CAPITALEND HOME LOANS

VA IRRRL

VA INTEREST RATE REDUCTION REFINANCE LOANS (IRRRL)					
Non-Credit Qualifying					
Units	**Occupancy**	**Base Loan Amount**	**Credit Score**	**LTV/CLTV[1,2]**	**DTI**
1-4	Primary Residence Non-owner Occupied	$2,500,000	720	105/125	NA
		$2,000,000	700	105/125	NA
		$1,500,000	680	105/125	NA
		$1,000,000	580	105/125	NA
1	Primary Residence	$1,000,000	580	105/125	NA
Credit Qualifying					
Units	**Occupancy**	**Base Loan Amount**	**Credit Score**	**LTV/CLTV[1,2]**	**DTI[3]**
1-4	Primary Residence Non-owner Occupied	$2,500,000	720	105/125	45%
		$2,000,000	720	105/125	55%
		$2,000,000	700	105/125	45%
		$1,500,000	680	105/125	45%
		$1,000,000	580	105/125	55%
1	Primary Residence	$1,000,000	580	105/125	55%

[1]LTV/CLTV will be based off one of the following:
• The original loan amount of prior VA mortgage
• Exterior only appraisal (Form 2055)
• VA Approved/Vee Fee Panel appraiser must not be used if an appraisal is obtained
[2]LTV/CLTV based on total loan amount including financed VA Funding Fee
[3]DTI >41% when residual income exceeds 120% or significant documented compensating factors exist

Funding Fee Table - Effective 1/1/2020			
Type of Loan	**Down Payment**	**% for First Time Use**	**% for Subsequent Use[1]**
All Types	N/A	.50%	.50%

- All VA loans require a VA funding fee unless the VA has determined the veteran to be exempt from paying the funding fee.
- Exceptions may be made to veterans with service-connected disabilities and to surviving spouses of veterans who die in service or from service-connected disabilities.
- All or part of the fee may be paid in cash at loan closing or may be included in the loan
- Veterans that are not currently exempt must provide a statement indicating if they have a pending disability claim with VA. If yes, follow VA guidelines for a pending claim.

VA Lending Resource	• All loans must be underwritten to the standards contained within this matrix and the VA Pamphlet 26-7
VA IRRRL Transactions	Overview: • A VA IRRRL transaction is a VA-to-VA refinance used to refinance a property on which the Veteran has already used their loan eligibility o The VA IRRRL transaction will re-use the entitlement originally used • COEs are not required, though evidence of funding fee status is required (a screen print of the funding fee status provided at the time the LIN is requested is acceptable)
Loan Terms	• 10, 15, 20, 30 Year Terms • 5/1 ARM (1/1/5), One-Year Treasury
Ineligible Transactions	• VA Renovation Loan • Energy Efficient Mortgage

Geographic Restrictions	• Hawaii Lava Zones 1 and 2 are ineligible.
	• Texas 50(a)(6) and a(4) loans not permitted.
	• Colorado, Illinois (Cook, Kane, Peoria and Will Counties) – income must be stated on application, but does not require analysis for non-credit-qualifying
	• Kansas:
	  o A valuation is required for primary residences. One of the following may be used to determine value:
	  ➢ Most recent tax assessment value by county
	  ➢ 2055 Drive-by Appraisal Report
	  ➢ Approved AVM
	  o If the LTV exceeds 100%, a Kansas High Loan-to-Value Notice must be provided to the borrower not less than three days prior to closing and a copy of the Valuation provided to the borrower

Maximum Loan Amount	• VA County loan limits do not apply to IRRRLs. VA will guarantee 25% of the principal balance on an IRRRL, regardless of whether the loan exceeds the limits for the county.
	• The maximum loan amount is the existing VA Loan Balance plus the following:
	  o Any late charges, plus
	  o Allowable fees and charges (including up to two discount points)
	  o The VA Funding Fee
	  o Deferred mortgage payments under the CARES Act
	• The maximum loan amount for IRRRLs is determined by completing the IRRRL Worksheet (VA Form 26-8923)
	• The new loan amount may not include any delinquent payments from the existing Mortgage

