount	+	
6.		% Origination Fee	+	
7.	0.500000	% Funding Fee	+	1,497.78
8. Add Other Allowable Closing Costs and Prepaids			+	7,504.22
9. **Total**			=	308,558.94

III. Final Computation

11.		% Discount (Based from line 9)	
17.	0.500000	% Funding Fee (Round to Nearest Dollar)	1,535.31
18. **Total - Maximum Loan Amount**			308,596.47

Calculate the Max Loan Amount

Complete the 1003 and 2015 Itemization

Go to Forms - VA 26-8923 Rate Reduction WS – Enter the following:

- The Existing VA Loan Balance – What you think the Payoff will be on the mortgage – this flows from the mortgage input in liabilities
- On line 8 - input the amount of total of additional closing costs and fees (closing costs and prepaids from DOT)
- Total Maximum Loan Amount will calculate and is shown at the bottom

Maximum Loan Amount

The maximum loan amount gets updated when the payoff comes in.

- Include the payoff statement with interest accrual and fees, adjusted to the actual date of payoff.

Include the VA funding fee.

Roll in closing costs into the loan amount

- Maximum 2 discount points
- Cannot finance VA non-allowable costs greater than the 1 percent flat fee.

Example: If the lender charges a $1,000 loan origination fee on a $100,000 loan, they have charged the maximum allowable origination fee, and cannot charge additional unallowable fees, such as a document preparation fee. However, if the lender charged an $800 loan origination fee on a $100,000 loan, the lender may charge up to $200 in unallowable fees, such as a document preparation fee. In all cases, the aggregate of the loan origination fee and unallowable fees cannot exceed the one percent threshold.

Check Fee Recoupment

Recoupment describes the length of time it takes for a Veteran to pay for the closing costs and expenses that were necessitated by the refinance loan.

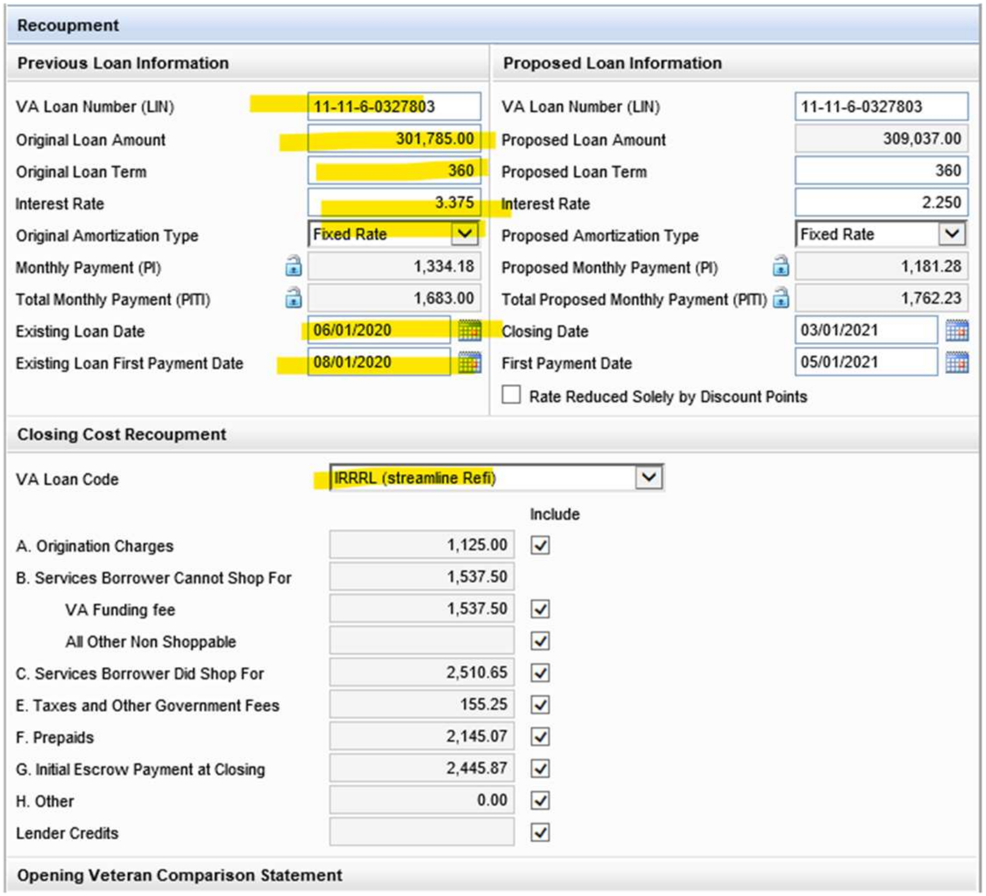
Fees must be recouped in **36 months or less**.

