

VA INTEREST RATE REDUCTION RFINANCE LOANS (IRRRL)							
Non-Credit Qualifying							
Units	Occupancy	Base Loan Amount		FICO Score	LTV/CLTV <sup>1,2</sup>		
1-4	Primary Residence/ Investment	\$2,500,000		720	105%/125%		
		\$2,000,000		700			
		\$1,500,000		680			
		\$1,000,000		500			
Credit Qualifying IRRRL							
Units	Occupancy	Base Loan Amount		FICO Score	LTV/CLTV <sup>1,2</sup>		DTI <sup>3</sup>
1-4	Primary Residence/ Investment	\$2,500,000		720	105%/125%		45%
		\$2,000,000		700			45%
		\$1,500,000		680			45%
		\$1,000,000		500			41%
Footnotes:							
<ul style="list-style-type: none"><li><sup>1</sup>LTV/CLTV will be determined based on the lesser of the following:<ul style="list-style-type: none"><li>The original loan amount of the previous VA mortgage</li><li>The Automated Valuation Model (AVM)</li></ul></li><li><sup>2</sup>LTV/CLTV calculations will include the total loan amount, inclusive of the VA Funding Fee</li><li><sup>3</sup>For DTI ratios exceeding 41%, a minimum of 120% of the required VA residual income is needed, along with documented compensating factors</li></ul>							
VA ELIGIBLE TERMS							
Standard				High-Balance			
Term				Term			
10 Year				10 Year			
15 Year				15 Year			
20 Year				20 Year			
25 Year				25 Year			
30 Year				30 Year			
Standard				High-Balance/Super Max			
Description	Index	Caps	Margin	Description	Index	Caps	Margin
5/1	1-YR CMT	1/1/5	1.75%	5/1	1-YR CMT	1/1/5	1.75%
FUNDING FEE TABLE							
Transaction	EXEMPT			% for First Time Use		% for Subsequent Use	
ALL IRRRLs	0%			.50%		.50%	
GUIDELINES							
VA Lending Resource	<ul style="list-style-type: none"><li>All loans must be underwritten to the standards contained within this matrix and the VA Handbook, <a href="#">VA Pamphlet 26-7</a></li><li>Any guide published on this matrix DOES NOT supersede the VA Handbook.</li></ul>						
Ineligible Transactions	<ul style="list-style-type: none"><li>VA Renovation Loan</li><li>Energy Efficient Mortgage</li></ul>						
Geographical Restrictions	<ul style="list-style-type: none"><li>Hawaii</li><li>Texas: Texas50(a)(6) and 50(a)(4) are not permitted</li><li>Colorado, Illinois (Cook, Kane, Peoria, and Will Counties) – income must be stated on the application but does not require analysis for non-credit-qualifying.</li><li>Kansas: 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.</li></ul>						
Maximum Loan Amount	<ul style="list-style-type: none"><li>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.</li></ul>						

	<ul style="list-style-type: none"> <li>The maximum loan amount is the existing VA Loan Balance plus the following: <ul style="list-style-type: none"> <li>Any late charges, plus</li> <li>Allowable fees and charges (including up to two discount points)</li> <li>The VA Funding Fee</li> <li>Deferred mortgage payments under the CARES Act</li> </ul> </li> <li>The maximum loan amount for IRRRLs is determined by completing the IRRRL Worksheet (<a href="#">VA Form 26-8923</a>)</li> <li>The new loan amount may not include any delinquent payments from the existing Mortgage.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>Per manual underwriting requirements.</li> <li>All borrowers must have a valid Social Security number.</li> <li>Refer to IRS Form 4506-C and Tax Transcripts in the VA Lending Guide for additional guidance. (for Credit Qualify only)</li> </ul>
<b>AUS Requirements</b>	<ul style="list-style-type: none"> <li>All IRRRLs are manually underwritten loans.</li> </ul>
<b>IRRRL Transactions</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The VA IRRRL transaction will re-use the entitlement originally used.</li> <li>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)</li> </ul>
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>10, 15, 20, 30 Year Terms</li> <li>5/1 ARM (1/1/5), One-Year Treasury</li> <li>Fixed &amp; ARM: Qualify to Note Rate</li> </ul>
<b>Maximum Loan Term</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>AVM is required for all IRRRLs.</li> <li>An appraisal is required when one or more of the following apply: <ul style="list-style-type: none"> <li>When going from a Fixed interest rate to an ARM refinance and charging discount points. These appraisals are not ordered through WebLGY or the VA Fee Panel.</li> </ul> </li> <li>If the Veteran is required to pay for the cost of the appraisal, the cost must be included as part of the recoupment cost.</li> <li>The Veteran may only be charged a reasonable and customary amount and only charged for one appraisal.</li> </ul>
