Platinum VA Refinance - IRRRL

Transaction	*Number of Units*	*Maximum LTV/CLTV*
Primary Residence – Owner Occupied		
VA IRRRL	1 - 4 Unit	115%

Platinum VA Standard IRRRL Program Codes:	
VA 30 Year IRRRL	6037-99
VA 25 Year IRRRL	6137-99
VA 20 Year IRRRL	6237-99
VA 15 Year IRRRL	6337-99
VA 30 Year High Balance IRRRL	6038-99

Highlights

Topic	Highlights
ARM Transactions	Not eligible
AVM	Required • The AVM must provide an actual or estimated value for the subject property. • AVMs that merely use sales data for the market area and do not provide a value for the subject property are not acceptable.
Benefit to the Borrower	The interest rate and payment for the new refinance loan must be lower than the interest rate and payment for the existing loan unless the existing loan is an ARM being refinanced to a fixed rate or the term of the new loan will be shorter than the term of the existing loan.
Buy Down	Not eligible
Cash Back to the Borrower	• Maximum $500 • **Zero cash back for properties located in Texas**
CAIVR	A clear CAIVR is required
Chapter 13 Bankruptcy	Approval from the bankruptcy court may be required.
Community Property States	• Arizona • California • Idaho • Louisiana • Nevada • New Mexico • Texas • Washington • Wisconsin
Condominium	The project must be an approved VA project.
Construction to Permanent	Not eligible
Credit Report	• A mortgage only tri-merged credit report with credit scores is required for non-credit qualifying transactions. • A full credit report is required for credit qualifying transactions
Credit Score	• 580 for Conforming transactions • 640 for High Balance transactions
Debt-to-Income Ratio	For credit qualifying transactions, DTIs > 41% require residual income that is 120% above the required amount for the Veteran's family size.
Eligible Borrowers	• Veteran and his/her legal spouse. Veteran and/or spouse must be: ▪ A Permanent Resident Alien with proof of lawful permanent residence; or ▪ A Non-Permanent Resident Alien with proof of lawful residence • All borrowers must have a valid social security number • ITINs are not acceptable

Ineligible Properties	• Commercial properties • Condotels • Condo/PUD Hotel • Co-ops • Hawaii Properties in Lava Flow Zones 1 and 2 • Illinois Land Trusts • Life Estates • Log or Dome Homes • Manufactured Homes • Mixed Use Homes • Mobile Homes • Non-Warrantable Condos • Properties Currently in Litigation • Properties Located in a U.S. Territory, Province or Commonwealth • Timeshare Properties • Working Farm and Ranches
Leasehold Properties	Not eligible
Lender Certification/Veteran Statement	The initial Lender Certification and Veteran's Statement must be provided to the Veteran with the initial disclosure documents no later than the third business day after receiving the Veteran's application. • **Note:** The Lender Certification is only needed for payment increases of 20% or more.
Loan Application	A full 1003 Loan Application completed/signed by the borrower(s) and Loan Officer is required. Employment must be stated on the application. Income is not required to be stated on the application. • Income amounts must be stated on loan applications for properties located in the state of Colorado.
Loan Term	• **The maximum loan term is the original term of the existing VA loan plus 10 years, but not to exceed 30 years and 32 days.**
PACE/HERO	Not Allowed
Rebuttable Presumption	Transactions not meeting Safe Harbor QM requirements are Rebuttable Presumption transactions. • Rebuttable presumption transactions are allowed • **Credit qualifying is required.** • Refer to the Safe Harbor/Rebuttable Presumption section below for complete details.
Seasoning Requirements	• The borrower must have made at least six consecutive monthly payments on the loan being refinanced beginning with the payment made on the first payment due date; and • The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the existing loan.
State Requirements	Colorado – Income must be stated on the loan application Texas 50(a)(6) not allowed
Verbal Verification of Employment	Required within 10 days of loan closing.

Interest Rate Reduction Refinancing Loans (IRRRLs)

IRRRL Guidelines

IRRRL Requirements

- An IRRRL is a VA-guaranteed loan made to refinance an existing VA-guaranteed loan **at a lower interest rate than the existing VA loan** and with lower principal and interest payments than the existing VA loan.
- Generally no appraisal, credit information or underwriting is required on an IRRRL.

