



## VA Interest Rate Reduction Refinancing Loan (IRRRL)

POLICY	GUIDELINE- BROKER ONLY PRODUCT
<b>LOAN PURPOSE</b>	<p>IRRRLS are Streamline Refinances of an existing VA loan. The refinance must benefit the veteran. The principle and interest payment (P&amp;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"> <li>• The IRRRL is refinancing an ARM.</li> <li>• The term of the IRRRL is shorter than the term of the loan being refinanced.</li> </ul> <p>If the monthly payment (PITI) increases by <b>20% or more</b>, the borrower must be able to qualify for the payment. MLS will require additional documentation and qualification requirements.</p>
<b>PRODUCT TYPE &amp; TERMS</b>	<ul style="list-style-type: none"> <li>• <b>30 and 15 Year Fixed</b></li> <li>• Maximum Loan Term =The original term of the VA loan being refinanced plus 10 years not to exceed 30 years and 32 days.</li> </ul>
<b>THIRD PARTY FEES</b>	<p>Third party processing fees as a separate fee paid by the borrower, property seller, or other third party is not allowed.</p>
<b>OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Home – only allowed with certification of previous residency</li> <li>• Investment Property – only allowed with certification of previous residency</li> </ul>
<b>SEASONING REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• <b>The borrower must have made at least six consecutive monthly payments on the loan being refinanced (initial loan), beginning with the payment made on the first payment due date AND</b></li> <li>• <b>The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the initial loan.</b></li> </ul>
<b>MINIMUM FICO / CREDIT</b>	<ul style="list-style-type: none"> <li>• <b>620</b></li> <li>• A Tri-merge Credit Report is required</li> <li>• The loan being refinanced was originated at least 6 months before the new loan’s closing date. (No Exceptions – QM Safe Harbor requirement)</li> <li>• 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"> <li>○ The existing loan cannot have any 30 day or greater lates since the inception of the loan,</li> <li>• <b>-AND-</b></li> <li>○ No 30 day or greater lates on any other mortgage loans in the past 6 months</li> <li>○ There must be a most recent 12 month mortgage payment history. Prior rental history or history of residing with family is not acceptable.</li> </ul> </li> </ul>
<b>RECOUPMENT PERIOD – QM SAFE HARBOR REQUIREMENT</b>	<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, except in cases in which the loan is being refinanced from an adjustable rate to a fixed rate mortgage or in which a fixed rate loan is being refinanced into another fixed rate loan of a shorter duration.</p> <p>With respect to recoupment calculation, keep in mind:</p> <ul style="list-style-type: none"> <li>• Prepays must be included.</li> <li>• Funding Fee must be included.</li> <li>• Premium pricing credits cannot be used to reduce the total closing costs.</li> </ul> <p>To determine if the costs are recouped within 36 months, follow these steps:</p>

<b>RECOUPMENT PERIOD – QM SAFE HARBOR REQUIREMENT (cont)</b>	<ol style="list-style-type: none"> <li>1. Determine the total cost to refinance (allowable fees and charges financed as part of the loan or paid at or before loan closing).</li> <li>2. Determine the difference in the cost of the current P &amp; I payment and the proposed P &amp; I payment.</li> <li>3. Divide the total cost by the difference in the P &amp; I. If that number is 36 or less, the borrower will recoup the cost within 36 months.</li> </ol>
<b>NET TANGIBLE BENEFIT</b>	<p>The veteran must be provided a Net Tangible Benefit test to verify the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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"> <li>○ 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"> <li>– 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>:</li> </ul> </li> </ul> </li> </ul> <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 <u>≤ 90%</u></p>
<b>ABILITY TO REPAY</b>	<p>VA continues to exempt income verification, as long as the following Dodd-Frank conditions are met:</p> <ol style="list-style-type: none"> <li>1. The veteran is not 30 days or more past due on the loan being refinanced;</li> <li>2. The proposed IRRRL does not increase the principal balance outstanding on the prior existing residential mortgage loan, except to the extent of fees and charges allowed by VA;</li> <li>3. Total points and fees (QM points and fees) payable in connection with the proposed IRRRL do not exceed 3% of the total proposed principal amount (please note: this test is not tiered by loan amount like all other mortgage products);</li> <li>4. The interest rate on the proposed IRRRL is lower than the interest rate on the loan being refinanced, unless the borrower is refinancing from an adjustable rate to a fixed-rate loan, under guidelines that VA has established;</li> <li>5. Both the residential mortgage loan being refinanced and the proposed IRRRL satisfy all other VA requirements.</li> </ol>
<b>MAX LTV / CLTV</b>	<p>Total loan amount (Base Loan Amount + Funding Fee) cannot exceed appraised value.</p>
<b>MAXIMUM LOAN AMOUNT</b>	<p><b>Max BASE Loan Amount \$484,350 (for loans with base loan amount greater than \$484,350, please refer to the VA Jumbo Addendum for additional guidelines)</b></p> <p><b>Refer to the attached IRRRL Worksheet (VA Form 26-8923) to determine the loan amount. Please note: energy efficient improvements cannot be financed into the loan amount.</b></p> <p><b>To calculate the loan amount Complete the IRRRL Worksheet as follows:</b></p> <ul style="list-style-type: none"> <li>○ Amount of the existing loan balance allowable (Line 1).</li> <li>○ Principal reduction from Veteran (Line 2).</li> <li>○ Maximum allowable discount points (Line 5).</li> <li>○ Maximum allowable closing costs (Line 8).</li> <li>○ Maximum allowable closing costs (Line 11).</li> <li>○ Maximum loan amount (Line 18).</li> <li>○ Cannot payoff liens other than the existing VA loan.</li> </ul> <p style="text-align: right;"><i>Continued on next page</i></p>

