

VA IRRRL Offering



9/29/17

What is an IRRRL?



- **IRRRL stands for Interest Rate Reduction Refinance Loan**
- **An IRRRL is a VA guaranteed loan made to refinance an existing VA guaranteed loan, generally at a lower interest rate and with lower principal and interest payments than the existing VA loan**
- **IRRRLs are a true streamline product and as such only existing VA loans are eligible**
- **Available on 30, 25, 20 or 15 year fixed, 3/1 and 5/1 ARM**

- **Non-Credit Qualifying IRRRLs have NO INCOME VERIFICATION/NO RATIOS**
 - ✓ **A 2 year employment history is not required on the 1003**
 - ✓ **Income should never be stated on the 1003 for a NCQ IRRRL**
 - ✓ **VVOE by HomeBridge not required on NCQ IRRRL**
- **Credit Qualifying IRRRLs require asset verification when funds are needed to close; one month bank statement required and funds must be sourced**
- **NCQ IRRRLs do not require asset verification even if funds are needed to close**
- **No DU (IRRRLs are manual underwrites; do not run through DU)**
- **No Monthly MI**

- **Funding Fee .50%**
- **Cash back at closing cannot exceed \$500**
- **Mandatory escrows**
- **Maximum loan term**
 - ✓ **Term may not exceed the original term of the loan being refinanced by more than 10 years, not to exceed 30 years and 32 days**
- **Minimum loan amount \$60,000; max loan amount \$1 Million (\$1.5 Million in state of Hawaii)**

- **VA to VA Loans Only; county loan limits do not apply to IRRRLs.**
- **Veteran re-uses to entitlement from existing VA loan**
 - ✓ **IRRRL does not impact amount of entitlement Veteran has in use**
- **IRRRL Case Number Assignment from VA Portal is required from the Broker (order without requesting an appraisal)**
 - ✓ **VARequests@homebridge.com offers temporary support for Brokers without Portal access**

Loan Eligibility (continued)



Generally the party/parties obligated on the original loan must be the same on the new loan (and the Veteran must still own the property):

Parties Obligated on Old VA Loan	Parties to be Obligated on new IRRRL	Is IRRRL Possible?
Unmarried veteran	Veteran and new spouse	Yes
Veteran and spouse	Divorced veteran alone	Yes
Veteran and spouse	Veteran and different spouse	Yes
Veteran alone	Different veteran who has substituted entitlement	Yes
Veteran and spouse	Spouse alone (veteran died)	Yes
Veteran and non-veteran joint loan obligators	Veteran alone	Yes
Veteran and spouse	Divorced spouse alone	No
Unmarried veteran	Spouse alone (veteran died)	No
Veteran and spouses	Different spouse alone (veteran died)	No
Veteran and non-veteran joint loan obligators	Non-veteran alone	No

The principal and interest payment on an IRRRL must be less than the principal and interest payment on the loan being refinanced unless one of the following exceptions applies:

- **Loan documents a benefit to the Veteran**
 - ✓ **Loan term reduction OR term going from ARM to Fixed**
- **Credit Qualifying required when any of the following apply:**
 - ✓ **PITI is increasing more than 20%, or**
 - ✓ **Spouse is being removed from loan, or**
 - ✓ **Conforming or High Balance FICO < 580**

- Qualifying Quick View Eligibility Chart

	Eligibility Overview			
	≤ \$424,100 *		>\$424,100 *	
	Credit Qualifying	Non- Credit Qualifying	Credit Qualifying	Non- Credit Qualifying
Primary 1-4 unit	Eligible 550 FICO	Eligible 580 FICO	Eligible 550 FICO	Eligible 580 FICO
Second home 1-unit	Eligible 550 FICO	Eligible 580 FICO	Eligible 550 FICO	Eligible 580 FICO
Investor 1-4 unit	Eligible 550 FICO	Eligible 580 FICO	Eligible 550 FICO	Eligible 580 FICO

* (Alaska/Hawaii ≤ \$636,150 or ≤ \$721,050 in Honolulu county, HI)

- Eligible Properties: 1-4 Units (as applicable above), SFR, Condo & PUD**

The following are not eligible for IRRRL transactions:

- FICO score 550-579 and borrower does not have a 0x30 in previous 24 month mortgage/housing history
- FICO score 580-599 and borrower does not have a 0x30 in previous 12 month mortgage/housing history

- **Credit Qualifying: Minimum credit score 550**
 - ✓ **Tri-merged credit report**
- **Non-Credit Qualifying: Minimum credit score 580**
 - ✓ **Mortgage only credit report for subject property only**

