



VA Interest Rate Reduction Refinancing Loan (IRRRL)

POLICY	GUIDELINE
LOAN PURPOSE	<p>IRRRLs are Streamline Refinances of an existing VA loan. The refinance must benefit the veteran. The principle and interest payment (P&I) on the IRRRL must be less than the principle and interest on the loan being refinanced except:</p> <ul style="list-style-type: none"> • The IRRRL is refinancing an ARM. • The term of the IRRRL is shorter than the term of the loan being refinanced. <p>If the monthly payment (PITI) increases by 20% or more, the borrower must be able to qualify for the payment. MLS will require additional documentation and qualification requirements.</p>
PRODUCT TYPE & TERMS	<ul style="list-style-type: none"> • 30 and 15 Year Fixed • Maximum Loan Term =The original term of the VA loan being refinanced plus 10 years not to exceed 30 years and 32 days. <p><i>Note: Refinance not permitted for transactions in Texas</i></p>
THIRD PARTY FEES	<p>Third party processing fees as a separate fee paid by the borrower, property seller, or other third party is not allowed.</p>
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence • Second Home – only allowed with certification of previous residency • Investment Property – only allowed with certification of previous residency
SEASONING REQUIREMENTS	<p>Loan Seasoning refers to the age of the loan being refinanced. If the loan being refinanced is not seasoned on or before the date that the refinance loan closes, VA will not insure the loan.</p> <p><i>Calculation:</i> The due date of the first payment is used to determine loan seasoning. A loan is considered seasoned only if both of the following conditions are met as of the date of loan closing:</p> <ol style="list-style-type: none"> The due date of the first monthly payment of the loan being refinanced is 210 days or more prior to the closing date of the refinance loan; and Six consecutive monthly payments have been made on the loan being refinanced. <p><i>Example:</i> The loan being refinanced closed on March 8, 2019. The first payment is due May 1, 2019. If the Veteran makes six consecutive monthly payments, the loan being refinanced will be seasoned on November 27, 2019. In this example the new loan cannot close until November 28th in order to meet the seasoning requirement.</p> <p>Please see the following link to assist in the calculation: http://www.easysurf.cc/ndate2.htm</p> <p>Note: In the event of refinancing a construction to perm, count from the first payment date, not from the date of the initial closing.</p> <p>Please refer to “VA IRRRL Requirements” on the intranet for full details.</p>
MINIMUM FICO / CREDIT	<ul style="list-style-type: none"> • 620 • A Tri-merge Credit Report is required • The loan being refinanced was originated at least 6 months before the new loan’s closing date. (No Exceptions – QM Safe Harbor requirement) • All mortgage loans must be current with no 30 day or greater lates in the past 6 months. If the mortgage loan is seasoned less than 12 months: <ul style="list-style-type: none"> ○ The existing loan cannot have any 30 day or greater lates since the inception of the loan, ○ -AND- ○ No 30 day or greater lates on any other mortgage loans in the past 6 months

