Non-Credit Qualifying VA IRRRL

Interest Rate Reduction Refinance Loan Program



Table of Contents

- What is a VA IRRRL
- Program Parameters
- Documentation Requirements
- Appraisal Requirements
- Closing Costs
- Calculating the Loan Amount





What is a VA IRRRL?

 This is a loan designed to reduce the interest rate of an existing VA loan or convert an existing VA adjustable rate mortgage loan into a fixed rate.

Desirable Features:

- The loan amount is not restricted to the conforming loan limit or the VA County Limit, even in cases where the County Limit has decreased.
- The following items may be rolled into the new loan amount
 - New Closing Costs (in accordance with the VA non-allowable limits)
 - Prepaid Items
 - Funding Fee (.5% for all except disabled vets)
 - Up to 1% Origination Fee
 - Up to 2% Discount Points





Program Parameters

- 15, 20, 25 and 30 Year Fixed, 5/1 ARMs
 - High balance is 30 Year Fixed only
- 580 minimum credit score, 640 for High Balance
- Owner Occupied
- Second Home (must be 1 unit)
- Non Owner Occupied (must provide certification of prior occupancy)
- 1-4 Units
- Max \$500 Incidental Cash Back Allowed





Eligibility

- Any veteran who has an existing VA loan can obtain a VA IRRRL there are generally no income or asset verifications required – the exceptions being.
 - The loan being refinanced is 30 days or more past due
 - The monthly PITI will increase 20% or more
- Per Circular 26-18-13, for applications taken on or after 5/25/18, the following Net Tangible Benefit must exist:
 - If going from VA fixed to VA fixed: interest rate must be at least .50 less than previous loan.
 - If going from VA fixed to VA ARM: interest rate must be at least 2.00 less than previous loan.
- Check Guidelines for buying down the rate to meet these guidelines – restrictions apply.
- The term of the new loan may not exceed the original term by more than 10 years, subject to a maximum term of 30 years plus 32 days.





Eligibility

- The borrower must have made 6 consecutive payments and the note date of the new loan must be on or after the later of:
 - the date that is 210 days after the date on which the first monthly payment <u>was made</u> on the mortgage being refinanced (i.e., if first payment was due 1/1/2018 but not made until 1/15/2018 then the 210 days start on 1/16/2018).
 - And the date on which 6 full monthly payments have been made on the mortgage being refinanced.

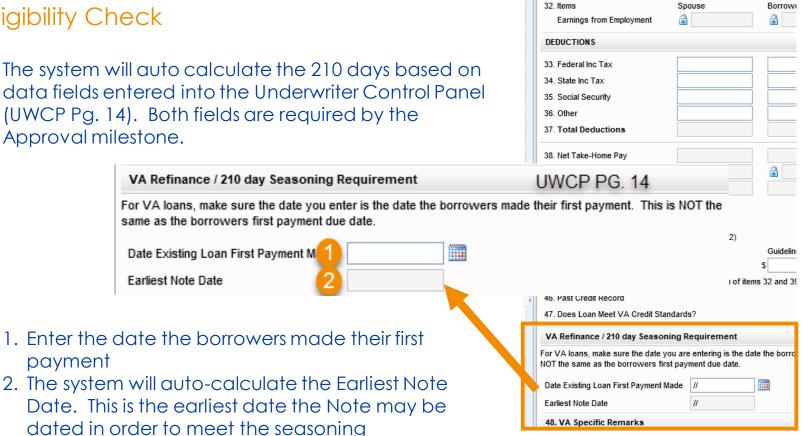




Required Fields for FT360

Eligibility Check

The system will auto calculate the 210 days based on data fields entered into the Underwriter Control Panel (UWCP Pg. 14). Both fields are required by the Approval milestone.



UW Control Panel PG14



Paramount Residential Mortgage Group, Inc.

requirements

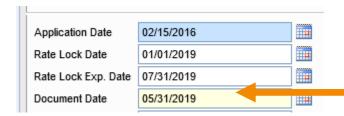
payment

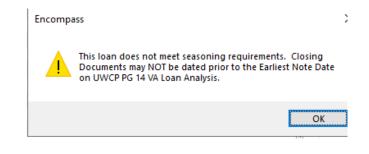


Required Fields for FT360

Document Date

The Document Date (Field L770) must be completed in order to verify it is not prior to the Earliest Note Date.





VA Refin	nce / 210 day Seasoning R	equirement				
	s, make sure the date you are entering is the date the borrowers first payment was made. Thine as the borrowers first payment due date.					
Date Exist	ng Loan First Payment Made	10/01/2018				
Earliest No	te Date	04/29/2019				





Eligibility

- If the loan has been in existence for less than 12 months, documentation must be provided (i.e., a pay history) to validate and document when the first and sixth payments were made in order to ensure compliance that the note date is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced and six full payments were made.
- The P & I payment must be less than the P & I payment of the existing VA loan, unless
 - Refinancing an ARM to a Fixed Rate <u>OR</u>
 - The term of the new loan is less than the term of the existing VA loan
- If the PITIA increases by 20% or more the veteran's ability to repay must be demonstrated. The loan must be a credit qualifying IRRRL.
- Clear CAIVRS is required

Please note: always check the product profile for the most up-to-date information.