NOTE: The credit report (full or mortgage only as applicable) or credit report supplement must indicate the veteran has made a minimum of 6 payments on the loan being refinanced. < 6 payments ineligible

- **550-619 FICO Credit Qualifying:**
 - ✓ **Credit Qualifying required with 550-579 FICO; refer to IRRRL matrix for complete credit qualifying guidelines**
 - ✓ **FICO 550-599: Maximum 90% LTV/CLTV**
 - ✓ **FICO 600-619: Maximum 125% LTV/Unlimited CLTV**
 - ✓ **1-4 unit only (owner-occupied, 2nd home, investment)**
 - ✓ **Conforming and High Balance eligible**
 - ✓ **FICO 550-579: Minimum 2 year mortgage/housing history with a 0x30 in the previous 24 months; < 2 year mortgage/housing history ineligible**
 - ✓ **FICO 580-599: Minimum 12 months mortgage/housing history with a 0x30 in the previous 12 months; < 1 year mortgage/housing history ineligible**
 - ✓ **Maximum 31%/43% DTI – No Exceptions**
 - ✓ **VA residual income requirements apply**

- **580-599 FICO Non-Credit Qualifying:**
 - ✓ **1-4 units (owner-occupied, 2nd home investment)**
 - ✓ **Conforming and high balance loan amounts eligible**
 - ✓ **Minimum 1 year mortgage/housing history with a 0x30 in the previous 12 months; < 1 year mortgage/housing history ineligible.**

- **Credit and Non-Credit Qualifying (regardless of FICO) \geq 6 months payments made:**
 - **A minimum of 6 payments have been made on the loan being refinanced,**
AND
 - **The Note date of the new loan must be at least six (6) months from the Note date on the existing loan,**
AND
 - **The borrower cannot prepay the loan in order to meet the seasoning requirement. **The 6th payment cannot be made earlier than the month due and the 6th payment cannot be made through closing of the new loan****

NOTE: Loans with < 6 payments made are ineligible

Mortgage/Housing History



- **Credit Qualifying: Mortgage/housing history FICO 550-579:**
 - ✓ **0x30 in previous 24 months. Borrowers without a 24 month mortgage/housing history ineligible.**
 - ✓ **Mortgage must be current for month due**

- **Credit Qual and Non-Credit Qual: Mortgage/housing history FICO 580-599:**
 - ✓ **0x30 in previous 12 months. Borrowers without a 12 month mortgage/housing history ineligible.**
 - ✓ **Mortgage must be current for month due**

- **Credit and Non-Credit Qualifying Mortgage history FICO \geq 600:**
 - ✓ **Mortgage must be current for month due**

- **See HomeBridge Submission Form for required documents at time of submission versus those that are “recommended but not required” at submission**

- **1003 Requirements: Credit Qualifying**
 - ✓ **Fully completed 1003 required**

- **1003 Requirements: Non-Credit Qualifying**
 - ✓ **NCQ 1003 cannot state income**
 - ✓ **The following are not required on a NCQ IRRRL 1003 (but can be completed)**
 - **Liabilities**
 - **Assets**
 - **Employment Information**

- **Funds to Close requirements apply to Credit Qualifying IRRRLs**
 - ✓ **Funds to close, regardless of amount, require 1 month bank statement and funds must be sourced**
- **A signed 4506-T and processed transcript is only required on Credit Qualifying IRRRLs**

- **HB to HB NCQ “No Overlay/No Credit” option for loans currently owned by HomeBridge and serviced by Cenlar. The following applies:**
 - ✓ Credit report/mortgage only credit report **not required**
 - ✓ LTV/CLTV **unlimited**
 - ✓ AVM/2055 **not required**
 - ✓ **No** credit score overlays
- **See IRRRL matrix HomeBridge to HomeBridge NCQ No Overlay/No Credit topic for details at www.homebridgewholesale.com**

CoreLogic GeoAVM™ ordered by Broker

- ✓ Acceptable on all loan amounts
- ✓ Always check the estimated value to ensure it works for the loan parameter/LTV!
- ✓ Max LTV when using an AVM is 125% (100% for High Balance loan amounts)
- ✓ A standard deviation of ≤ 18 must be received
- ✓ If the standard deviation is > 18 , a 2055 is required.
- ✓ CoreLogic will charge Broker a fee of \$18 per AVM

- **2055 Appraisal**
 - ✓ **Loans with 2055 will have max LTV of 125% (100% for High Balance loan amounts)**
 - ✓ **2055 is required to be completed by HomeBridge approved AMC**

