Non-Credit Qualifying VA IRRRL

Interest Rate Reduction Refinance Loan Program

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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

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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

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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.

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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 **was made** 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.

VA Refinance / 210 day Seasoning Requirement

For VA loans, make sure the date you enter is the date the borrowers made their first payment. This is NOT the same as the borrowers first payment due date.

Date Existing Loan First Payment M **1**

Earliest Note Date **2**

1. Enter the date the borrowers made their first payment
2. The system will auto-calculate the Earliest Note Date. This is the earliest date the Note may be dated in order to meet the seasoning requirements

UW Control Panel PG14

32. Items	Spouse	Borrowe
Earnings from Employment		

DEDUCTIONS

33. Federal Inc Tax		
34. State Inc Tax		
35. Social Security		
36. Other		
37. Total Deductions		
38. Net Take-Home Pay		

UWCP PG. 14

2)

Guidelin
$
of items 32 and 39

46. Past Credit Record
47. Does Loan Meet VA Credit Standards?

VA Refinance / 210 day Seasoning Requirement

For VA loans, make sure the date you are entering is the date the borro
NOT the same as the borrowers first payment due date.

Date Existing Loan First Payment Made   //

Earliest Note Date   //

48. VA Specific Remarks

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.

Application Date	02/15/2016
Rate Lock Date	01/01/2019
Rate Lock Exp. Date	07/31/2019
Document Date	05/31/2019

Encompass

⚠ This loan does not meet seasoning requirements. Closing Documents may NOT be dated prior to the Earliest Note Date on UWCP PG 14 VA Loan Analysis.

OK

VA Refinance / 210 day Seasoning Requirement

For VA loans, make sure the date you are entering is the date the borrowers first payment was made. This is NOT the same as the borrowers first payment due date.

Date Existing Loan First Payment Made	10/01/2018
Earliest Note 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

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 not 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 loan amount. If part of the fee is paid with cash or YSP (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: **A Portion of the Funding Fee is being paid with Cash or YSP Rebate, and percent reflected is the amount being included in the loan amount.

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Calculating the Loan Amounts

Here is what the form looks like when filled out:

VA IRRRL Worksheet

John Smith	**Veteran** Borrower on **OLD** Loan
Anna Smith	**Other** Borrowers on **OLD** Loan
John Smith	**Veteran** Borrower on **NEW** Loan
Anna Smith	**Other** Borrowers on **NEW** Loan
123 Main Street	Property Address
Corona, CA 92879	Property City, State, Zip
4254530005	PRMG Loan Number
77-77-5-1234567	New LHG Number
77-77-5-7654321	Old LHG Number
Aug-13	Origination Date of Old Loan
Apr-15	Estimated Origination Date of New Loan
Fixed	Payment Stream Type for OLD Loan (Fixed or ARM)
Fixed	Payment Stream type for NEW loan (Fixed or ARM)
A012345678	Borrower's CAIVRS Confirmation Code
A987654321	Co-Borrowers CAIVRS Confirmation Code
03/21/15	Date of Demand used for these Calculations

From the old Note
From the Case Assignment
From the old Note
See **IRRRL Wksht Comments** tab for information data and calculations on worksheet
From the Demand
Max Lender credit is 4%
Use the Payoff Amount vs. the Principle Balance only
Check for less than

Enter X or leave Blank	
x	Currently Occupy
	Previously Occupied
	Spouse on active duty, co-borrower occupied

Jane Smith	Underwriter Name
03/30/15	Approval Date

$ 346,879.78	Old Principal Balance from Payoff Demand	$ 346,879.78
	Excess YSP (Rebate) - addtl amount not used to as credit for fees	$ -
	Subtotal	$ 346,879.78

	Cash Payment From Veteran for Principal Reduction	$ -
	Subtotal	$ 346,879.78

Dollar Amount Paid		
	$ Discount Pts paid in cash - must enter fee as % below	$ -
	$ Funding Fee paid in cash - must enter fee as % below	$ -

Percentage		
	Discount Pts to be Financed (Max 2%) (Line 5)	$ -
^% adjusted to reflect cash on 8923^	Total Discount - total in line above is amount less paid in cash	$ -
	Loan Origination to be Financed (Max 1%) (Line 6)	$ -
^% adjusted to reflect credit/cash on 8923^	Total Loan Orig - total in line above is amount less credit	$ -

Page 1

Dollar Amount	(Obtain total from Initial GFE or Estimated HUD-1)		
$ 2,500.00	Total Closing Costs (with Prepaids - Line 8)	$	-
	Total CC - total in line above is amount less credit	$	2,500.00
$ 9,000.00	Total Prepaids (with Closing costs - Line 8)	$	7,000.00
	Total PP - total in line above is amount less credit	$	9,000.00
	CC and PP broken out above to accommodate Payback Period	$	7,000.00
4,500.00	YSP (Rebate) Credit ($) to Offset Fees (Enter as Positive)	$	4,500.00

^ Total YSP (Rebate) credit above cannot exceed Loan Origination, Funding Fee (if paid with rebate), Closing Costs and Prepaids
Credit applied to Funding Fee (if paid with rebate), Closing Cost, Loan Origination and finally PP since PPs are not considered in the recoup.

	Total Fees Eligible for YSP (Rebate) Credit (includes Funding Fee not paid in cash if marked with X):	$	11,500.00

Interest Rate		
4.500%	Interest Rate on Old Loan
3.750%	Interest Rate on New Loan

Dollar Amount			P & I
$ 1,800.00	P&I from Current Note		
Loan Amount			
$ 351,250.00	< Original Principal Balance of Loan Being Refinanced / Orig P&I >	$	1,800.00
$355,649.00	< Calculated new loan amount / Calculated new payment >	$	1,647.07
	P & I SAVINGS PER MONTH	$	152.93
	Principal has increased	$	4,399.00

WARNING:	Payment must be less than current, unless moving from	NRCC'S
	ARM to Fixed or shorter term; Rate must be less than	$ 1,734.40
	current unless moving from ARM to Fixed	Payback (Recoup) in Mos
	For REG Z purposes estimate 15 days on new loan	11.34
	0x30 mortgage lates in last 12 months	
	Payback must be within 36 months for Safe Harbor	
	Payback must be <= 60 mos (>36 mos w/ Exception Only)	3/30/2015 15:23

Payback Period OK

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