

**VA CASH-OUT REFINANCE
REQUIRED EQUITY AND PERCENTAGE OF GUARANTY CALCULATION WORKSHEET
FOR LOAN AMOUNTS Greater than \$417,000**

Bonus Entitlement is available for Cash-Out Refinance loans closed on or after 1/1/09

Your primary goal is to verify that:

1. Ginnie Mae's required minimum 25% guaranty is met (*Ginnie Mae requires a minimum of 25% of Appraised Value in the form of entitlement and/or Equity in the property*).
2. The base LTV does not exceed 90% of Appraised Value (*While VA permits LTV on a Cash-Out to 100%, WMC continues to restrict the LTV to 90% of the Appraised Value*).

Maximum VA Guaranty Amount / Veteran's Available Entitlement – provided by VA:

Loan Amount	Maximum Potential Guaranty Varies Depending on the Location of the Property and is Calculated as:
\$417,001 to \$1,000,000	Lesser of 25% of the loan amount or 25% of the VA County Limit for a one (1) family dwelling, provided the veteran has full basic entitlement available.

Example 1: Veteran has Full Entitlement

Property is located in:	Westchester, NY
VA County Limit for Westchester County	\$681,250
Appraised Value (AV)	\$1,000,000
Veteran Funding Fee factor (Subsequent use of entitlement)	3.3%
Borrower is requesting Loan Amount (Base + Financed FF) 90% of Appraised + FF (\$900,000 + \$29,700)	\$929,700
Minimum Guaranty required by GNMA (25% of \$1,000,000)	\$ 250,000
Maximum VA Guaranty/Available Entitlement = 25% of \$681,250 Since the Minimum Guaranty required by GNMA is greater than the maximum guaranty VA will provide, the borrower must have sufficient equity in the property to help meet the minimum required guaranty and the requested base loan amount must be reduced.	\$170,312
Equity is calculated as appraised value less base loan amount (\$1,000,000 less \$900,000)	\$100,000
Minimum required Equity = Minimum required GNMA Guaranty less VA Guaranty / Available entitlement (\$250,000 less \$170,312)	\$79,688
Since proposed equity of \$100,000 is greater than minimum required equity calculated above, no further reduction or adjustment in loan is required	Proceed to test below
Percentage of Guaranty = Available Entitlement plus equity divided by Appraised Value \$170,312 + \$100,000 (\$270,312) divided by \$1,000,000	27% Minimum Guaranty of 25% is met – Loan is GNMA eligible

Example 2: Veteran has Partial Entitlement Available (Veteran has used \$104,250 of entitlement on a prior loan, which may not be restored).	
Property is located in:	Teton County, WY
VA County Limit for Teton County	\$703,750
Appraised Value (AV)	\$815,000
Veteran Funding Fee factor (Subsequent use of entitlement)	3.3%
Borrower is requesting Loan Amount (Base + Financed FF) 90% of Appraised Value + FF (\$733,500 + \$24,205.50)	\$757,705
Minimum Guaranty required by GNMA (25% of \$815,000)	\$ 203,750
Maximum VA Guaranty / Available Entitlement = 25% of \$703,750 (VA County Limit) minus \$104,240 (un-restorable entitlement) This is the partial entitlement available. Since the Minimum Guaranty required by GNMA is greater than the maximum guaranty VA will provide, the borrower must have sufficient equity in the property to help meet the minimum required guaranty and the requested base loan amount must be reduced.	\$ 71,697
Equity is calculated as appraised value less base loan amount (\$815,000 less \$733,500)	\$81,500
Minimum required Equity = Minimum required Guaranty less VA Guaranty/Available entitlement (\$203,750 less \$71,697) Since \$132,053 is more than proposed equity of \$81,500, additional Equity is required, the proposed base loan amount must be reduced by the difference (\$50,553) between required minimum equity amount of \$132,053 and proposed equity amount of \$81,500 from initial Base Loan amount.	\$132,053
New Adjusted Base Loan Amount - \$733,500 minus \$50,553 = \$682,947 for New Base Loan Amount	\$682,947
New Equity Amount = \$815,000 minus \$682,947	\$132,053
New Adjusted Total Loan Amount = Base Loan Amount + VA funding fee of 3.3% (\$682,947 + \$22,537)	\$705,484
Test for New Loan Amount: Percentage of Guaranty = Available Entitlement plus Minimum Required equity divided by Appraised Value \$71,697 + \$132,053 = \$203,750 divided by \$815,000	25% Minimum Guaranty is met – loan is saleable