- Brokers not signed up with CoreLogic can contact Claudia Dorman at 949-237-8150 or cdorman@corelogic.com to establish an account
 - Go to www.realquest.com
 - ✓ Enter your user name and password
 - ✓ From the menu on the left side of the screen, under “Report Summary” select “AVMs” as the report option; select “AVM Cascade”, then “GeoAVM™ Core” (1)
 - ✓ Type in the property address and zip code
 - ✓ Click on “Submit Request”
 - ✓ On the Report Summary screen, the address will appear (2)
 - ✓ Click on the “Get” button, next to “AVM Cascade” to retrieve the AVM (3)
- NOTE:** See screen shots on following page

How To Order a CoreLogic GeoAVM™

CoreLogic RealQuest Professional [Feedback / Suggestions?](#)

Map Subject Custom Foreclosure Order Parcel Map My Files My Preferences Help **Logout**

▶ [Start New Search](#) ↔ [Property List](#) ↔ [Report Summary](#)

REPORT SUMMARY

Report Options

- Property Detail
- Comparables
- Street Map Plus
- Lien360 Suite
- Parcel Map
- Flood Map
- Document Image
- Neighborhood Information
- Listing and Market Activity
- Property Listing History *

Foreclosure Solutions

- Foreclosure Activity

AVMs

- AVM Cascade
- GeoAVM™ Core** ? **1**
- GeoAVM™ Core Plus ?
- GeoAVM™ Precision Plus ?
- Custom Cascade

Stand-Alone AVMs

Mortgage Analytics

Property Address: 603 LASSEN LN 195, COSTA MESA, CA 92626-3122 **2**

Owner: THOMAS RICHARD ROY JR

APN: 934-05-195

Selected Reports:

- AVM Cascade
- GeoAVM™ Core

3

Get

Get All


NEED HELP?

How to Read AVM Results

GEOAVM™ will run four valuation models at one time and will return results for the AVM with the highest score:

Ref ID: 123456
CL Tracking ID: 1296066838524701

GeoAVM™ Core



603 LASSEN LN 195, COSTA MESA, CA 92626-3122
Owner Name: THOMAS RICHARD R JR

Valuation Summary

#	AVM	Value	Low Value	High Value	Score	Comment
1	PASS®	\$338,300	\$305,100	\$371,600	77	✓
2	ValuePoint®4	\$343,000	\$323,000	\$361,000	84	✓
3	PowerBASE®6.0	\$387,000	\$361,000	\$439,000	75	✓
4	HPA®	\$384,000	\$357,000	\$411,000	67	✓

In this example, ValuePoint4 returned the highest score of all 4 AVM reports:

How to Read AVM Results

Note the Estimated Value, Confidence Score and Standard Deviation on the final AVM report:

Ref ID: 123456

ValuePoint4[®] CoreLogic[®] RealQuest Professional

Property Address: 603 LASSEN LN 195, COSTA MESA, CA 92626
County: ORANGE, CA
Owner Name: THOMAS RICHARD R JR
Report ID:

SUMMARY

> **SUCCESS** - VP4 Valuation Successful

Estimated Value: **\$343,000** Value As Of: 01/26/2011

Estimated Value Range	Processed Date	Confidence Score	Forecast Standard Deviation
\$323,000 - \$361,000	01/26/2011	84	12

In this example, the ValuePoint4 returned a value of \$343,000, with a score of 84 and a Standard Deviation of 12.

Maximum Base Loan Amount \leq \$417,000



Maximum Base Loan Amount will be the lesser of the following two calculations:

Unpaid Principal Balance* (current at time of closing)

- ✓ PLUS Allowable VA Closing Costs
- ✓ PLUS VA Funding Fee (if applicable)
- ✓ PLUS up to 2 points to obtain rate reduction (discount)

OR

Appraised value X 125%

* UPB can include interest and misc. fees due current lender

Maximum Base Loan Amount \geq \$417,001



Maximum Base Loan Amount will be the lesser of the following two calculations:

Unpaid Principal Balance* (current at time of closing)

- ✓ PLUS Allowable VA Closing Costs
- ✓ PLUS VA Funding Fee (if applicable)
- ✓ PLUS up to 2 points to obtain rate reduction (discount)

OR

Appraised Value x 100%

* UPB can include interest and misc. fees due existing lender

Calculating Maximum IRRRL Loan Amount



Example One:

Assuming using an AVM with Appraised Value less than Existing Loan amount plus allowable costs:

Appraised Value \$100,000 X 125% = \$125,000

Existing VA Loan UPB*	\$145,000
Allowable Costs	<u>\$3,000</u>
	\$148,000

***On VA IRRRL, existing VA loan UPB can include principal, interest, recording and fax fees, etc. due to lender**

Max loan amount is \$125,000 (lesser of two)

Calculating Loan Amount (continued)



Example Two:

