

VA INTEREST RATE REDUCTION REFINANCE LOAN
(VA IRRRL)



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ELIGIBLE MORTGAGE PRODUCT-EXISTING LOAN	VA to VA Refinance
ELIGIBLE MORTGAGE PRODUCT-NEW LOAN	Fixed Rate 30 year Fixed Rate 15 year (Retail Only- Manual Lock)
VAFF (VA Funding Fee)	<ul style="list-style-type: none"> • VA Funding Fee .50% • VA Funding Fee paid in cash- Worksheet will have to be manually completed by the underwriter.
VA IRRRL CASE#	Order from VA Portal: https://vip.vba.va.gov/portal/VBAH/Home <ol style="list-style-type: none"> 1. Access VA Portal 2. Access Weblog 3. Access Loan- drop down order IRRRL 4. Enter LIN of current loan being refinanced or veterans social security number and veterans birthdate
ENTITLEMENT/GUARANTY	<ul style="list-style-type: none"> • Certificate of Eligibility is not required on IRRRL. VA issues 25% guarantee on all IRRRL's.
NET TANGIBLE BENEFIT	<p>Net Tangible Benefit – Effective with all loan applications taken on or after May 25, 2018:</p> <ul style="list-style-type: none"> • PBM must provide the Veteran or borrower a net tangible benefit test (NTB) as follows: <ol style="list-style-type: none"> 1. A case in which the previous VA loan had a fixed interest rate and the new refinance loan will have a fixed interest rate; the new refinanced loan must have an interest rate that is not less than 50 basis points (.50 less in interest rate) less than the previous loan. 2. A case in which the previous VA loan had a fixed interest rate and the new refinanced loan will have an adjustable interest rate; the new refinanced loan must have an interest rate that is not less than 200 basis points (2.00 less in interest rate) less than the previous loan, and 3. The lower interest rate is not produced solely from discount points unless; <ol style="list-style-type: none"> (a) Such points are paid at closing; and (b) 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 loan-to-value ratio of 100 percent or less; and (c) For discount point amounts that are greater than 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 loan-to-value ratio of 90 percent or less.
UNDERWRITING REQUIREMENTS	<ul style="list-style-type: none"> • Must be manually underwritten by PBM Approved VA Underwriter • Must decrease of current interest rate on old loan by a minimum of 50 basis points (.50%)
AGE OF DOCUMENTS	<ul style="list-style-type: none"> • APPRAISAL – DRIVE BY ONLY- No older than 120 days at time of funding. • CREDIT- MORTGAGE RATING ONLY – No older than 120 days at time of funding • INCOME- VERBAL ONLY- No older than 120 days at time of funding • ASSETS – IF REQUIRED FOR CLOSING – No older than 120 days at time of funding