Documentation Requirements

To calculate loan amount:

- Payoff Demand
- Previous Note showing previous case number, interest rate and P&I
- VA Case Assignment to be pulled by processor for retail and the Registration team for wholesale via VA WEBLGY
- Use VA Form 26-8923 (IRRRL Worksheet) to calculate the maximum loan amount

Also required for complete submission:

- 1003 with employers information
- Deed or Mortgage with Riders (if Condo)
- Valid Social Security Card
- Credit Report with mortgage rating to show at least 12 months payments made without derogatory marks (at least 6 months if recent mortgage) **Mortgage Rating only is acceptable**





Data Entry for Non-Credit Qualifying IRRRLs

Non-Credit Qualifying IRRRL Loans Data Entry Requirement:

- Enter \$1 in the Other Income Section on the 1003 page 2 (you can label it as Other Types of Income-Disclosure Pkg)
- This data entry is required to ensure the full initial disclosure package is generated in FT360 since income is one of the six pieces of information required by TRID for a loan application
- This data entry will not affect the Non-Credit Qualifying portion of the Underwriting

Gross Monthly Income				Monthly Housing Expenses			
	Borrower Co-Borrower Total			Present	Proposed		
Base	4	☑		Rent			
Overtime				First Mtg.	1,691.00	9 3	1,801.67
Bonuses				Other Fin.		2	
Commissions				Haz. Ins	82.00	8	98.00
iv. / Interest				RE Taxes	364.00	8	437.50
et Rent Inc.				Mtg. Ins		2	
ther				HOA Dues			
ther	1.00		1.00	Other		2	0.00
otal	1.00		1.00	Total	2,137.00		2,337.17
ther Incom	ie						
B / C Description						Month	ly Income
B Oth	Other Types Of Income - Disclosure Pkg				V 1.00		





Appraisal Requirements

Appraisal Requirement:

No maximum LTV/CLTV, and no 2055 or AVM allowed (no appraisal required). For applications taken on or after 5/25/18, appraisal may be required if reducing rate with discount points for Net Tangible Benefit test.

For loans with no appraisal, an estimated value to generate a maximum of 95% LTV based on the total loan amount should be entered for LTV calculations





Fraud Tool

Fraud Report:

The fraud tool (i.e., DataVerify) is still required to be run. For reports run by PRMG, the "short" fraud report will be generated in lieu of the full report. The short fraud report will include only the Employer Profile and Watchlist Reports.

In addition, the only DRIVE conditions that will fire are subject property occupancy alerts and conditions resulting from the Employer Profile and Watchlist Reports. The underwriter is required to review the entire report, sign off and clear, at a minimum, all "High" conditions and obtain a final DRIVE score of 701 or more in both components.





Closing Costs

Fees Commonly charged on an IRRRL are:

- 1% Origination Fee
- 2% Discount Points
- Prepaids (Taxes and Insurance)
- Title
- Flood Zone Determination
- Environmental Endorsements
- Recording Fees
- Courier Fees
- VA Funding Fee





Closing Costs

If no Origination Fee is charged, up to 1% can be charged for the following:

- Application Fee
- Processing Fee
- Doc Prep Fee
- Settlement Fee
- Notary Fee
- Interest Rate Lock-In Fee
- Tax Service Fee
- Reconveyance Fee
- Commitment or Marketing Fee
- Trustee Fee





Maximum Loan Amount

The county loan limits do not apply to IRRRLs. The VA will guarantee at least 25 percent on an IRRRL, regardless of whether the loan exceeds the loan limit for the particular county.

Standard Balance Maximum Loan Amount

1 unit conforming standard balance limit

High Balance Minimum Loan Amount

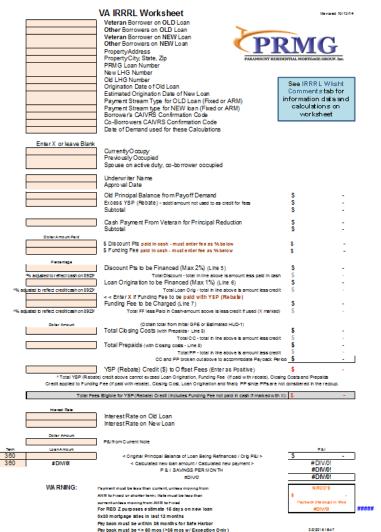
• \$1 greater than 1 unit conforming standard balance limit





Calculating the Loan Amounts

- PRMG has a comprehensive interactive worksheet for calculating an accurate loan amount
- See the VA Cash Out Refinance and IRRRL Worksheet on the Resource Center
- This form will generate the required VA IRRRL Worksheet as well as other needed forms
- Fill the form out in it's entirety with up to date information to avoid having to re-work loan amounts closer to closing







Calculating the Loan Amounts

Comments can help guide you through comprehending the worksheet's features and are included as a tab on the spreadsheet.

