



Announcement

Announcement # 19-50

Date: August 23, 2019

Topic: VA Circular 26-19-22 and updates to the VA Handbook

Recoupment Calculation Update

Previously, the VA funding fee was always included in the IRRRL recoupment calculation.

Effective immediately, for all IRRRL transactions PennyMac is aligning with updates to the recoupment calculation announced in VA Circular 26-19-22. VA is now requiring up to two recoupment calculations. The initial calculation or the "Comparison" calculation, includes the funding fee along with any additional fees and charges paid by the borrower, including escrows. If the Comparison calculation exceeds 36 months, then the lender is required to complete the "Statutory" calculation. The Statutory calculation excludes the VA funding fee and escrows from the recoupment calculation. Please see VA Circular 26-19-22 for complete details.

Clarification on Recoupment - P&I Increase

All VA IRRRLs are required to meet the 36 month fee recoupment requirement, including when the P&I payment increases due to a term reduction or if the loan is refinanced from an ARM to a fixed rate loan.

Effective immediately, if the P&I payment increases, the veteran cannot incur fees, closing costs, or expenses (other than taxes, amounts held in escrow, and the VA funding fee). This update is applicable to all IRRRLs with P&I increases, including term reductions and ARM to a fixed rate refinances. IRRRLs with payment increases that do not meet this requirement will not be eligible for purchase.

VA Handbook Updates

VA has recently released updates to chapters 9 and 13 of the Lender's Handbook. Due to the extensive nature of these changes, PennyMac recommends reviewing the chapters for complete details. Unless otherwise announced, PennyMac will be aligning with all updates to the VA Handbook, while maintaining current overlays.

Changes to chapter 9 are effective as of October 30, 2019 and changes to chapter 13 are effective immediately.

Please contact your Sales Representative with any questions.