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APPRAISAL REQUIREMENTS	<p>Requires Conventional 2055 exterior (SFR & PUD), 1075 exterior (Condo), 1025 interior/exterior 2-4 units</p> <ul style="list-style-type: none"> • Loan Amount with VAFF cannot exceed the appraised value <p>No Appraisal Required:</p> <ul style="list-style-type: none"> • LLPA by Secondary • See Rate Sheet for details • Lender Specific Exception from PBM Exception Request <p>See Maximum Loan Amounts</p>														
ASSETS	If the Closing Disclosure indicates that the borrowers are required to bring in funds for closing, a bank statement or VOD verifying the source of funds is required.														
BORROWER(S)	<p>Borrower(s) must have been obligated on the original VA Loan. Change in Mortgagors are only permitted with the proper documentation in following cases:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">EXISTING VA LOAN</th> <th style="text-align: center;">NEW LOAN</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Vet and Spouse</td> <td>Divorced Veteran only (Copy of 6 months cancelled checks)</td> </tr> <tr> <td>Vet and Spouse</td> <td>Veteran and New Spouse</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> </tr> <tr> <td>Veteran and spouse</td> <td>A Veteran's Widow/Widower- One time purchase</td> </tr> <tr> <td>Veteran and non-veteran joint loan obligors</td> <td>Veteran alone</td> </tr> </tbody> </table>	EXISTING VA LOAN	NEW LOAN	Unmarried Vet	Veteran and New Spouse	Vet and Spouse	Divorced Veteran only (Copy of 6 months cancelled checks)	Vet and Spouse	Veteran and New Spouse	Veteran alone	Different veteran who has substituted entitlement	Veteran and spouse	A Veteran's Widow/Widower- One time purchase	Veteran and non-veteran joint loan obligors	Veteran alone
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CASH OUT	<ul style="list-style-type: none"> • Maximum cash back to borrower at closing is Zero. However, • Maximum cash up to \$500 will need to be applied towards principal reduction • Maximum cash over \$500, loan documents will need to be re-drawn 														
CREDIT REQUIREMENTS	<ul style="list-style-type: none"> • Mortgage Rating ONLY with Scores from all three repositories "Experian, TransUnion and Equifax." <ul style="list-style-type: none"> ○ Note: Borrowers must have a minimum of one credit score. • All Mortgage(s) must have a mortgage history of 0 x 30 in the last 12 months • Refinanced cannot be less than 6 months payment history with NO 0 x 30 day lates during the life of the loan or 210 days after the 1st monthly payment • If more than (4) financed properties, secondary pricing exception is required. 														
DEROGATORY CREDIT	<ul style="list-style-type: none"> • 2 Years elapsed since the discharge of Chapter 7, Chapter 13 Bankruptcy or Deed in Lieu/Short sale when the borrower was not delinquent at transfer. • 3 years elapsed since completion of Foreclosure, Deed in Lieu/Short Sale when the borrower was delinquent at time of transfer. • All judgments must be paid in full or subject to repayment plan with a history of timely payments. <p>Note: In a case where the borrower(s) has less than 3 years, but over 2, an exception is required. Branch must email the information below with the PBM Loan Exception Form dated 1-16-13 to <u>PBM Loan Exception Request</u>,</p> <ul style="list-style-type: none"> ○ VA Loan Analysis/1003 ○ DU Approval ○ Credit ○ Appraisal ○ And any other documentation associated with the exception request. 														

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DEMAND	<ul style="list-style-type: none"> • Payoff must reflect current loan balance and not more than 60 days interest. (example; closing month of May, May payment not made, interest for April & May allowed on demand & financed). • VA Interest Rate Reduction Refinancing Loan Worksheet (29-8923) must be completed to determine the total loan amount. <ul style="list-style-type: none"> ○ VA IRRRL Worksheet can be found on the VA Website (Form 29-8923) OR ○ In loan operating system. <p style="text-align: center;">http://www.va.gov/vaforms/form_detail.asp?FormNo=26-8923</p>
DISCOUNT POINTS	Limited to 2%
DOCUMENTATION REQUIRED	<ul style="list-style-type: none"> • VA Benefit Letter fully completed and executed by the Veteran, only if not noted on the IRRRL Case Assignment in loan file. • VA IRRRL Worksheet to be completed by Underwriter • VA Loan Comparison Worksheet • Copy of fully executed Note/Deed on existing mortgage to establish rate reduction • 1802A and 1003 must be processed as follows: <ul style="list-style-type: none"> ○ Initial 1003 & pages 1 & 2 only of the 1802A must be executed prior to loan documents. The 1003 page 3 and Page 1 of the 1802A must be signed by the loan officer. ○ Final 1003 & pages 1 & 2 only of the 1802A must be executed at closing. Pages 1 of the 1802A are to be executed by PBM VA Approved Underwriter with final loan approval date. • CAIVRS must be run on all borrowers. • LDP/GSA required on all parties. • CD Prefunding and Final must be reviewed to assure any closing costs financed in the loan will meet the 1% origination vs Non-allowable fee requirement. (Veteran is not allowed to pay more than 1% in non-allowable fees or 1% origination)
EMPLOYMENT VERIFICATION	<ul style="list-style-type: none"> • VVOE needed 10 days prior to Note date • No income documentation required if PITIA is \leq 20% • If > 20% PITIA- Full credit qualification is required per PBM Guidelines
FICO	<ul style="list-style-type: none"> • 620 Conforming • 640 High Balance
HIGH COST/ HIGH PRICED	<ul style="list-style-type: none"> • Not Allowed
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • 620 FICO Maximum loan amount including VA Funding Fee (VAFF) is \$424,100 • 640 FICO Maximum loan amount including VA Funding Fee (VAFF) is \$424,101 and Above <p>The maximum loan amount is the existing VA loan balances plus the following:</p> <ul style="list-style-type: none"> • Any late charges • Allowable Fees (see "Allowable Fees") • Non-Allowable Fees equal to 1% origination when no origination fee is charged to Veteran (See "NON-Allowable Fees") • VAFF of .50% <p>No delinquent payments can be financed. The Veteran must be paid current to month of closing.</p>

