

# VA IRRRL Offering



A division of Homebridge Financial Services, Inc.

# 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; only existing VA loans are eligible for refinance under this program
- Available terms:
  - Fixed: 15 to 30 years available in 1 month increments (i.e. 180 months, 182 months, 183 months...up to 359 months with a maximum of 360 months)
  - ARM: 3/1 and 5/1
- No DU (IRRRLs are manual underwrites and are not run through DU)
- No Monthly MI

# IRRRL Basics

- Credit Qualifying IRRRLs require asset verification when funds are needed to close; one month bank statement required and funds must be sourced
- 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
- NCQ IRRRLs do not require asset verification even if funds needed to close
- Owner-occupied, 2<sup>nd</sup> home, and investment property eligible. Investment property requires minimum 680 FICO if LTV > 100%
- Eligible property types:
  - SFR
  - PUD/Condo (attached/detached)
  - Modular homes
  - Manufactured homes (1-unit only and investment manufactured **ineligible**)

# IRRL Basics (cont.)

- 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)

# Loan Eligibility

- VA to VA Loans **only**; county loan limits do **not** apply to IRRRLs.
- Veteran re-uses entitlement from existing VA loan
  - An IRRRL does not impact amount of the veteran's entitlement
- IRRRL Case Number Assignment using VA Portal is required from the Broker (order without requesting an appraisal)
  - [VARespects@homebridge.com](mailto:VARespects@homebridge.com) offers temporary support for Brokers without Portal access

# Loan Eligibility (cont.)

- Broker is required to request a COE using VA Portal on all IRRRL transactions to determine if veteran is exempt from the VA funding fee
  - If COE indicates the veteran is **not** exempt, the veteran must acknowledge, in writing, if they do or do not have a pending claim for compensation filed with the VA. Acceptable documentation:
    - ✓ An email from the veteran to the broker/NDC, **OR**
    - ✓ The veteran completes and signs the VA Pending Claims Certification (Homebridge form available on website)
- Active duty servicemembers will be required to complete and sign VA Form 26-8937 Verification of VA Benefits to validate if the servicemember has a pre-discharge claim pending
  - If the servicemember does have a pending pre-discharge claim, Homebridge will contact the VA RLC to determine if the servicemember will be exempt from the funding fee

# Loan Eligibility (cont.)

- Generally the party/parties obligated on the original loan must be the same on the new loan (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

# Qualifying

- IRRRLs are subject to all of the following (details follow later in this presentation):
  - Seasoning requirements (Both VA and GNMA)
  - Fee Recoupment
  - Payment Test
  - Net Tangible Benefit

# Qualifying (cont.)

- Credit Qualifying required when any of the following apply:
  - PITI is increasing more than 20%

## Quick View Eligibility Chart

Eligibility Overview				
	≤ \$510,400 *		> \$510,400 *	
	Credit Qualifying	Non- Credit Qualifying	Credit Qualifying	Non- Credit Qualifying
<b>Primary 1-4 unit</b>	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO
<b>Second home 1-unit</b>	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO
<b>Investor 1-4 unit</b>	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO	Eligible 640 FICO

\*(Alaska/Hawaii ≤ \$765,600; no high-cost for 2020)

- Eligible Properties: 1-4 Units SFR/PUD/Condo/Modular/Manufactured  
NOTE: Second home and manufactured 1-unit only

# Credit Requirements

- **Credit Qualifying:** Minimum credit score **640**
  - Tri-merged credit report
- **Non-Credit Qualifying:** Minimum credit score **640**
  - 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 to the servicer on the loan being refinanced; < 6 payments **ineligible**.

The 6<sup>th</sup> payment **cannot** be prepaid or made at loan closing to meet 6 payment requirement

# Mortgage Seasoning

- **ALL IRRRL Transactions (regardless of application date):**
  - Credit and Non-Credit Qualifying (regardless of FICO) must meet both VA and Ginnie Mae seasoning requirements. **All** of the following applies:
    - ✓ A minimum of 210 days must have passed between **the first payment due date** on the original loan (loan being refinanced) and the NOTE date of the new mortgage
    - AND**
    - ✓ A minimum of 6 consecutive payments have been made on the loan being refinanced evidenced by the credit report or credit supplement. The 6<sup>th</sup> payment **cannot** be prepaid **or** paid through closing to meet requirement

# Forbearance Plan Payment Requirements



- If the borrower made 6 consecutive payments **prior to** entering into a forbearance plan, **the 6 payment seasoning requirement has been met and the loan is eligible** even if the borrower is currently in forbearance (borrowers in forbearance must be current with no missed payments).

**Reminder:** The 210 calendar days requirement must also be met

- If the borrower **did not** make 6 consecutive payments prior to entering the forbearance plan the following applies:
  - The borrower is required to make 6 consecutive payments on the loan being refinanced **AFTER the forbearance period**
  - Written documentation from the servicer, clearly stating the date the forbearance plan was cancelled/closed/withdrawn, must be obtained
  - Payments made during the forbearance period **cannot** be counted towards the 6 consecutive payment requirement.