- An IRRRL **must bear a lower interest rate than the loan it is refinancing** unless the loan it is refinancing is an ARM.
- 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:
  - The IRRRL is refinancing an ARM; or
  - The term of the IRRRL is shorter than the term of the loan being refinanced.
- A significant increase in the Veteran's monthly payment may occur with any of these three exceptions, especially if combined with one or more of the following:
  - Financing closing costs;
  - Financing up to two discount points;
  - Financing of the Funding Fee; and/or
  - A higher interest rate when an ARM is being refinanced.
- If the monthly payment (PITIA) increases by 20% or more the Veteran must be credit qualified. Full income and asset documentation is required per VA requirements.

Veteran's Statement and Lender's Certification

- For all IRRRLs the Veteran must sign a statement acknowledging the effect of the refinancing loan on the Veteran's loan payments and interest rate.
- The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also include how long it would take to recoup ALL closing costs, both those included in the loan amount and those paid outside of closing.
- If the monthly payment (PITIA) increases by 20% or more, the underwriter must sign a certification indicating that the Veteran qualifies for the new monthly payment.
- Provide the Veteran's Statement and Lender Certification (a lender certification is only needed for payment increases of 20% or more) as outlined above. This information should be provided to the Veteran with the initial disclosure documents no later than the third business day after receiving the Veteran's application.
- A second Veteran's Statement must be included with the closing loan documents.
- For the initial Veteran's Statement add the following categories from the Loan Estimate (this is the total costs plus the VA funding fee):
  - Origination charges, services you cannot shop for, services you can shop for, taxes and other government fees, other, or VA funding fee.
  - For the initial Veteran's Statement, subtract any lender credits listed in section J.
  - The remainder is the closing costs for the recoupment calculation:
    - Divide the closing costs above by the decrease in monthly principal and interest payment for the number of months to recoup.
- For the final Veteran's Statement add the following categories from the Closing Disclosure:
  - Origination charges, services the borrower did not shop for, services the borrower did shop for, taxes and other government fees, other, or VA funding fee.
  - For the final Veteran's Statement, subtract any lender credits from section J.
  - The remainder is the closing costs for the final recoupment calculation.
    - Divide the closing costs above by the decrease in monthly principal and interest payment for the number of months to recoup.
- In the case of an increased principal and interest payment due to a lower term or due to changing from an adjustable rate to a fixed rate, it is not necessary to show the recoupment in months. All other fields in the Statement must be completed.
- Confirm in the Loan Guaranty Certificate (LGC) process that the Veteran was provided the disclosures as described above.
- Provide VA with the Veteran's Statement and Lender Certification (if applicable) at the point of requesting the LGC.

Closing Costs/Cash Back

- The following fees and charges may be included in the IRRRL's loan amount:
  - The VA Funding Fee;
  - Any allowable fees and charges including the lender flat fee; and

    - Up to two bona fide discount points.
        - The Veteran may pay any reasonable amount of bona fide discount points in cash. **Only two discount points may be financed.**
- VA does not require an appraisal or credit underwriting for an IRRRL transaction, however any customary and reasonable credit report or appraisal expense incurred to satisfy lenders requirements may be charged to the borrower and included in the loan.
    - When an appraisal is required by a lender, a **VA appraisal must not be obtained**. Appraisals **are not** to be ordered through WebLGY. **A conventional appraisal must be obtained.**
- The interest rate on the new loan may be set high enough to enable all of the closing costs to be covered with the lender credit as long as the requirements for lower interest rate and payments are met.
- An IRRRL cannot be used to take equity out of the property or to pay off debts other than the VA loan being refinanced.
- Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining the IRRRL.
- The Veteran cannot receive cash proceeds from the loan. If necessary the refinancing loan amount must be rounded down to avoid payments of cash to the Veteran.
- In certain situations the borrower may receive incidental cash at closing. Examples of situations where VA does not object to the borrower receiving cash are:
    - Computational errors;
    - Changes in final pay off figures;
    - Up-front fees paid for the appraisal and/or credit report that are later added into the loan; and
    - Refund of the escrow balance on the old loan.
- Cash to the Veteran from the adjustments described above may not exceed $500.
    - This does not apply to loans where the subject property is located in Texas. **For IRRRL transactions in the state of Texas the borrower may not receive any cash back**.