Escrows	• Required for taxes and insurance
Temporary Buydown	• Not permitted
Minimum Guaranty	• 25% guarantee is automatic on VA IRRRLs
Maximum Loan Term	• The maximum loan term is the original term of the VA loan being refinanced plus 10 years, but not to exceed 30 years and 32 days. For example, if the old loan was made with a 15-year term, the term of the new loan cannot exceed 25 years.
Debt-To-Income (DTI)	• N/A - Non-Credit Qualifying IRRRLs. • Credit Qualifying – follow manual underwriting guidelines, see matrix for limits
AUS Requirements	• All IRRRLs must be manually underwritten. AUS is not permitted
Documentation	• All borrowers must have a valid Social Security number
Qualifying Rate	• Fixed & ARM: Qualify at the Note Rate
Appraisal	• When an appraisal is not required use the lower of the stated value on the loan application or the original loan balance for LTV calculation • An appraisal is required when one or more of the following apply: o When going from Fixed interest rate to an ARM refinance and charging discount points. These appraisals are not ordered through WebLGY or the VA Fee Panel. • 1004, 2055, 1075, 1073 allowed • If the Veteran is required to pay for the cost of the appraisal, the cost must be included as part of the recoupment cost. • The Veteran may only be charged a reasonable and customary amount, and only charged for one appraisal.
Condominiums	• VA approval of condominium is not required

Recoupment of Fees	• The VA fee recoupment standard applies to all IRRRLs, including, but not limited to IRRRRLs where: the principal balance is increasing, the term of the loan is increasing, or where the loan being refinanced is an adjustable-rate mortgage (VA Circular 26-19-22). 1. IRRRLs Resulting in Lower P&I Payments: a. Requirement: Fee Recoupment must be ≤ 36 months after the date the loan is closed b. Calculation: There are 2 types of calculations - Comparison Statement Calculation (Disclosure) and Statutory Calculation. If the Comparison Statement Calculation provided in the disclosure statement passes the ≤ 36-month test, the Statutory Calculation is not required. i. Comparison Calculation: For all IRRRLs, the Comparison Statement Calculation must be completed, as follows: A. Add the following items from the Loan Estimate (initial disclosure) or Closing Disclosure (final disclosure): origination charges, services you cannot shop for, services you can shop for, taxes, other government fees, and the VA funding fee. B. Subtract any lender credits. C. Divide that amount by the decrease in monthly PI payment. Note that the monthly PI payment is calculated using the total loan amount, including any financed VA funding fee. D. Lender Certification: If the recoupment period is ≤ 36 months: during the LGC process the lender may upload the final Comparison Statement Disclosure to certify to VA that requirement is met. ii. Statutory Calculation: If the recoupment period on the final Comparison Statement Disclosure is > 36 months, the Statutory Calculation must be completed. A. Divide all fees, expenses, and closing costs, whether included in the loan or paid outside of closing (i.e., an appraisal fee), by the reduction of the monthly PI payment. B. Exclude the VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees C. Lender Certification: The Lender must document the Statutory Calculation, and must certify to VA that the ≤ 36 months Fee Recoupment requirement was met using the Statutory Calculation iii. Eligibility: If the loan does not meet the ≤ 36 months Fee Recoupment requirement using at least one of these calculation methods, the loan is not eligible for VA guaranty 2. IRRRLs Resulting in Same or Higher PI Payments: a. Requirement: The Veteran may incur no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 (e. g., VA funding fee), b. Calculation: No calculation is required for Fee Recoupment purposes. (However, a calculation is required for Comparison Statement Disclosure purposes) c. Lender Certification: The lender should submit evidence to VA that the Veteran has incurred no fees, costs, or expenses (for example, as documented by the Closing Disclosure (CD).) • Also see VA Circular 26-19-22, Exhibit B – Determining Recoupment Period for IRRRLs • Multiple IRRRL Fee Recoupment Requirements Apply: In addition to VA requirements in this section, the Safe Harbor rules include fee recoupment requirements. See IRRRL Safe Harbor Requirements section