<p><b>MAXIMUM LOAN AMOUNT (continued)</b></p>	<p><b>Instructions for IRRRL Worksheet:</b></p> <p>For the purposes of calculating the maximum loan amount, the following must be used:</p> <ol style="list-style-type: none"> <li>1. Line 1 is limited to the calculation from the current payoff statement with interest accrual and fees, adjusted to the actual date of payoff.</li> <li>2. Line 2 is limited to direct cash from the Veteran to reduce the principal balance on the new base loan in Line 3. This line is not used to correct for any excess discount points that cannot be financed.</li> <li>3. Line 5 is limited to no more than two (2) discount points that can be financed. In cases where the borrower has elected to pay more than two (2) discount points for the rate chosen, the excess would be included on the TRID-LE and TRID-CD, but not on the <i>IRRRL Worksheet</i>.</li> <li>4. Line 8 will be calculated as follows: Line J minus the greater of either Line 5 or total discount points from the TRID-LE. Take this number and subtract Line 6 and Line 7. The Broker must not finance VA non-allowable costs greater than the 1 percent flat fee, should these costs exist in Line J. <ul style="list-style-type: none"> <li>• Line 11 must be the same percentage as Line 8; the amount may vary.</li> <li>• Line 18 is established per the calculation of the form.</li> </ul> </li> <li>5. Any changes allowed under Regulation Z (12 C.F.R. 1026), that reflect an adjustment to Line J, will require the <i>IRRRL Worksheet</i> to be re-calculated. This may change the maximum allowable loan amount on Line 18, and may cause an additional change to the TRID-LE.</li> <li>6. Documentation and Submission of <i>IRRRL Worksheet</i>. A final Broker signed copy of the <i>IRRRL Worksheet</i> is required on all loans.</li> </ol>
<p><b>ELIGIBLE PROPERTY TYPES</b></p>	<ul style="list-style-type: none"> <li>• 1-4 Unit, detached and attached</li> <li>• PUDs</li> <li>• Condos <ul style="list-style-type: none"> <li>○ VA Approved Projects</li> <li>○ HUD/FHA/USDA Condo Approvals if the project approval was dated prior to December 7, 2009.</li> <li>○ <b>SITE CONDOS are treated the same as attached condos. The project must be approved by VA as above.</b></li> </ul> </li> <li>• Modular Homes &amp; Log Homes with 2 modular / log comps</li> </ul> <p><b>MANUFACTURED HOMES , FLORIDA CONDOS, AND CO-OPS ARE INELIGIBLE</b></p>
<p><b>DU / LP / AUS</b></p>	<p>NO AUS on IRRRL loans</p>
<p><b>ELIGIBLE BORROWERS</b></p>	<ul style="list-style-type: none"> <li>• All borrowers must have a valid US Social Security number.</li> <li>• US Citizen.</li> <li>• Permanent Resident Alien with a valid green card.</li> <li>• Non-Permanent Resident Alien with an acceptable visa.</li> <li>• Must have established credit in the US.</li> <li>• Must be paid in US dollars.</li> <li>• Funds to close / reserves must be in US dollars in a US depository.</li> <li>• <b>Eligible VA IRRRL borrowers:</b></li> </ul> <p style="text-align: right;">Continued on next page</p>