Loan Amount, Term and Guaranty

- There is no maximum dollar amount for VA loans. Since VA guarantees at least 25% of the loan amount, without regard to the Veteran's entitlement, the new loan amount may be more than the applicable county loan limits.
- No additional charge is made to the Veteran's entitlement for an IRRRL. The amount of the Veteran's previously used and available entitlement remains the same before and after obtaining the IRRRL.
- The new loan amount may be equal to, greater than or less than the original amount of the loan being refinanced. This may impact the amount of guaranty on the new loan, but not the Veteran's use of entitlement.
    - **Example of new loan amount greater than the existing loan amount:** The existing VA loan was originally made for $100,000 with a guaranty of $27,500, or 25%. The new IRRRL is for $112,000. The guaranty on the new loan is $28,000, or 25% but the Veteran's entitlement use remains at $27,500.
    - **Example of a new loan amount less than the existing loan amount:** The existing VA loan was originally made for $42,000 with a guaranty of $25,000 or almost 60% (the percentage applicable under former law). The new IRRRL is for $40,000. The guaranty on the new loan is $20,000 or 50% but the Veteran's entitlement use remains at $25,000.

Amount	*How to Calculate the Amount of Guaranty on an IRRRL*
IRRRLs up to $45,000	First calculate the lesser of: • 50% of the IRRRL loan amount; or • The amount of guaranty used on the VA loan being refinanced, The amount of guaranty is the greater of: • The above result; or • 25% of the IRRRL loan amount.
IRRRLs of $45,001 to $56,250	First calculate the lesser of: • $22,500; or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of:

	• The above result; or • 25% of the IRRRL loan amount.
IRRRLs of $56,251 to $144,000	First calculate the lesser of: • 40% of the IRRRL loan amount; or • The amount of guaranty used on the VA loan being refinanced. The amount of the guaranty is the greater of: • The above result; or • 25% of the IRRRL loan amount.
IRRRLs greater than $144,000	Guaranty on these is always 25% of the IRRRL loan amount.

- **The maximum loan term is the original term of the existing VA loan plus 10 years, but not to exceed 30 years and 32 days.**
- Example: If the existing loan has a 15 year term, the new loan term cannot exceed 25 years.

Title/Lien Requirements

- The IRRRL must replace the existing VA loan as the first lien on the same property. Any second lien-holder would have to agree to subordinate to the first lien holder.
- The borrower cannot pay off liens other than the existing VA loan from IRRRL proceeds.
- The Veteran must still own the property. Generally the party(ies) obligated on the original loan must be the same on the new loan.
- Contact VA regarding a proposed IRRRL involving a change in obligors unless the acceptability of the IRRRL is clear. Sample cases are provided in the table below:

	Parties Obligated on Existing VA Loan	***Parties to be Obligated on new IRRRL***	***Is IRRRL Possible?***
1	Unmarried Veteran	Veteran and New Spouse	Yes
2	Veteran and Spouse	Divorced Veteran Alone	Yes
3	Veteran and Spouse	Veteran and Different Spouse	Yes
4	Veteran Alone	Different Veteran Who Has Substituted Entitlement	Yes
5	Veteran and Spouse	Spouse Alone (Veteran Died)	Yes
6	Veteran and Non-Veteran Joint Loan Obligors*****	Veteran Alone	Yes
7	Veteran and Spouse	Divorced Spouse Alone	No
8	Unmarried Veteran	Spouse Alone (Veteran Died)	No
9	Veteran and Spouse	Different Spouse Alone (Veteran died)	No
10	Veteran and Non-Veteran Joint Loan Obligors*****	Non-Veteran Alone	No