**Example:** If the borrower made 5 payments on the loan being refinanced but then entered into a forbearance plan, the borrower will be required to make 6 payments on the loan being refinanced **AFTER** the forbearance period to meet the 6 consecutive payment made requirement

# Forbearance Plan Policy

The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan:

- **Subject Property Lien (Loan being Refinanced) and is Current**
  - If the borrower is current **and** has not missed a payment, the loan is **eligible**
- **Other REO OR Subordinating Second Lien and is Current**
  - The loan is eligible if the borrower is current **and** has never missed a payment, **and**
  - Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required.
- **NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry**
- **Subject Property AND/OR Other REO NOT Current/Missed Payment**
  - The loan is **ineligible**

## Fee Recoupment

- If the payment **decreases**, fees must be recouped **within 36 months or less, no exceptions**
- If the payment **stays the same or increases**, the veteran **cannot charged** any fees/closing costs/expenses (**excluding** taxes, escrow amounts, and funding fee)

NOTE: Broker/NDC lender credit is allowed in lieu of veteran paying fees/closing costs/expenses

## Payment Test

- **Payment Decreased:** Fees/closing costs/expenses may be charged to the veteran
- **Payment Stays Same or Increases:** The veteran **cannot incur** any fees, closing costs or expenses (**excluding** taxes, escrow amounts and funding fee)

# Net Tangible Benefit

- The following are acceptable as a net tangible benefit:
  - **Fixed to Fixed:** A minimum 50 basis point reduction required
  - **Fixed to ARM:** A minimum 200 basis point reduction required
  - **ARM to ARM:** A basis point reduction not required
  - **ARM to Fixed:** A basis point reduction not required

# Discount Points

- **Discount Points:** If discount points are charged, for any reason AND the loan is going from a fixed to an ARM **an appraisal (2055/1075) is required.** A maximum LTV also applies (CLTV not limited):

- Discount point of 1% or less: Maximum 100% LTV
- Discount point > 1%: Maximum 90% LTV

An appraisal is **not** required, even when discount points were charged, and the above LTV restrictions do not apply if the loan is going from a fixed to fixed, ARM to fixed or ARM to ARM

# Mortgage/Housing History



- **Credit Qualifying and Non-Credit Qualifying FICO**  
Mortgage must meet VA requirements
  - Mortgage must be current for month due

# Required Submission Documentation/1003 Reminders



- See Homebridge VA Submission Form for required documents at time of submission vs 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 Reminders/4506-T



- Funds to close requirements apply to Credit Qualifying IRRRLs only
  - 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 “No Overlay/No Credit” IRRRL Option



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

- 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 $\geq \$484,350$

- 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 (cont.)

## 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

**REMINDER:** If the payment on the new loan **stays the same or increases** the veteran **cannot** incur any fees/closing costs/expenses (excluding taxes, escrow amounts, and the funding fee). A Broker/NDC lender credit is allowed in lieu of the veteran paying 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 3<sup>rd</sup> party fees
- Inspection Fees
- Well/Septic Fee

# Allowable Fees

- 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

# Fee/Charge Calculation Examples



## 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

# Fee/Charge Calculation Examples (cont.)



## 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%

# Fee/Charge Calculation Examples (cont.)



## 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

# Closing Tips

- 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
- For AVM option, insurance coverage only required for loan amount

## VA Resources include:

- [www.va.gov](http://www.va.gov)
  - Under Veteran Services click Home Loans
  - Lender's Handbook is available
- <http://benefits.va.gov/benefits>
  - Veterans Information Portal
- <http://www.va.gov/vaforms>
  - Search all VA forms

- The VA Submission form indicates which forms are required at submission vs those that are recommended but not required at submission:
  - **Required VA Documents/Forms** (forms available on website)
    - ✓ VA Certificate of Eligibility (COE) – obtain from VA
    - ✓ 26-0503 Federal Collection Policy Notice
    - ✓ 26-0592 Counseling Checklist for Military Homebuyers (active duty only)
    - ✓ **26-8978 Rights of VA Borrowers**
    - ✓ **26-8937 VA Verification of Benefits (active duty or surviving spouse only)**
    - ✓ 26-1802a HUD/VA Addendum to URLA (pages 1 and 2 only)

- Required **Non-VA Forms** (samples available on website on the Forms page, under VA Specific)
  - ✓ Loan Comparison, initial, dated within 3 days of application
  - ✓ Active Duty Certification (active duty **only**)
  - ✓ Child Care Certification (Credit Qualifying only and only if dependents disclosed)
  - ✓ VA Lender Certification Nearest Living Relative

NOTE: If COE indicates veteran not exempt from funding fee, one of the following is also required:

- ❖ Homebridge VA Pending Claims Certification, or
- ❖ Homebridge VA Indebtedness Questionnaire, or
- ❖ Veteran may also provide email/written statement