<b>Asset Documentation</b>	<ul style="list-style-type: none"> <li>Provide two months of bank statements to verify the source of funds for closing if the required cash to close exceeds the proposed principal and interest (P&amp;I) payment.</li> </ul>
<b>Recoupment</b>	<p style="text-align: center;"><b>VA RECOUPMENT REQUIREMENT</b></p> <p>The VA fee recoupment standard applies to all IRRRLs, including, but not limited to IRRRLs where: the principal balance is increasing, the term of the loan is increasing, or where the loan being refinanced is an adjustable-rate mortgage (<a href="#">VA Circular 26-19-22</a>).</p> <ol style="list-style-type: none"> <li>IRRRLs resulting in lower P&amp;I payments: <ul style="list-style-type: none"> <li>Requirement: Fee Recoupment must be ≤ 36 months after the date the loan is closed</li> <li>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. <ul style="list-style-type: none"> <li>Comparison Calculation: For all IRRRLs, the Comparison Statement Calculation must be completed, as follows: <ul style="list-style-type: none"> <li>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.</li> <li>Subtract any lender credits.</li> <li>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.</li> </ul> </li> </ul> </li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>▪ Lender Certification: If the recoupment period is <math>\leq 36</math> months: during the LGC process the lender may upload the final Comparison Statement Disclosure to certify to VA that requirement is met.</li> <li>➤ Statutory Calculation: If the recoupment period on the final Comparison Statement Disclosure is <math>&gt; 36</math> months, the Statutory Calculation must be completed. <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Exclude the VA funding fee, escrow, and prepaid expenses, such as insurance, taxes, special assessments, and homeowners' association (HOA) fees!</li> <li>▪ Lender Certification: The Lender must document the Statutory Calculation, and must certify to VA that the <math>\leq 36</math> months Fee Recoupment requirement was met using the Statutory Calculation</li> </ul> </li> <li>➤ Eligibility: If the loan does not meet the <math>\leq 36</math> months Fee Recoupment requirement using at least one of these calculation methods, the loan is <b>NOT ELIGIBLE</b> for VA guaranty.</li> </ul> <p>2. IRRRLs Resulting in Same or Higher PI Payments:</p> <ul style="list-style-type: none"> <li>➤ 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),</li> <li>➤ Calculation: No calculation is required for Fee Recoupment purposes. (However, a calculation is required for Comparison Statement Disclosure purposes)</li> <li>➤ 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).)</li> </ul> <p>Also see <a href="#">VA Circular 26-19-22</a>, Exhibit B – Determining Recoupment Period for IRRRLs</p> <p>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</p> <p>Cash back amounts greater than \$500 require resubmission to Underwriting or a principal reduction to satisfy the maximum \$500 cash back guideline</p> <p>Cash to the borrower resulting from the refund of the borrower's unused escrow balance from the previous mortgage must not be considered in the \$500 cash back limit, whether received at or after mortgage disbursement</p> <p>Texas Homestead Occupancy: <b>NO EXCEPTIONS</b> - Cashback is not allowed for loans secured by owner-occupied primary residence properties located in the state of Texas</p>
Interest Rate Decrease	<ul style="list-style-type: none"> <li>• <b>Note:</b> The only exception to not require a decrease in interest rate is refinancing an ARM to a Fixed rate or ARM to ARM.</li> <li>• No more than 2 discount points can be financed in the loan amount.</li> </ul>
Same/Higher P&I	<ul style="list-style-type: none"> <li>• The P&amp;I on the new loan must be less than that of the existing P&amp;I unless: <ul style="list-style-type: none"> <li>○ The IRRRL is refinancing an ARM</li> <li>○ The term of the IRRRL is shorter than the term of the loan being refinanced.</li> </ul> </li> <li>• When the P&amp;I payment is the same or higher the loan must be a no cost loan to Veteran</li> <li>• Lender credits may be used to offset allowable fees and costs.</li> <li>• When the monthly payment (PITIA) increases by 20% or more, the loan must: <ul style="list-style-type: none"> <li>○ Qualify as credit qualifying, AND</li> <li>○ Include a certification that the veteran qualifies for the new monthly payment</li> </ul> </li> </ul>
