

Bulletin 19-09

Updates to VA IRRRL Requirements

Homebridge is updating our requirements for IRRRL transactions effective with loans **submitted on or after March 1, 2019**.

HomeBridge has made the following updates:

- **Recoupment:** Term reduction now has specific reduction time frames that apply when using term reduction to satisfy recoupment guidance
- **Payment Test:** Term reduction now has specific reduction time frames that apply when using term reduction as a reason for acceptability of payment increase
- **Net Tangible Benefit:** New rate reduction requirement for ARM to ARM

NOTE: Loans refinancing from an ARM to a fixed rate are excluded from the below; **ARM to Fixed satisfies all requirements and no further action required. Seasoning requirements, as detailed in the IRRRL guidelines, continue to apply.**

The requirements under **each of the items** below must be met.

1. Recoupment: Updated

All fees must be recouped within 36 months or less **unless** (no change):

- The existing loan is being refinancing from an ARM to a Fixed (no change), **OR**
- There is a term reduction (fixed to fixed loans only; ARM loans are **not** eligible for term reduction exemption). The term reduction is measured from the existing remaining term and may be in one (1) month increments. Term reduction is now subject to the following requirements (**ALL** below **new**):
 - Term reduced 0 - 5 months from remaining term: **Not eligible**
 - Term reduced 6 - 11 months from remaining term: **Eligible** when the P&I payment is **decreasing by** a minimum of \$1
 - Term reduced 12- 60 months from remaining term: **Eligible** when the P&I payment **does not increase** by more than \$50 or 3%, whichever is **greater**
 - Term reduced 61 or more months from remaining term: **Eligible** with no restrictions

AND

2. Payment Test: Updated

The principal and interest (P&I) payment must decrease (no change) **unless**:

- The existing loan is being converted from an ARM to a Fixed (no change), **OR**
- There is a term reduction (fixed to fixed only; ARM loans are not eligible for term reduction exemption). The term reduction is measured from the existing remaining term and may be in one (1) month increments. See requirements for term reduction eligibility under Recoupment topic above for eligibility (specific term reduction requirements now apply - **new**)

AND

3. Net Tangible Benefit - Interest Rate: Updated

The following applies to the interest rate:

- Fixed to Fixed: A minimum of 50 basis point reduction required (no change)
- Fixed to ARM: A minimum of 200 basis point reduction required (no change)
- ARM to ARM: A minimum of 200 basis point reduction required (**new**)
- ARM to Fixed: Basis point reduction not required (no change)

Summary of New Requirements

- Term reductions (fixed to fixed) now require specific term requirements in order to satisfy new recoupment guidance
- Term reduction now has specific reduction time frames that apply when using term reduction as a reason for acceptability of payment increase
- ARM to ARM requires a minimum 50 basis point reduction required

Current IRRRL Requirements

All IRRRL transactions **must continue to meet the existing IRRRL requirements** pertaining to:

- Seasoning requirements, and
- Discount points (if charged)

The updates detailed above apply to new submissions as of March 1, 2019 ONLY; loans currently in the pipeline are NOT subject to these updates.

The IRRRL guidelines have been updated with this information and posted on the Homebridge website at www.homebridgewholesale.com

If you have any questions, please contact your Account Executive