Same/Higher P&I Payment	• The P&I on the new loan must be less than that of the existing loan unless the IRRRL is refinancing an ARM or the term of the IRRRL is shorter than the term of the loan being refinanced
	• When the P&I payment is the same or higher the loan must be a no cost loan to Veteran
	• Lender credits may be used to offset allowable fees and costs
	• When the monthly payment (PITI) increases by 20% or more, the loan must:
	    o Qualify as credit qualifying, and
	    o Include a certification that the veteran qualifies for the new monthly payment

Interest Rate Decrease Requirement	• The interest rate on the new loan must be a lower interest rate than the loan being refinanced and is subject to the net tangible benefit test – see Net Tangible Benefit section • **Note**: The only exception to not require a decrease in interest rate is refinancing an ARM to a Fixed rate or ARM to ARM. • No more than 2 discount points can be financed in the loan amount.

Net Tangible Benefit (NTB) Test	• Net Tangible Benefit Requirements:
	    o Every refinance transaction must offer a documented, demonstrable, Net Tangible Benefit (NTB) to the borrower, and,
	    o VA specific NTB requirements must be met as referenced below.
	IRRRL loans must meet the NTB test as follows:
	• Fixed Rate to Fixed Rate:
	    o The interest rate on the new loan must be lower than the interest rate for the loan to be paid off by at least 0.50%.
	• Fixed Rate to Adjustable Rate:
	    o The interest rate on the new loan must be lower than the interest rate for the loan to be paid off by at least 2.00%
	• In fixed rate to adjustable-rate cases, discount points may be added to the principal Loan amount only if one of the following circumstances exist:
	    o The lower interest rate is not produced solely from discount points. In other words, current interest rates are lower than interest rates at the time the loan being paid off was originated, regardless of the discount being charged (par vs. par).
	    o The lower interest rate is produced solely from discount points, meaning a lower interest rate than on the Loan being paid off was not possible without charging discount points.
	      ➢ When discount points equal to or less than 1% are added to the Loan amount, the maximum LTV is 100%, or
	      ➢ When discount points greater than 1% are added to the Loan amount, the maximum LTV is 90%
	      ➢ Refer to Appraisal section when charging discount points on VA IRRRL transactions
	• ARM to Fixed or ARM to ARM:
	    o No Net Tangible Benefit interest rate requirements apply

<table>
<tr><td>Seasoning Requirements</td><td>
Loan seasoning refers to the age of the Loan being refinanced. If the Loan being refinanced is not seasoned on or before the date the refinance Loan closes, VA will not guarantee the refinance Loan.

All VA IRRRL transactions must meet Ginnie Mae seasoning requirements (both Cash Out and VA to VA):

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.
The first payment due date of the refinance loan must occur no earlier than 210 days after the first payment due date of the loan being refinanced, and
Loans that have been modified must meet the seasoning requirements beginning with the first payment due date after the modification.
The Note must be on or after the later date of:

The date on which the borrower has made at least six (6) monthly payments on the loan being refinanced;
The date that is 210 days after the first payment due date of the loan being refinanced, and
Loans that have been modified must meet the seasoning requirements beginning with the first payment due date after the modification.

All VA IRRRL transactions must meet VA IRRRL seasoning requirements:

The due date of the first payment is used to determine loan seasoning. A loan is considered seasoned if, as of the date of loan closing, both of the following conditions are met:

The due date of the first monthly payment of the loan being refinanced is 210 days or more prior to the closing date of the refinance loan, and
Six consecutive monthly payments have been made on the loan being refinanced

Documentation Requirements:
VA requires documentation confirming the Loan being refinanced was properly seasoned. Such documentation includes a:

Copy of existing Note or Credit Report Supplement that clearly confirms the first payment due date for the Mortgage being refinanced, and:

The following calculations alone are not acceptable to evidence the first payment due date of the existing loan. Historically, Ginnie Mae does <u>not</u> permit the first payment due date to be:

Calculated using the maturity date of the existing Mortgage, or
Assumed to be two months from the date the Mortgage was opened.

