

Net Tangible Benefit Policy

I. Net Tangible Benefit (NTB) Definition

The benefit of doing the transaction outweighs any costs that are associated with the loan.

II. Conventional and Non-Conforming Requirements

For all refinance transaction, regardless of occupancy types, the borrower(s) must meet JMAC Lending NTB requirements below:

- All Colorado loans must have a fully completed/executed Colorado Net Tangible Benefit Disclosure by both the Mortgage Loan Originator and the Borrower(s) at the time of application.
- State Specific Worksheets are required for: IL, ME, MD, MA, RI, SC, WV
- FIXED to ARM at least .125% reduction in rate
- Conversion from an adjustable rate to a fixed rate
- Reduction of loan term
- Title transfer/Court order
- Eliminating mortgage insurance
- For cash out refinance transaction—cash out must be one times greater than closing costs
- Product changes for Interest Only, Hybrid, and paying off a balloon payment
- For the Newport Product please refer to the Newport Product Guidelines
- The Churning of loans is not allowed.

If a loan does not meet JMAC Lending NTB, then the loan needs to pass the recoupment requirement of 48 months

III. Conventional and Non-Conforming Recoupment Requirements

For all refinances, regardless of occupancy types, the borrower(s) must meet the following:

- Borrower must recoup the total costs from the monthly savings within (\leq) 48 months from the closing date.

a. Recoupment Calculations

- $\text{Current P\&I (Including MI)} - \text{Proposed P\&I (Including MI)} = \text{Monthly Savings}$

- Closing Costs¹ (including POCs) + Discounts = Total Costs
- Divide the Total Costs by the Monthly Savings = Number of Months
- Number of Months must be within Recoupment Requirement stated above

IV. Government Requirements

a. FHA Full Doc

Full Doc refinances are exempt from NTB requirements except for State specific regulatory requirements.

- State Specific Worksheets are required for: CO, IL, ME, MD, MA, RI, SC, WV

Although no specific NTB requirements exist for full doc FHA loans, JMAC is committed to ensuring the best interests of the borrower. Should a transaction have no explicit benefit, the Underwriter must review with the Government Underwriting Manager, and the loan is subject to denial.

b. FHA Streamlines

FHA Streamline Refinances must meet the applicable NTB requirements per the program. Please refer to the individual product matrices for detailed requirements.

c. USDA Refinances (All)

USDA refinances each have their own NTB requirements, please refer to the applicable product matrix for details, and specific requirements.

d. VA Cash Out

Refinances must meet one of the following NTB requirements:

- 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 remaining term of the loan being refinanced by at least 6 months

¹ This includes costs paid outside of closing. Also, the compensation plan is not included, but if origination is borrower paid, then it's included as a part of the closing costs.

- The interest rate on the new loan is lower than the interest rate on the loan being refinanced by at least 0.125% with no discount points
- The P&I payment on the new loan is lower than the P&I payment on the loan being refinanced by at least 1% (i.e. current P&I payment \$2500, new payment must be at least \$25 [1%] lower)
- The new loan results in an increase in the borrower's monthly residual income by at least 1% of the total qualifying income (i.e. monthly qualifying income \$5000, residual must increase by \$50 [1%])
- The new loan refinances an interim loan to construct, alter, or repair the home
- The new loan amount is equal to or less than 90% of the reasonable value of the home
- The new loan refinances an adjustable rate loan to a fixed rate loan

e. VA IRRRL

Transactions must meet the following NTB requirements:

- There must be a reduction in the interest rate:
 - At least 0.50% for fixed rate to fixed rate transactions
 - At least 2.00% for fixed rate to adjustable rate transactions
- Discount points must comply with the following:
 - Must be paid at closing (not financed)
 - If discount points are charged, an appraisal is required (2055 drive by is acceptable) – this will NOT be ordered through WebLGY
 - If discount points are less than or equal to 1%, then the LTV may not exceed 100%
 - If discount points are greater than 1%, then the LTV may not exceed 90%

In addition to the above requirements, VA IRRRLs also need to compete the Government Recoupment Requirements.

V. Government Recoupment Requirements

For VA IRRRL transactions, the following recoupment requirements must be met:

- VA IRRRL transactions require a 36-month maximum recoupment of closing costs. Total closing costs for recoupment calculation must include the VA Funding Fee but does not include prepaid



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expenses. Lender credits may be deducted from total closing costs prior to calculating recoupment.

For all other government transaction, JMAC does not have any recoupment requirements.

VI. Additional Product Specific NTB and Recoupment Requirements

Refer to JMAC Product Guidelines and the following government regulations:

- **A. FHA Regulation**
 - Handbook 4000.1 II.A.8.d.vi.(C)(4)(c) for a complete description of FHA Streamline NTB requirements
- **B. VA Regulations**
 - Handbook Chapter 6, Sections 1.b and 1.c for a complete description of VA IRRRL NTB requirements.
 - Circular 26-18-1, and 26-18-13 for IRRRL recoupment updates
 - Circular 26-18-30, and 26-18-30 Change 1 for VA Cash Out NTB requirements.
- **C. USDA Regulation**
 - RD Instruction 1-3555 Chapter 6.2.D.3.ii and iii