Calculate by dividing all fees, expenses, and closing costs, whether included in the loan or paid outside of closing (i.e., an appraisal fee), by the reduction of the monthly PI payment.

The VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees, are excluded from the recoupment calculations.

Applies to all IRRRLs.

- Includes IRRRLs where the principal balance is increasing, the term of the loan is decreasing, or where the loan being refinanced is an adjustable-rate mortgage (ARM).
- If we can't recoup in 36 months or less, then no closing costs can be charged!



Recoupment

Previous Loan Information		Proposed Loan Information	
VA Loan Number (LIN)	11-11-6-0327803	VA Loan Number (LIN)	11-11-6-0327803
Original Loan Amount	301,785.00	Proposed Loan Amount	309,037.00
Original Loan Term	360	Proposed Loan Term	360
Interest Rate	3.375	Interest Rate	2.250
Original Amortization Type	Fixed Rate	Proposed Amortization Type	Fixed Rate
Monthly Payment (PI)	1,334.18	Proposed Monthly Payment (PI)	1,181.28
Total Monthly Payment (PITI)	1,683.00	Total Proposed Monthly Payment (PITI)	1,762.23
Existing Loan Date	06/01/2020	Closing Date	03/01/2021
Existing Loan First Payment Date	08/01/2020	First Payment Date	05/01/2021
		☐ Rate Reduced Solely by Discount Points	

Closing Cost Recoupment

VA Loan Code: IRRRL (streamline Refi)

		Include
A. Origination Charges	1,125.00	☑
B. Services Borrower Cannot Shop For	1,537.50	
VA Funding fee	1,537.50	☑
All Other Non Shoppable		☑
C. Services Borrower Did Shop For	2,510.65	☑
E. Taxes and Other Government Fees	155.25	☑
F. Prepaids	2,145.07	☑
G. Initial Escrow Payment at Closing	2,445.87	☑
H. Other	0.00	☑
Lender Credits		☑