<b>ELIGIBLE BORROWERS (continued)</b>	<b>Parties Obligated on Old VA Loan</b>	<b>Parties to be obligated on new IRRRL</b>	<b>Is IRRRL possible?</b>
	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	
<b>GEOGRAPHIC RESTRICTIONS</b>	<p>VA financing is only available in the following states</p> <ul style="list-style-type: none"> <li>• Connecticut</li> <li>• Delaware</li> <li>• District of Columbia</li> <li>• Indiana</li> <li>• Kentucky</li> <li>• Maryland</li> <li>• Michigan</li> <li>• New Hampshire</li> <li>• New Jersey</li> <li>• Ohio</li> <li>• Pennsylvania</li> <li>• Virginia</li> </ul>		
<b>APPRAISAL</b>	No appraisal is required.		
<b>VA FUNDING FEE AND MINIMUM GUARANTY</b>	<ul style="list-style-type: none"> <li>• Funding Fee = <u>½% of the loan amount</u></li> <li>• Minimum Guaranty = <b>25% of the IRRRL loan amount</b></li> </ul>		
<b>FEES THE BORROWER CAN PAY</b>	<ul style="list-style-type: none"> <li>• Please refer to the <i>VA Allowable Closing Cost</i> document for details on allowable costs.</li> <li>• No more than 2 discount points can be included in the loan amount.</li> </ul> <p>For loans closed with more than 2 discount points, the VA requires the veteran to sign a document that states the following:          “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 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>		
<b>CASH BACK AT CLOSING</b>	<ul style="list-style-type: none"> <li>• <b>No cash can be given back to a borrower at the closing of an IRRRL, typically borrowers bring cash to close.</b></li> <li>• Principle Curtailments are not allowed.</li> </ul>		
<b>INCOME DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• None required, but complete employment information must be on the application (1003).</li> <li>• Complete a verbal verification of employment for all employed borrowers and must obtain third party verification of self employment.</li> </ul>		
<b>ASSET DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• Not required.</li> <li>• Ohio borrowers must always provide asset documentation even if funds are not required to close.</li> </ul>		
<b>RESERVES</b>	<ul style="list-style-type: none"> <li>• None required</li> </ul>		

<b>IRRRL DOCUMENTATION AND FORMS</b>	<ul style="list-style-type: none"> <li>• Clear CAIVRS</li> <li>• RIGHTS OF VA LOAN BORROWERS (IMPORTANT NOTICE), VA Form 26-8978</li> <li>• VA DEBT QUESTIONNAIRE , VA Form 26-0551</li> <li>• VA RATE REDUCTION CERTIFICATION</li> <li>• HUD /VA ADDENDUM to URLA HUD 92-900A / VA Form 26-1802a</li> <li>• All other loan disclosures as per the Disclosure Checklist</li> <li>• PRIOR LOAN VALIDATION....<b>MLS TO OBTAIN</b></li> <li>• IRRRL VA ID Number....<b>MLS TO OBTAIN</b></li> </ul>
<b>INELIGIBLE TRANSACTIONS</b>	<ul style="list-style-type: none"> <li>• IRRRLs that are High Priced Mortgage Loans (HPML)</li> </ul>
<b>MULTIPLE MORTGAGES</b>	<ul style="list-style-type: none"> <li>• 4 financed properties max allowed for all borrowers cumulatively</li> </ul>
<b>ESCROW WAIVERS</b>	<ul style="list-style-type: none"> <li>• Not Allowed on VA no matter the LTV.</li> </ul>
<b>DOCUMENT AGE</b>	<ul style="list-style-type: none"> <li>• Credit Docs, 120 Days</li> <li>• Appraisal 120 Days</li> </ul>
<b>COMPLIANCE REMINDERS</b>	<ul style="list-style-type: none"> <li>• 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"> <li>○ Mandatory escrow account that cannot be cancelled for 5 years</li> </ul> </li> </ul>