1	Enter all loan data on first page of VA IRRRL Worksheet. Worksheets and forms on subsequent pages will obtain data from information entered on first page.
2	If using a YSP (Rebate) to reduce the Principal enter it in the "Excess YSP (Rebate) - addtl amount not used to as credit for fees)" field. Only enter the Excess YSP (Rebate) that is <u>not</u> being used to reduce the fees. (For instance if you have a \$2,000 YSP credit, and you are only using \$1,750 to offset the fees you would enter \$250 in this field. (Field B28)
3	If the borrower is bringing in cash to reduce the principal enter the amount in the "Cash Payment From Veteran for Principal Reduction" field do not enter any other credit to reduce the principal here. (Field B30)
4	If the borrower is paying the Discount Points (Field B34) or Funding Fee (Field B35) in cash, enter the dollar amount being paid by cash in the applicable field. You must ALSO enter this fee (using a percentage) in the Discount Points (Field B38) or Funding Fee (Field B43) fields, as applicable.
5	Enter the Discount Points (Field B38), Loan Origination (Field B40) and Funding Fee (Field B43) percentages, even if they are being paid with cash or credited with YSP (Rebate) (as would be applicable).
6	If the Funding Fee is being offset with a YSP credit, put an X in "<< Enter X if Funding Fee to be paid with YSP (Rebate)". (Field B42). Leave field blank if it is being financed or paid completely with cash.
7	Enter the Total Closing Costs (Field B47) and Total Prepaids (Field B49). The amounts are entered a separate values, because Total Prepaids are not included in the fee recoup period. The total charged to the borrower are added together to appear on the 8923.
8	If the fees are being offset by a YSP (Rebate) Credit, enter the dollar value of the YSP (Rebate) credit in field "YSP (Rebate) Credit (\$) to Offset Fees (Enter as Positive)." Be sure to enter this value as a dollar and as a positive amount. (Field B51)
9	The YSP credit entered in Field B53 cannot exceed the total fees to be offset. The Total Fees eligible for the credit can be found in field "Total Fees Eligible for YSP (Rebate) Credit (includes Funding Fee not paid in cash if marked with X)" (Field D57).
10	If the fees are being offset by a YSP (Rebate) Credit, the system first applies the credit to Funding Fee (if paid with rebate), then Closing Costs, then Loan Origination and finally Prepaids since Prepaids are not considered in the recoup period.
11	For the Payback (Recoup) in Months, the calculation includes the Closing Costs, Loan Discount Points, Loan Origination fee and Funding Fee, but is reduced by the YSP credit. It also includes any Discount Fee or Funding Fee paid in cash.
12	The Payback (Recoup) in Months is calculated by taking the total amount of the Closing Costs, Loan Discount Points, Loan Origination Fee and Funding Fee and dividing that by the monthly savings in P&I from the old loan to the new loan. The result is the number of months it takes to repay the loan in savings is the Payback (Recoup) in Months total.
13	On the 8923, the Discount Fee, Loan Origination Fee and Funding Fee will show the percent charged that is based on the amount being included in the Ioan amount. If part of the fee is paid with cash or 'SP (Rebate) credit, the percent of the fee is reduced by that amount
14	On the 8923, if the Funding Fee calculates to less than .50% (but is more than 0), a note will enter on the bottom of the 8923 indicating: **APortion of the Funding Fee is being paid with Cash or YSP Rebate, and percent reflected is the amount being included in the loan amount.



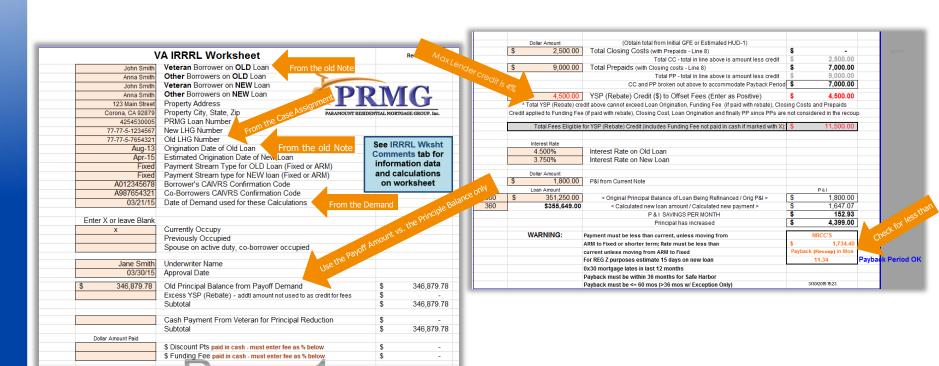


Calculating the Loan Amounts

Here is what the form looks like when filled out:

Total Discount - total in line above is amount less paid in cash

Total Loan Orig - total in line above is amount less credit





4% adjusted to reflect cash on 89234

10% adjusted to reflect credit/cash on 8923



For additional information, visit the PRMG Resource Center at http://www.eprmg.net/ResourceCenter/ ProductProfilesandResourceCenterLinks.pdf to view the VA guidance available there.

If you have any questions, please contact PRMGUniversity@prmg.net