Payment history documenting all payments, or Credit Report Supplement that clearly identifies all payments made in that timeframe.

Mortgage statement:

Compare to terms of Note to confirm no modification

</td></tr>
<tr><td>Prior Forbearance</td><td>

Refer to VA Circular <u>26-20-25</u> for VA’s underwriting guidelines for Mortgages involving Borrowers who were granted a previous Mortgage forbearance.

</td></tr>
<tr><td>Loan Application</td><td>
Non-Credit Qualifying:

Fully completed URLA required, excluding:

Income section (Employment should be completed)
Assets section

Credit Qualifying:

Fully completed URLA required

</td></tr>
</table>

Exempt Income Verification	• Income documentation is not required for Non-Credit Qualifying IRRRL if all seven of the following are met: 1. Veteran is not 30 days or more past due on the Loan being refinanced. 2. The proposed IRRRL does not increase the principal balance outstanding on the prior existing residential Loan, except to the extent of fees and charges allowed by VA 3. Total points and fees, (as defined in section 103(a)(4) of TILA, other than bona fide third-party charges not retained by the Mortgage originator, creditor, or an affiliate of the creditor or Mortgage originator and all other applicable VA allowable fees) payable in connection with the proposed IRRRL do not exceed 3% of the total proposed principal amount. 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. 5. The proposed IRRRL is subject to a payment schedule that will fully amortize the IRRRL in accordance with VA regulations. 6. The terms of the proposed IRRRL do not result in a balloon payment, as defined in TILA. 7. Both the residential Loan being refinanced and the proposed IRRRL satisfy all other VA requirements. • Loans that do not meet the requirements for exemption from income as per above, may still be deemed a Safe Harbor QM loan if the income and DTI is verified in accordance with the standards set forth in VA's regulation 38 CFR 36.4330; Loan must continue to meet the seasoning and recoupment requirements to be considered a Safe Harbor QM Loan. • The type of QM designation, Safe Harbor versus Rebuttable Presumption, will not change due to VA's approval.
Verbal VOE	• VVOE or alternative income verification required to confirm borrower has income source: ○ For wage earners, it must be within 10 bus days of the Note date ○ For self-employed, must be within 60 calendar days of the Note date from an acceptable third-party source • Borrowers on fixed income do not require a VVOE. Fixed income source must be listed on the 1003 without income.
Safe Harbor QM Loan	For a VA IRRRL to be considered a Safe Harbor QM Loan, the Loan must meet all the following requirements: • The loan being refinanced must have six months or more of consecutive payments made on the existing Loan at the time of the new Loan's Closing date measured from Note date to Note date • Seasoning requirements must be met, as defined in Seasoning Requirements. • The veteran has not been more than 30 days past due during the six months preceding the new Loan's Closing date. • The requirement is to meet a worthwhile benefit to the veteran for a monthly savings with a recoupment time of 36 months or less, as defined in Recoupment of Fees. • All seven criteria for exemption from income verification are met, as defined in Exempt Income Verification. Eligible refinances that do not comply with the above Safe Harbor requirements will result in a VA IRRRL Rebuttable Presumption QM Loan. Rebuttable Presumption loans are ineligible.
Rebuttable Presumption	• Ineligible – see Safe Harbor section
HPML	• Ineligible
Asset Documentation	• Funds to close do not have to be documented unless Credit Qualifying
Reserves	• Not required for non-credit qualifying • Credit qualifying: ○ Investment requires 6 months PITIA for each investment property owned by the borrower ○ Second Home requires 6 months PITIA for each Second Home owned by borrower