Opening Veteran Comparison Statement

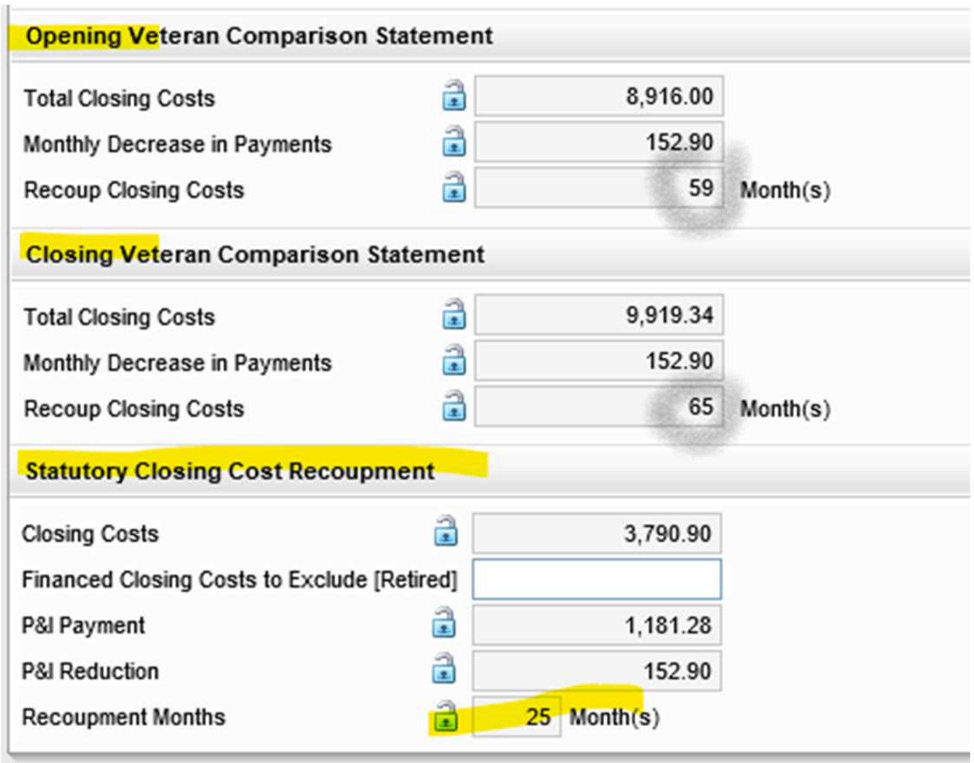
How to calculate Fee Recoupment in ENC

Go **to <u>Forms - VA Management Screen, Qualification tab</u>** - Enter the following on the existing loan:

- Original VA Loan Number
- Original Loan Amount
- Loan Term
- Rate
- Amortization Type
- Monthly Payment – this is auto calculated from loan amount, term and rate
- Total Monthly Payment – this pulls in from the 1003
- Existing loan date (origination date)
- Existing loan First Payment Date
- VA Loan Code – IRRRL

If we did the last transaction, Loan Officer to obtain the first payment letter from the closing package on the previous loan and upload it to ENC.

How to calculate Fee Recoupment in ENC



Opening Veteran Comparison Statement

Total Closing Costs	8,916.00	
Monthly Decrease in Payments	152.90	
Recoup Closing Costs	59	Month(s)

Closing Veteran Comparison Statement

Total Closing Costs	9,919.34	
Monthly Decrease in Payments	152.90	
Recoup Closing Costs	65	Month(s)

Statutory Closing Cost Recoupment

Closing Costs	3,790.90	
Financed Closing Costs to Exclude [Retired]		
P&I Payment	1,181.28	
P&I Reduction	152.90	
Recoupment Months	25	Month(s)

<u>Review the Recoupment Months in the bottom Statutory Closing Cost Recoupment Section</u>

If <= 36, it meets the recoupment

If over 36 months

Review fees, is the 2015 Itemization correct, can anything be eliminated?

- Appraisal fee
- Pest fee
- Lender's Title Ins reissue (if this fee needs changed, email ithelpdesk@callequity.net)

Add a Lender Credit on the DOT

We can send RESPA if the Recoupment Months is just a bit higher than 36 months because it is understood that the payoff amount, actual title fees, etc. will come into play later in the loan process and the numbers will adjust.

We will not send if the borrower does not qualify…

Recoupment Disclosures

Two disclosures go out – once with RESPA and again at closing.

The disclosure includes a comparison of the refinance loan to the loan being refinanced.

The recoupment calculation for the purposes of the comparison statement differs from the recoupment calculation in ENC.

See picture on slide before.

LOAN ESTIMATE INFORMATION:

Origination Charges	+	**$1,125.00**
Services You Cannot Shop For	+	**$1,538.00**
Services You Can Shop for	+	**$2,611.00**
Taxes and Other Government Fees	+	**$182.00**
Prepaids	+	**$229.00**
Initial Escrow Payment at Closing	+	**$3,231.00**
Other	+	
Lender Credits	-	
Closing Costs for Recoupment Calculation	$	**8,916.00**

TIME TO RECOUP CLOSING COSTS:

Monthly Decrease in Payments	$	**152.90**
Total Closing Costs	$	**8,916.00**
Recoup Closing Costs		**59 (Months)**

I/We hereby certify that I/we understand the effect of the loan payment and interest rate our home loan.

DocuSigned by:

Loan Seasoning

Make sure the VA loan is seasoned

Loan seasoning refers to the age of the loan being refinanced.