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MAXIMUM LTV/CLTV	<ul style="list-style-type: none"> Total LTV cannot exceed 100% of appraised value with VAFF and maximum loan amount No appraisal – See Appraisal Requirements and Maximum Loan Amount 																																																																																					
PROPERTY TYPE	<ul style="list-style-type: none"> 1-4 units; PUDs & Condos (VA approved only) Owner occupied ONLY 																																																																																					
RATIOS	<ul style="list-style-type: none"> No Ratio if PITIA is not increasing more than 20% If >20% increase, Max DTI is 41% & a full credit qualify is required 																																																																																					
RESIDUAL INCOME	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #b8cce4;"> <th colspan="5" style="text-align: center;">Table of Residual Income by Region For loan amounts of \$79,999 and below</th> </tr> <tr> <th style="text-align: center;">Family size</th> <th style="text-align: center;">Northeast</th> <th style="text-align: center;">Midwest</th> <th style="text-align: center;">South</th> <th style="text-align: center;">West</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="text-align: center;">\$390</td><td style="text-align: center;">\$382</td><td style="text-align: center;">\$382</td><td style="text-align: center;">\$425</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: center;">\$654</td><td style="text-align: center;">\$641</td><td style="text-align: center;">\$641</td><td style="text-align: center;">\$713</td></tr> <tr><td style="text-align: center;">3</td><td style="text-align: center;">\$788</td><td style="text-align: center;">\$772</td><td style="text-align: center;">\$772</td><td style="text-align: center;">\$859</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: center;">\$888</td><td style="text-align: center;">\$868</td><td style="text-align: center;">\$868</td><td style="text-align: center;">\$967</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: center;">\$921</td><td style="text-align: center;">\$902</td><td style="text-align: center;">\$902</td><td style="text-align: center;">\$1004</td></tr> <tr><td style="text-align: center;">Over 5</td><td colspan="4" style="text-align: center;">Add \$75 for each additional member up to a family of 7</td></tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #b8cce4;"> <th colspan="5" style="text-align: center;">For Loan Amounts of \$80,000 and above</th> </tr> <tr> <th style="text-align: center;">Family Size</th> <th style="text-align: center;">Northeast</th> <th style="text-align: center;">Midwest</th> <th style="text-align: center;">South</th> <th style="text-align: center;">West</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="text-align: center;">\$450</td><td style="text-align: center;">\$441</td><td style="text-align: center;">\$441</td><td style="text-align: center;">\$491</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: center;">\$755</td><td style="text-align: center;">\$738</td><td style="text-align: center;">\$738</td><td style="text-align: center;">\$823</td></tr> <tr><td style="text-align: center;">3</td><td style="text-align: center;">\$909</td><td style="text-align: center;">\$899</td><td style="text-align: center;">\$899</td><td style="text-align: center;">\$990</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: center;">\$1,025</td><td style="text-align: center;">\$1,003</td><td style="text-align: center;">\$1,003</td><td style="text-align: center;">\$1,117</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: center;">\$1,062</td><td style="text-align: center;">\$1,039</td><td style="text-align: center;">\$1,039</td><td style="text-align: center;">\$1,158</td></tr> <tr><td style="text-align: center;">Over 5</td><td colspan="4" style="text-align: center;">Add \$80 for each additional member up to a family of 7</td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>	Table of Residual Income by Region For loan amounts of \$79,999 and below					Family size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1004	Over 5	Add \$75 for each additional member up to a family of 7				For Loan Amounts of \$80,000 and above					Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$899	\$899	\$990	4	\$1,025	\$1,003	\$1,003	\$1,117	5	\$1,062	\$1,039	\$1,039	\$1,158	Over 5	Add \$80 for each additional member up to a family of 7								
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SAME-SEX MARRIED COUPLES	<p>Lender Processing:</p> <p>Same-sex married couples when executing the 1003 and 1802a acknowledge that they meet the following VA requirement:</p> <ul style="list-style-type: none"> The marriage was legal in the place where the Veteran or the Veteran’s spouse resided at the time of the marriage; Legal in the place where the Veteran or the Veteran’s spouse resided at the time the completed 1003 and 1802a were submitted to PBM; Legal in the place where the Veteran or the Veteran’s spouse resided in at the time of closing. If the borrower asserts a spousal relationship in item 19 (1802a) and signs the form, which includes a certification by the borrower that “the information is true and complete to the best of their knowledge and belief”, PBM may process the loan per normal practices without submitting a loan package to VA for approval of spousal status: 																																																																																					