	<ul style="list-style-type: none"> ○ There must be a most recent 12 month mortgage payment history. Prior rental history or history of residing with family is not acceptable.
<p>RECOUPMENT PERIOD – QM SAFE HARBOR REQUIREMENT</p>	<p>The recoupment period for <u>all allowable fees and charges</u> financed as part of the loan or paid at or before closing does not exceed 36 months. NOTE: This also applies to cases in which the loan is being refinanced from an adjustable rate to a fixed rate mortgage and in which a fixed rate loan is being refinanced into another fixed rate loan of a shorter duration.</p> <ul style="list-style-type: none"> • Comparison Statement form showing 36 months or less recoupment is acceptable. If Comparison shows more than 36 months, provide evidence the statutory recoupment calculation results in 36 months or less. <ul style="list-style-type: none"> ○ Comparison statement calculation: Include all fees, prepaid expenses, and closing costs (including taxes, escrows, VA Funding fee). ○ Statutory calculation: Exclude VA funding fee, escrow and prepaid expenses such as insurance, taxes, special assessments, and HOA fees from the recoupment calculation. <p>IRRRLs with P&I increases: may NOT incur fees, closing costs or expenses other than taxes, amounts held in escrow and the funding fee.</p> <p>Please refer to “VA IRRRL Requirements” on the intranet for full details.</p>
<p>NET TANGIBLE BENEFIT</p>	<p>The veteran must be provided a Net Tangible Benefit test to verify the following:</p> <ul style="list-style-type: none"> • If the previous VA loan has a fixed rate; and the new loan will have a fixed rate, then the rate cannot be less than .50 less in interest rate than the previous loan. • If the previous VA loan has a fixed rate and the new loan will have an adjustable rate, the new loan must have a rate that is not less than 2.00 than the previous loan <i>AND</i>; <ul style="list-style-type: none"> ○ The lower rate is not produced solely from discount points unless such points are paid at closing <i>AND</i>; <ul style="list-style-type: none"> – For discount point amounts that are less than or equal to one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a LTV ratio of 100% or less <i>AND</i>: <p>For discount point amounts that are greater than 1 discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain an LTV of $\leq 90\%$</p> <p>Please refer to “VA IRRRL Requirements” located on the intranet for full details.</p>

ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1-4 Unit, detached and attached • PUDs • Condos <ul style="list-style-type: none"> ○ VA Approved Projects ○ HUD/FHA/USDA Condo Approvals if the project approval was dated prior to December 7, 2009. ○ SITE CONDOS are treated the same as attached condos. The project must be approved by VA as above. • Modular Homes & Log Homes with 2 modular / log comps <p>MANUFACTURED HOMES , FLORIDA CONDOS, AND CO-OPS ARE INELIGIBLE</p>																											
DU / LP / AUS	NO AUS on IRRRL loans																											
ELIGIBLE BORROWERS ELIGIBLE BORROWERS (continued)	<ul style="list-style-type: none"> • All borrowers must have a valid US Social Security number. • US Citizen. • Permanent Resident Alien with a valid green card. • Non-Permanent Resident Alien with an acceptable visa. • Must have established credit in the US. • Must be paid in US dollars. • Funds to close / reserves must be in US dollars in a US depository. • Eligible VA IRRRL borrowers: <table border="1" data-bbox="440 871 1541 1247"> <thead> <tr> <th>Parties Obligated on Old VA Loan</th> <th>Parties to be obligated on new IRRRL</th> <th>Is IRRRL possible?</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Unmarried veteran</td> <td>Veteran and new spouse</td> <td>Yes</td> </tr> <tr> <td>Spouse alone (veteran died)</td> <td>No</td> </tr> <tr> <td rowspan="5">Veteran and spouse</td> <td>Divorced veteran alone</td> <td>Yes</td> </tr> <tr> <td>Veteran and different spouse</td> <td>Yes</td> </tr> <tr> <td>Spouse alone (veteran died)</td> <td>Yes</td> </tr> <tr> <td>Divorced spouse alone</td> <td>No</td> </tr> <tr> <td>Different spouse alone (veteran died)</td> <td>No</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> <td>Yes</td> </tr> <tr> <td rowspan="2">Veteran and non-veteran joint loan obligors</td> <td>Veteran alone</td> <td>Yes</td> </tr> <tr> <td>Non-veteran alone</td> <td>No</td> </tr> </tbody> </table>	Parties Obligated on Old VA Loan	Parties to be obligated on new IRRRL	Is IRRRL possible?	Unmarried veteran	Veteran and new spouse	Yes	Spouse alone (veteran died)	No	Veteran and spouse	Divorced veteran alone	Yes	Veteran and different spouse	Yes	Spouse alone (veteran died)	Yes	Divorced spouse alone	No	Different spouse alone (veteran died)	No	Veteran alone	Different veteran who has substituted entitlement	Yes	Veteran and non-veteran joint loan obligors	Veteran alone	Yes	Non-veteran alone	No
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APPRAISAL	No appraisal is required.																											
VA FUNDING FEE AND MINIMUM GUARANTY	<ul style="list-style-type: none"> • Funding Fee = .50% of the loan amount • Minimum Guaranty = 25% of the IRRRL loan amount 																											
CERTIFICATE OF ELIGIBILITY	<ul style="list-style-type: none"> • If the Certificate of Eligibility does not show that the Veteran is exempt from paying the funding fee: The Veteran must be asked if he/she has a claim for compensation pending with VA. If so, an updated COE must be obtained no earlier than 3 days before loan closing using the COE "Correct" function in WebLGY. • If the Veteran is an Active Duty Servicemember: The Veteran must be asked if he/she has a pre-discharge claim pending. If so, the Regional Loan Center must be contacted immediately to request assistance in obtaining a proposed or memorandum rating in the event that the Servicemember may be exempt from paying the funding fee. 																											
FEES THE BORROWER CAN PAY	<ul style="list-style-type: none"> • Please refer to the <i>VA Allowable Closing Cost</i> document for details on allowable costs. • No more than 2 discount points can be included in the loan amount. <p>For loans closed with more than 2 discount points, the VA requires the veteran to sign a document that states the following:</p>																											

