



PRODUCT:  
E3 CODES:

PCM VA IRRRL  
VAS15W AND VAS30W

Primary Capital Mortgage guidelines have been created to provide direction and consistency in determining a credit decision. The intention of these guidelines is to describe the general underwriting philosophy of the company, however is not all inclusive of different situations that may arise from loan to loan. PCM strives to make solid underwriting decisions based on the quality of the loan, basing our underwriting decision on all aspects of the loan file (i.e. loan to value ratio, collateral value, credit history, assets, qualifying ratios, etc.). Although multiple risk factors are assessed, the underwriter will attempt to balance the evaluation between the borrower and the property & the borrower's ability to repay the loan provided.

PCM reserves the right to apply additional underwriting criteria depending on the overall risk of the loan file. Guides are subject to change without notice.

**Amortization:** 15 and 30 years. Actual terms may vary; refer to "Maximum loan term" section to determine amortization term.

**Application Information:** Two year employment history must be listed on 1003. Assets, income, and liabilities are not required.

**Appraisal requirements:** 2055 Exterior conventional appraisal is required. Appraised value must be supported and equal or greater to the total loan amount. Any repairs that impact safety, livability, or habitability must be completed. The property condition must be rated "average" or better. PCM does not accept ratings of "fair" or less.

The requirement for an appraisal can be waived when the current servicer on the loan being refinanced is Wells Fargo.

**Credit Score:** All loans must have a minimum **620\*** score for all borrowers.  
**\*680 score required for loans of \$417,000-\$1,000,000**  
**(check with PCM Secondary Marketing for High Balance Pricing Adjustments)**

No late mortgage payments in the past 12 months allowed.

**Credit Requirements:** A triple merge credit report will be required. Any major, recent derogatory credit will be taken into consideration for loan approval.

**Documentation:** The following documents are required for processing the IRRRL:

- Mortgage Payoff current through the closing month
- New VA Case number assigned through WebLGY. To be ordered using "Order IRRRL" function.
- Statement from the Veteran (on PCM letterhead) acknowledging the effect of the refinance on the Veteran's loan payments and interest rate This statement must also indicate the number of months required to recoup ALL closing costs (both those included in the loan amount and those POC) (aka "Old/New Letter"), AND
- Prior Loan Validation from WebLGY to confirm status of VA Case number to be refinanced.

**Closing Costs:**

All associated loan fees must be detailed at closing on an attachment to the 2010 HUD-1 Settlement Statement, itemizing the party responsible for paying each line item. Those fees deemed as unallowable by VA and charged to the Veteran may not exceed an aggregate total of 1% of the current principal balance. Fees paid on behalf of the Veteran by a third party (i.e.: Lender Funded) are not subject to the 1% limitation. The items below are examples of fees that are considered unallowable and must be included in the 1% total. This list is not all inclusive.

- Appraisals not required by VA (does not include the cost of the 2055 report required by PCM)
- Inspections (Pest Inspections fees are allowable on a IRRRL if for any reason deemed necessary for underwriting)
- Loan closing or settlement
- Document preparation
- Conveyance
- Settlement or attorney
- Photographs
- Interest rate lock-in
- Office expenses such as postage, telephone or copying
- Amortization schedules
- Escrow
- Notary
- Commitment, marketing or assignment
- Trustee
- Loan application, processing, administration, etc.
- Tax service

Only bona fide discount points may be charged.  
Maximum financeable discount points are 2%.

**Eligible Borrowers:**

All borrowers obligated on the original loan must be the same on the new loan (and Veteran must still own and occupy the property, or verify previous occupancy).

**Employment/Income:**

Employment must be verified on all transactions. A verbal VOE is required 48 hours prior to closing. This includes transactions for self-employed borrowers. Additional documentation may be required for borrowers whose income is from sources other than employment, such as retirement, disability, etc.

**Entitlement:**

Entitlement on the loan being refinanced will roll to the new loan and will not be affected by any increase or decrease in the loan amount.

**Escrows:**

Required on all transactions.

