



Announcement 18-24

Date: June 8, 2018

Topic: VA Circular 26-18-13 Updates to VA Refinance Transactions

Effective with all loan applications taken on or after May 25, 2018, PennyMac is aligning VA Circular 26-18-13. All VA IRRRL transactions must meet the requirements in the circular. The table below summarizes the previous and updated requirements.

Topic	Prior to 5/25/18	On or after 5/25/18
Recoupment Statements	Required with initial and final disclosures	<i>No change.</i> Required with initial and final disclosures.
Months to Recoup	<i>Not required</i>	<ul style="list-style-type: none"> • Maximum 36 months recoupment • Calculation based on Circular 26-18-1 • Lender must certify the loan meets requirements
Net Tangible Benefit (NTB): Interest Rate Reduction	Interest rate must be reduced	<ul style="list-style-type: none"> • Fixed to Fixed requires 0.5% rate reduction • Fixed to ARM requires 2.0% rate reduction • <i>ARM to Fixed not applicable</i> • <i>ARM to ARM not applicable</i> • Discount points may be used to lower interest rate, subject to additional restrictions summarized below. • <i>To ensure compliance with VA's requirements, a copy of the note from the refinanced loan must be provided.</i>
Discount Points	<i>Not required</i>	When discount points are used to reduce the interest rate, an LTV calculation is required based on the following: <ul style="list-style-type: none"> • less than or equal to one discount point requires an LTV* of 100% or less • greater than one discount point requires an LTV* of 90% or less

Topic	Prior to 5/25/18	On or after 5/25/18
VA Specific Loan Seasoning	<i>No VA specific seasoning, Ginnie Mae requirements applicable</i>	The note date for the new loan must be the later of: <ul style="list-style-type: none"> • The date that is 210 days after the date on which the first payment is made on the loan, and; • The date on which the sixth monthly payment is made on the loan

*LTV is calculated by dividing the base loan amount by the value. Value may be determined via:

- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
- Uniform Residential Appraisal Report (Fannie Mae 1004)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
- Other industry accepted appraisal reports for manufactured and multi-unit homes

Please contact your Sales Representative with any questions.