	<p>"I understand that the VA is strongly urging lenders to limit the number of discount points to be included in all new Interest Rate Reduction Refinance Loans to no more than two. My Broker /Correspondent has explained that by adding more than 2 points into my loan, I may be risking the possibility that I will have difficulty in selling my home for a price sufficient to pay off the loan, since the loan balance may be substantially greater than the market value of the house. I also understand that by adding excessive points into my loan, I am not getting the full benefit of reducing my interest rate, since my monthly payment has not been reduced as much as it might be (or it might even be going up)."</p>
CASH BACK AT CLOSING	<ul style="list-style-type: none"> • No cash can be given back to a borrower at the closing of an IRRRL, typically borrowers bring cash to close. • Principle Curtailments are not allowed.
INCOME DOCUMENTATION	<ul style="list-style-type: none"> • None required, but complete employment information must be on the application (1003). • Complete a verbal verification of employment for all employed borrowers and must obtain third party verification of self employment.
ASSET DOCUMENTATION	<ul style="list-style-type: none"> • Not required. • Ohio borrowers must always provide asset documentation even if funds are not required to close.
RESERVES	<ul style="list-style-type: none"> • None required
IRRRL DOCUMENTATION AND FORMS	<ul style="list-style-type: none"> • Certificate of Eligibility • Clear CAIVRS • RIGHTS OF VA LOAN BORROWERS (IMPORTANT NOTICE),VA Form 26-8978 • VA DEBT QUESTIONNAIRE , VA Form 26-0551 • VA RATE REDUCTION CERTIFICATION • HUD /VA ADDENDUM to URLA HUD 92-900A / VA Form 26-1802a • All other loan disclosures as per the Disclosure Checklist • PRIOR LOAN VALIDATION....MLS TO OBTAIN • IRRRL VA ID Number....MLS TO OBTAIN
INELIGIBLE TRANSACTIONS	<ul style="list-style-type: none"> • IRRRLs that are High Priced Mortgage Loans (HPML)
MULTIPLE MORTGAGES	<ul style="list-style-type: none"> • 4 financed properties max allowed for all borrowers cumulatively
ESCROW WAIVERS	<ul style="list-style-type: none"> • Not Allowed on VA no matter the LTV.
DOCUMENT AGE	<ul style="list-style-type: none"> • Credit Docs, 120 Days • Appraisal 120 Days
COMPLIANCE REMINDERS	<ul style="list-style-type: none"> • Total points and fees (QM points and fees) payable in connection with the proposed IRRRL cannot exceed 3% of the total proposed principal amount (please note: this is not tiered by loan amount like all other mortgage products). Higher Priced mortgage loans will have a safe harbor of compliance. Additional requirements for higher priced mortgage loans are: <ul style="list-style-type: none"> ○ Mandatory escrow account that cannot be cancelled for 5 years