Net Tangible Benefit (NTB Test)	<p>Net Tangible Benefit Requirements:</p> <ul style="list-style-type: none"> <li>• Every refinance transaction must offer a documented, demonstrable Net Tangible Benefit (NTB) to the borrower, and,</li> <li>• VA-specific NTB requirements must be met as referenced below.</li> </ul>

	<p>IRRRL loans must meet the NTB test as follows:</p> <ul style="list-style-type: none"> <li>Fixed Rate to Fixed Rate: <ul style="list-style-type: none"> <li>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%.</li> </ul> </li> <li>Fixed Rate to Adjustable Rate: <ul style="list-style-type: none"> <li>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%.</li> </ul> </li> <li>In fixed-rate to adjustable-rate cases, discount points may be added to the principal Loan amount only if one of the following circumstances exists: <ul style="list-style-type: none"> <li>The lower interest rate is not produced solely from discount points. In other words, current interest rates were lower than interest rates at the time the loan being paid off was originated, regardless of the discount being charged (par vs. par).</li> <li>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. <ul style="list-style-type: none"> <li>✓ When discount points equal to or less than 1% are added to the Loan amount, the maximum LTV is 100%, or</li> <li>✓ When discount points greater than 1% are added to the Loan amount, the maximum LTV is 90%</li> <li>✓ Refer to the Appraisal section when charging discount points on VA IRRRL transactions.</li> </ul> </li> </ul> </li> <li>ARM to Fixed or ARM to ARM: <ul style="list-style-type: none"> <li>No Net Tangible Benefit interest rate requirements apply</li> </ul> </li> </ul>
<b>Seasoning Requirements</b>	<p>Loan seasoning refers to the age of the Loan being refinanced. If the Loan being refinanced is not seasoned on or before the Note date, VA will not guarantee the refinance Loan.</p> <p>VA IRRRL transactions must meet <a href="#">Ginnie Mae</a> seasoning requirements (VA to VA). As of the note date, the veteran must:</p> <ul style="list-style-type: none"> <li>Have made at least 6 consecutive monthly payments on the loan being refinanced; AND</li> <li>Confirm that 210 days have passed since the first payment due date of the loan being refinanced.</li> <li>Loans that have been modified must meet the seasoning requirements beginning with the first payment due date after the modification.</li> </ul> <p><b>Documentation Requirements:</b></p> <ul style="list-style-type: none"> <li>Copy of existing Note <b>or</b> Credit Report Supplement that clearly confirms the first payment due date for the Mortgage being refinanced. <ul style="list-style-type: none"> <li>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: <ul style="list-style-type: none"> <li>➤ Calculated using the maturity date of the existing Mortgage, or</li> <li>➤ Assumed to be two months from the date the Mortgage was opened.</li> </ul> </li> </ul> </li> <li>Payment history documenting all payments, or Credit Report Supplement that clearly identifies all payments made in that timeframe.</li> <li>Mortgage statement to compare to terms of Note to confirm no modification.</li> </ul>
<b>Community Property States Credit Qualifying only</b>	<p>Non-Borrowing Spouse: A credit report is required for the non-borrowing spouse who resides in a community property state or the subject property is located in a community property state; The debts of the non-borrowing spouse must be included in the qualifying unless specifically excluded by state law: AZ, CA, ID, LA, NV, NM, TX, WA, WI</p>
<b>Subordinate Financing</b>	<p>Subordinate financing allowed; CLTV cannot exceed the eligible LTV/CLTV limits</p>
<b>URLA</b>	<ul style="list-style-type: none"> <li>Non-Credit Qualifying IRRRLs: <ul style="list-style-type: none"> <li>Fully completed URLA with employment section and NO Income amount</li> <li>Passive/fixed income must be listed with no \$ amount.</li> </ul> </li> <li>Credit Qualifying IRRRLs: <ul style="list-style-type: none"> <li>Fully completed URLA</li> </ul> </li> </ul>