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SAME-SEX MARRIED COUPLES (CONTINUED)	<p>If the borrower informs the lender that he or she is uncertain as to whether the marriage may be recognized for VA purposes, the underwriter must request that VA make a determination regarding whether the marriage can be recognized, The following information should be provided to Phoenix Regional Loan Center via email at : LPGC.VBAPHO@va.gov for further review:</p> <ul style="list-style-type: none"> • Date and state of marriage; • State(s) of residence of the parties at the time of marriage; • State where the subject property is located; • Current state(s) of residence of the parties; • Estimated date of loan closing; and • Whether VA has previously recognized the marriage for the purpose of a different VA benefit or service. The underwriter should request this information from the borrower if not already available.
SOLAR/ ENERGY EFFICIENT IMPROVEMENTS	<ul style="list-style-type: none"> • <u>PACE/HERO-(Lender Specific Required)</u> <ul style="list-style-type: none"> ○ IRRRL can be done with PACE/HERO program. ○ PACE/HERO program must be on prelim after original loan was guaranteed ○ Underwriter will need proof of new property tax debt and must be used in the new PITI for IRRRL. ○ Subordination agreement executed by County/City Tax collector, Energy Efficient company holding Lien & Borrowers • <u>Solar Leased equipment-</u> <ul style="list-style-type: none"> ○ Equipment that is leased is acceptable to remain. Solar payments need to be viewed by underwriter to determine if the payment is in excess of the Maintenance/Utility allow fee for home. (Example- \$.14 x sq. ft. of home = Fee) if fee is \$275.00 and Solar lease is \$350 file will need to be processed as Rate and Term to credit qualify. ○ Solar lease agreement must be reviewed by Corporate to validate foreclosure position meets VA guidelines. (Solar company to have following foreclosure verbiage: Must remove equipment without recourse to the lender or VA and return roof to water tight status).
TITLE	<ul style="list-style-type: none"> • Closing Protection Letter • Title to be taken in the name of veteran, veteran and spouse, or two veterans separately. No trusts allowed for vesting.

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<p>VA ALLOWABLE AND NON-ALLOWABLE FEES</p>	<ul style="list-style-type: none">• VA Allowable Fees<ul style="list-style-type: none">○ Appraisal○ Recording Deed of Trust○ Credit Reports○ Prepaid○ Hazard Ins.○ Flood Zone Determination○ Title Policies○ VAFF○ Additional third party fees that the veteran has authorized (Home Inspection) • NON-Allowable Fees-<ul style="list-style-type: none">○ Base Escrow Fee○ Loan Tie-in Fee○ Demand/Payoff Statement fee (ok on refinance only)○ Sub Escrow Fee (title payoff fee)○ Re-conveyance Fee (ok on refinance only)○ Prepayment penalties (ok on refinance only)○ Any Lender Document Fee○ Processing Fee○ Warehouse Fee○ Loan Discount Points○ Charges by other Lenders○ Tax Service Contract○ Underwriting Fee○ Administration Fee○ Photo Inspection Fee○ Recording Fee (grant deed)○ Messenger or Delivery Fees○ Notary Fee○ Homeowners Assoc. Transfer Fee○ Assignment Fees○ Documentary Transfer Tax Fee○ Bring Down Fee○ Change of Ownership Fee○ Commission○ Transaction Coordinator Fee○ Title Policy Endorsement Fees • Note: As long as there is no origination fee being charged to the veteran, the veteran can pay up to 1% of the total loan amount in NON-Allowable fees.
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