Assuming using an AVM with Appraised Value higher than Unpaid Principal plus allowable costs:

Appraised Value \$100,000 X 125% = \$125,000

Existing VA Loan UPB*	\$114,000
Allowable Costs	<u>\$3,000</u>
	\$117,000

*On VA IRRRL, existing VA loan UPB can include principal, interest, recording and fax fees, etc. due to lender

Max loan amount is \$117,000 (lesser of two)

VA allows the following fees and charges:

Borrower Paid Transactions

- **1% origination fee based on total loan amount. Fees determined by VA as unallowable cannot be charged to the Borrower OR**
- **1% unallowable fees based on the total loan amount. An origination fee cannot be charged to the Borrower OR**
- **Blend of loan origination and unallowable fees based on total loan amount can be charged to the Borrower. Blend cannot exceed 1% of total loan amount.**

Lender Paid Transactions

- **Since there is no origination fee charged, the Borrower can pay up to 1% of unallowable fees**

Unallowable Fees



The following fees cannot be charged if a 1% origination fee is charged:

- ✓ **Lender's Appraisal**
- ✓ **Closing/Settlement or Escrow Fee**
- ✓ **Doc Prep or Notary Fees**
- ✓ **Conveyance or Trustee Fee**
- ✓ **Underwriting Fee or Commitment Fee**
- ✓ **Interest Rate Lock Fee**
- ✓ **Postage/Mail Fees**
- ✓ **Pest/termite inspection**
- ✓ **Tax Service Fee**
- ✓ **Attorney services other than title work**
- ✓ **Loan application/Processing Fee**
- ✓ **Fees to Brokers or other 3rd party fees**
- ✓ **Inspection Fees**
- ✓ **Well/Septic Fee**

- **The following fees may be charged to the Borrower if applicable:**
 - ✓ **Loan Origination Fee**
 - ✓ **Reasonable Discount Points**
 - ✓ **Appraisal Fee**
 - ✓ **Credit Report Fee (actual)**
 - ✓ **Title examination/Title Insurance Fees**
 - ✓ **Recording fees and taxes**
 - ✓ **Flood determination**
 - ✓ **Federal Express/Express mail fee (Refinance Only)**
 - ✓ **Closing Protection letter fee**
 - ✓ **VA Funding Fee**
 - ✓ **MERS Registration Fee**

Example #1-Borrower Paid Transaction

Loan Amount	\$200,000
Loan Origination	\$2000
Un-Allowable Fees	\$595

- ✓ In this example the Borrower is paying a 1% loan origination fee. Therefore the Borrower is not able to cover un-allowable fees
- ✓ The lender will be responsible for covering the un-allowable fees of \$595 via a lender credit

Example #2-Lender Paid Transaction

Loan Amount \$150,000

Loan Origination \$0

Un-Allowable Fees \$595

- ✓ **In this example the Borrower is not paying a loan origination fee. The Borrower is able to cover the un-allowable fees up to 1%**

Example #3-Borrower Paid Transaction

Loan Amount	\$300,000
Loan Origination	\$2000
Un-Allowable Fees	\$595

- ✓ **In this example the Borrower can cover the loan origination fee and the unallowable fees since the total is less than 1% of the loan amount**

- **For VA IRRRLs, a general or military POA is acceptable if Veteran signed initial application and disclosures**
 - ✓ **Alive and Well statement required if Veteran not at closing**
- **Maximum principal reduction is 1% of the loan amount**
- **Funding into the month with an interest credit is allowed**
 - ✓ **Prior months payment must be made**
- **Existing IRRRL payoffs do not require full months worth of interest to be paid off (unlike FHA)**
- **For AVM option, insurance coverage only required for loan amount.**

VA Resources include:

- www.va.gov
 - ✓ Under Veteran Services click Home Loans
 - ✓ Lender's Handbook is available

- <http://benefits.va.gov/benefits>
 - ✓ Veterans Information Portal
 - ✓ VA forms can be located at <http://www.va.gov/vaforms/>

- **IRRRL Quick Reference Guide on HomeBridge website has details on what forms are required on an IRRRL. The Submission form indicates which forms are required at time of submission versus those that are recommended but not required at submission:**
 - ✓ **Required VA Forms (available on website)**
 - **26-0551 Debt Questionnaire (Credit Qualifying only)**
 - **26-0503 Federal Collection Policy Notice**
 - **26-0592 Counseling Checklist for Military Homebuyers (Active duty only)**
 - **26-1802a HUD/VA Addendum to URLA**
 - ✓ **Required Broker Forms (samples available on website)**
 - **Child Care Certification (credit qualifying transactions only)**
 - **VA Lender Certification**
 - **Nearest Living Relative**