

---

---

## WHITE PAPER

---

---

**TO:** VBA PUBLICATIONS CONTROL OFFICER  
**FROM:** CHARNAE RICHARDSON  
**SUBJECT:** VA-Guaranteed Home Loan Cash-out Refinance Loan  
Comparison Disclosure  
OMB 2900-0875  
**DATE:** JUNE 25, 2020

---

This information collection, which expires on June 30, 2020, is tied to a Loan Guaranty Service regulation at 38 CFR 36.4306 regarding requirements for cash-out refinance loans. Non-Federal entities (state and local governments) and private entities (non-bank mortgage lenders, mortgage originators, mortgage brokers, banks, loan servicers, and issuers) are required to collect information from Veteran borrowers and other applicants to comply VA's regulation. Specifically, the information collected by the entities will be promulgated into a disclosure that compares the terms of the current loan product the Veteran holds, and the newly refinanced cash-out loan to Veteran is applying for. This comparison disclosure is then provided to the Veteran and other applicants to assist the Veteran in making a financial decision that is in their best interest. This disclosure is considered part of the lender's loan file and provided to VA in the electronic loan guaranty and/or file audit process. All information collected from the entities will be used by VA to determine whether the provisions of the law were met by the lender.

Section 309 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act), Public Law 115-174, which is codified at 38 U.S.C. 3709(d), required VA to promulgate regulations for cash-out refinance home loans within 180 days after the date of the enactment of the Act. On December 17, 2018, VA published an interim final rule (AQ42)<sup>1</sup> in the Federal Register setting forth requirements for cash-out refinance loans to be guaranteed or insured by VA. AQ42, which became effective on February 15, 2019, amends VA regulations pertaining to VA cash-out refinancing loans (38 CFR 36.4306).

---

<sup>1</sup> [Loan Guaranty: Revisions to VA-Guaranteed or Insured Cash-Out Home Refinance Loans](https://www.federalregister.gov/documents/2018/12/17/2018-27263/loan-guaranty-revisions-to-va-guaranteed-or-insured-cash-out-home-refinance-loans).  
RIN: 2900-AQ42, 83 FR 64459 (Dec. 17, 2018).  
<https://www.federalregister.gov/documents/2018/12/17/2018-27263/loan-guaranty-revisions-to-va-guaranteed-or-insured-cash-out-home-refinance-loans>

Pertinent to this information collection request, VA's regulation established a net tangible benefit (NTB) test for all VA-guaranteed cash-out refinances. For purposes of section 36.4306, NTB means that the new refinance loan is in the financial interest of the borrower. More specifically, each cash-out refinance loan must meet at least one NTB criteria *and* provide a comparison statement and equity statement to the Veteran borrower within 3 business days of receipt of loan application, and at loan closing. During the 60-day public comment period, VA received various comments regarding the comparison disclosure requirement, including one from the Housing Policy Council that specifically addressed the burden to the industry associated with information collection requirement.

VA is currently in the process of addressing these, and other public comments, in developing the final rule for publication. VA notes that it will address the specific comments of the Housing Policy Council in its final rulemaking and that, consistent with the Notice of Approval (NOA) issued for OMB control number 2900-0875 (emergency approval), VA has developed a plan for reducing burdens identified by the public through further clarification of the requirements. Unfortunately, as the information collection requirements are codified in regulation, any changes to the information collection will be made alongside publication of the final rule. Therefore, VA is requesting continued approval of the existing information collection, with changes consistent with the NOA to be submitted with the final rule.

Approval is needed for the clearance of the disclosure, OMB 2900-0875.

Thank you