<table>
<tr><td rowspan="1">Borrower Eligibility</td><td colspan="2">
Generally, the party or parties obligated on the original loan must be the same as the new loan and the Veteran must still own the property. A change in obligors is permitted in the following cases:
<table>
<tr><th>Existing Loan</th><th>New Loan</th><th>Yes/No</th></tr>
<tr><td>Unmarried Vet</td><td>Veteran & new spouse</td><td>Yes</td></tr>
<tr><td>Vet</td><td>Different Veteran who has substituted his/her entitlement</td><td>Yes</td></tr>
<tr><td>Vet & Spouse</td><td>Divorced Veteran only</td><td>Yes</td></tr>
<tr><td>Vet & Spouse</td><td>Veteran & different spouse</td><td>Yes</td></tr>
<tr><td>Vet & Spouse</td><td>Spouse only (deceased Veteran)</td><td>Yes</td></tr>
<tr><td>Unmarried Vet</td><td>Spouse only (deceased Veteran)</td><td>No</td></tr>
<tr><td>Vet & Spouse</td><td>Divorced spouse only</td><td>No</td></tr>
</table>
</td></tr>
<tr><td>Change in Obligor</td><td colspan="2">
When there has been a change in obligor the following is required:
Review mortgage payment history
Surviving spouse or divorce, provide:
Divorce decree or death certificate; and
Statement from the obligor(s) on the ability to make payments on the new loan
For the addition of a different spouse, obtain a statement on the change in number of dependents, as applicable
</td></tr>
<tr><td rowspan="2">Property Types</td><th>Eligible</th><th>Ineligible</th></tr>
<tr><td>SFR/PUD (detached/attached)
Condo
2-4 units</td>
<td>Co-ops
Agricultural w/Income producing properties
Manufactured homes
Non-Warrantable Condo/Condotel
Geodesic Domes
Working Farms and Ranches
Commercial Enterprises (e.g. Bed and Breakfast, Boarding House)</td></tr>
<tr><td>Credit</td><td colspan="2">
Tri-merge credit report required
Minimum credit score is required for all borrowers.
Loan must not be 30 days or more past due at the time of application.
Loan must be current prior to closing.
Housing History 0*30 < 6 months
Credit qualifying:
Three open trade-lines used within the past 12 months
Min. 12-month housing history 0*30 < 12 months
</td></tr>
<tr><td>Credit Qualifying</td><td colspan="2">Required when PITI increases by 20% or more
Follow VA Manual Underwriting guidelines</td></tr>
<tr><td>No Cash Back</td><td colspan="2">All occupancy types except Texas Homestead:
Allow no cash back to the borrower, except for minor adjustments at closing, not to exceed $500
Texas Homestead Occupancy
NO EXCEPTIONS: Cash back is not allowed for loans secured by owner-occupied primary residence properties located in the state of Texas.</td></tr>
<tr><td>Title Requirements</td><td colspan="2">Lender’s Title Insurance (Short or Long Form ALTA) required
Only the Veteran and spouse (if applicable) can take title to the property. No other individuals are permitted on title.</td></tr>
<tr><td>Subordinate Financing</td><td colspan="2">Existing Subordinate Financing allowed.
CLTV cannot exceed the eligible LTV/CLTV limits above.
No new subordinate financing allowed
PACE loans not allowed</td></tr>
</table>

Loan Modification	• The most recent modification terms in effect should be reflected on the LIN and the Loan Comparison
Assumption	• Not assumable **Note**: Refer to VA Lenders Handbook Chapter 5 Section 6 - Processing Loan Assumptions by the Current Servicer or Holder of the VA Loan.
Investment Properties	• Documentation that Veteran previously occupied the subject property as their primary residence at one point in time, is required (VA Form 26-1820)
Ineligible Transactions	• Illinois Land Trust • Leasehold • Life Estate • Unexpired Redemption Period • Loans involving PACE program • Texas a(6)
Insurance	• Maximum deductible is lesser of $15,000 or 5% of the face amount of the policy • Flood max deductible <= $5000 unless restricted be state government
Non-Occupancy Co-Borrower	• All borrowers must occupy the property for a primary residence
Principal Curtailment	• The amount of the curtailment cannot exceed $500 unless due to an excess Premium Pricing Credit
Disclosures	Two IRRRL Loan Comparison & Recoup Statements are required: • Initial disclosure with application package to be based on Loan Estimate and Final disclosure to be based on Closing Disclosure
CAIVRS	• All borrowers must be screened by CAIVRS to determine there have been no late payments on federal debt obligations