****Lenox/WesLend does not offer the Vet/Non-Vet program or the Joint Vet program**.*

- In case seven the divorced spouse is keeping the home and wishes to refinance. The ex-spouse cannot get an IRRRL unless the Veteran agrees to be obligated on the new loan and commit his/her entitlement to the new loan. A person without entitlement cannot get an IRRRL or any other type of VA loan.
- In cases eight through ten the borrowers cannot obtain an IRRRL because they do not include the Veteran or a person who was the Veteran's spouse at the time the original loan was made and who was obligated on the loan along with the Veteran.
- In case eight where the unmarried Veteran obtained the original loan:
  - The marriage and death of the Veteran occurred after the loan was made; and
  - The deceased Veteran's spouse is not obligated on the original loan. An IRRRL is not possible.
- In case nine where the Veteran and spouse were obligated on the original loan:
  - The divorce, remarriage, then death of the Veteran occurred after the loan was made; and

    - The deceased Veteran's new spouse is not obligated on the IRRRL loan. An IRRRL is not possible.
- Case ten: Lenox/WesLend does not offer Vet/Non-Vet or joint Vet loans.
- VA does not require any credit/income documentation or re-underwriting of IRRRLs when there has been a change in obligors, the following should be taken into consideration:
    - For death or divorce cases obtain a statement from the obligor(s) on their ability to make payments on the new loan without the co-obligor's income.
    - Obtain a statement about the addition of a different spouse or change in number of dependents, as applicable.
    - When there has been a change in obligors, ensure that the lower payment and interest rate, and the minimum 25% guaranty compensate for the lack of re-underwriting on the new loan.

Safe Harbor

- Loans are considered Safe Harbor QM loans if they meet the following requirements:
    - The loan being refinanced was originated at least six months before the new loan's closing date;
    - At least six payments have been made on the original loan;
    - At least **210 days** have passed from the closing date of the mortgage being refinanced;
    - The mortgage payment history reflects 0x30 during the six months preceding the new loan's closing date;
    - The recoupment period for all allowable fees and costs must not exceed 36 months:
        - Pre-paid expenses such as real estate taxes and homeowners insurance are not counted as transaction costs when calculating the recoupment period. Lender credits and premium pricing may be used to offset allowable fees.
        - There must be a monthly P&I savings in order to complete the recoupment period calculation except in the following situation:
            - ✓ ARM to fixed rate; or
            - ✓ Fixed rate to fixed rate with a shorter amortization term;
    - The Veteran is not 30 days or more past due on the loan being refinanced;
    - The new loan does not increase the outstanding principal balance of the existing loan except to the extent that allowable fees and charges are financed;
    - Total points and fees payable in connection with the new loan are in accordance with VA requirements (12 CFR 1026.32), will not exceed 3% of the total new loan amount and are in compliance with VA's allowable fees and charges found at 38 CFR 36.4313;
    - The interest rate on the new loan is lower than the interest rate on the existing loan unless the borrower is refinancing an ARM to a fixed rate loan;
    - The new loan is subject to a payment schedule that will fully amortize the loan without any balloon payments; and
    - Both the existing loan and the new loan satisfy all other VA requirements.

Rebuttable Presumption QM

- If the loan does not meet **any one of the above requirements**, it is considered a Rebuttable Presumption QM loan. The following requirements must be met:
    - **The borrower(s) must be credit qualified**;
    - At least six payments must have been made on the original loan;
    - At least 210 days must have passed from the closing date of the mortgage being refinanced;
    - Fixed rate transactions only; and
    - The loan must satisfy all other VA requirements.
- Following is the formula for calculating the recoupment period and examples of a loan that meets Safe Harbor QM and of a loan that does not meet Safe Harbor QM (Rebuttable Presumption).

- Continued -

Recoupment Calculation

Allowable closing costs – prepaid expenses – lender credits + bond fide discount points = total closing costs

Example of a recoupment period that **does** meet Safe Harbor QM requirements:

- Payment lowers by $100;
- Closing costs are $3,000;
- $3,000/$100 = 30 months until recoupment; so
- The transaction qualifies as a Safe Harbor QM loan.

Example of a recoupment period that **does not** meet Safe Harbor QM requirements:

- Payment lowers by $50;
- Closing costs are $3,000;
- $3,000/$50 = 60 months until recoupment; so
- The transaction is a Rebuttable Presumption QM loan.