**Funds to Close:**

Borrowers are not required to verify sufficient assets if funds are required for closing. Max of \$500 cash back is allowed if due to change in final payoff figures and/or closing adjustments. **Principal reductions are not allowed to cure/correct errors leading to excessive cash out at closing.**

**Funding Fee:**

A funding fee of .5% is charged on VA IRRRL transactions, unless the veteran is verified to be exempt from the fee. The exemption should be documented on the Certificate of Eligibility or with a VA Form 26-8927. The following are exempt from the funding fee:

- Veterans receiving VA disability compensation of 10%+
- Surviving spouse receiving survivor's benefits with a Code 06
- Military retirees that have been rated as disabled by VA and have opted to receive military disability pay in lieu of VA compensation

The funding fee, or a portion thereof, may be financed.

**Interest Rate and Payment Requirements:**

The new loan must have a lower interest rate than the loan it is refinancing, unless the loan being refinanced is an ARM.

The P&I on the new loan must be less than the P&I on the loan being refinanced unless one of the following exceptions applies:

- The IRRRL is refinancing an ARM,
- The term of the IRRRL is shorter than the term of the loan being refinanced, OR
- Energy efficiency improvements are included in the IRRRL.

If the monthly payment (PITI) increases by more than 20%, the borrower must be credit qualified for the increase by verifying current employment/income in an amount sufficient to meet VA manual underwriting guidelines (total DTI 41%). Refer to PCM VA15/30 guidelines for employment/income requirements and necessary documentation.

**Maximum Loan Amount and LTV/CLTV:**

The maximum loan amount is calculated using the existing VA loan balance plus the following:

- Including any late charges, plus
- Allowable fees and charges (see "Closing Costs" section), plus
- The cost of any documented energy efficient improvements, and
- The VA funding fee

Maximum LTV/CLTV including the Funding Fee cannot exceed 100% of the current appraised value.

**Loans in excess of \$700,000 will require additional PCM Investor review prior to closing.**

**Maximum Loan Term:**

The maximum loan term is the original loan term of the VA loan being refinanced plus 10 years, but not to exceed 30 years.

**Minimum Loan Amount:**

\$30,000

<b>Net Tangible Benefit:</b>	All refinances must meet Primary Capital's Net Tangible Benefit requirements. For requirements please go to our website at <a href="http://www.pcmexpress.com">www.pcmexpress.com</a>
<b>Occupancy:</b>	Owner-occupied.  Investment properties are allowed with verification the property was once occupied by the Veteran as their primary residence. Minimum 660 score required for investment transactions.
<b>Power of Attorney:</b>	With the exception of active military borrowers, PCM will not allow the use of a Power of Attorney.
<b>Property Type:</b>	Eligible properties include single-family attached and detached, and VA approved condos.  2-4 Unit properties are acceptable only on loans less than \$417,000.
<b>Qualifying Ratios:</b>	N/A
<b>Texas Refinances:</b>	Total financed closing costs cannot exceed 10% of the new loan amount.  Special title insurance coverage must be obtained when prepaid taxes (includes non-delinquent taxes which are due and payable, as well as reserves) and insurance (including impounds for monthly MI) are included in the new loan amount:  <i>Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage.</i>  POC items to be credited at closing will require evidence of payment from borrower's own funds. Credit for POC's cannot result in cash back to the borrower.  Once a borrower has executed a home equity/cash out refinance on an owner occupied, homestead property under Section 50(a)(6), Article XVI of the Texas Constitution, all subsequent transactions are considered home equity/cash out transactions. Therefore, a rate/term refinance that is being originated to pay off an existing home equity/cash out mortgage is INELIGIBLE for refinance through PCM. Documentation will be required to verify that a home equity/cash out loan {Section 50(a)(6)} has not previously been originated on the subject property. Documentation may include, but is not limited to: <ul style="list-style-type: none"> <li>• Title insurance binder confirmation</li> </ul>

- Previous Deed of Trust
- Previous HUD-1 settlement statement for each transaction originated after 1/1/98.

**Title/Lien****Requirements:**

The IRRRL must replace the existing VA loan as the first lien. Any second lien holder would have to agree to subordinate to the first lien holder.

- The borrower cannot payoff liens other than the existing VA loan from IRRRL proceeds.
- The veteran (or surviving co-obligor spouse) must still own the property.

**Underwriting:**

All loans will be manually underwritten by Primary Capital.