The **due date of the first payment** is used to determine loan seasoning. A loan is considered seasoned if both of the following conditions are met as of the date of loan closing:

- (a) The due date of the first monthly payment of the loan being refinanced is 210 days or more prior to the closing date of the refinance loan; and
- (b) Six consecutive monthly payments have been made on the loan being refinanced.

NOTE: Periods of forbearance under the CARES Act do not count toward loan seasoning requirements for the IRRRL.

Example: The loan being refinanced closed on March 8, 2020. The first payment is due May 1, 2020. If the Veteran makes six consecutive monthly payments, the loan being refinanced will be seasoned on November 27, 2020.

Net Tangible Benefit

Make sure the loan has a Net Tangible Benefit that meets VA requirements

NTB means that the loan is in the financial interest of the Veteran.

Fixed Rate to Fixed Rate IRRRLs.

- The refinance loan's interest rate must be not less than 0.50 percent (50 basis points) lower than the interest rate of the loan being refinanced.
- For example, if the interest rate of the loan being refinanced is 3.75 percent (fixed), then the interest rate of the refinance loan may not be greater than 3.25 percent (fixed).

Fixed Rate to Adjustable Rate

- The refinance loan's interest rate must be not less than 2 percent (200 basis points) lower than the interest rate of the loan being refinanced.
- For example, if the interest rate of the loan being refinanced is 3.75 percent (fixed), then the initial interest rate of the refinance loan may not be greater than 1.75 percent (adjustable).

Net Tangible Benefit

Regarding Discount points on a **Fixed to ARM**:

Discount Points: If you need to use a discount fee to achieve the rate reduction requirements, **an appraisal is required for LTV determination**.

You can charge discount fees without an appraisal but if you are using them to achieve the NTB benefit, then an appraisal is required.

The appraisals are ordered through our appraisal department (not thru VA) and if the veteran borrower is charged for this appraisal it must be included in part of the 36-month recoupment cost.

A loan with greater than 1 discount point is capped at 90% LTV and a loan with less than 1 discount point is capped at 100% LTV.

Please note that if no discount points are charged there is no appraisal requirement and no max LTV requirement.

Price the VA IRRRL in OB

Price at 720. Enter 720 in ENC as the Credit Score for Decision Making (Lock Request Form)

Pricing Tip #1 – ENC pushes to OB as R&T Refi, change Loan Purpose to VA Rate Reduction

Pricing Tip #2 – Product Type select Standard

Pricing Tip #3 – Eligible Products should reflect IRRRL in the product name and don't be afraid of the Full Set tab if you get no Best Price results

Pricing

USDA Streamline Assist

USDA – streamline assist

Used to payoff a USDA loan only	No cash out	Cannot payoff a 2nd mortgage
Can payoff the first mortgage plus closing costs and guarantee fee	Additional money (cash out) has to be applied to principal!	30 year fixed rate only

USDA Property requirements

- Appraisal not required
- Principal residence
- Must in in an eligible rural area that was eligible at the time of the original loan closing
- No manufactured homes, mobile homes, timeshares, working farms, 2-4 units, income producing properties

USDA borrowers

One original borrower must remain

Deceased borrowers may be removed

Borrowers can be added to new loan

USDA Income

Need all income docs and must meet USDA income eligibility

Need proof borrower is employed using current paystub or VVOE within one month of closing (COVID Overlay)

Debts are not required on 1003 except mortgage

No DTI calculated

USDA Credit

Credit report is required

Proof mortgage is not in forbearance and 0 x 30 last 12 months

620 minimum score

Use the actual score in pricing engine to price the loan

Purpose of loan is No Cash-out streamline

Complete 1003 with all information – Income and Assets

Debts can stay on there but only mortgage is needed since DTI is not calculated

No DTI calculated

CAIVRS is required

USDA Additional requirements

NTB - Must show $50 or greater reduction in PI payment on new loan

Minimum of 12 months on the loan being refinanced to do this new loan

No GUS is needed

DRIVE Is not needed

Need 2 months of bank statements regardless of cash to close

USDA guarantee fee

- 1% of the loan upfront refinance fee
- Annual fee .35% (added to monthly payment)

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QUESTIONS???