

**VA – Interest Rate Reduction Refinancing (IRRRL) without Appraisal**

**Summary**

Product Types	15, 25 & 30-year Fixed, 5/1 ARM <sup>1</sup>
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Loan Purpose	Minimum FICO	Units	Max Total Loan Amount <sup>2</sup>	Max LTV/CLTV
IRRRL - Non Credit Qualify	580	1-4	\$1MM	135/135%

<sup>1</sup> Max term not exceeding the original term + 10 years but not exceeding 30 years and 32 days. (VA Pamphlet 26-7 section I)

<sup>2</sup> The maximum total loan amount excludes financed funding fee. **NDM Max loan amount on IRRRLs is \$1MM.** VA Form 26-8923, IRRRL Worksheet, is required to calculate the maximum loan amount

*Note: This matrix is intended as an aid to help determine qualification for an IRRRL product financing. It is not intended to replace VA guidelines which can be found at: <http://www.benefits.va.gov> Users are expected to comply with VA requirements on all VA loans. This matrix includes overlays that may be more restrictive than VA requirements.*

**Funding Fee**

- All VA loans require a VA funding fee. All allowable fees and charges, including up to two (2.00) discount points, may be included in the loan.
- All or part of the fee may be paid in cash at loan closing or may be included in the loan without regard to the reasonable value of the property or the computed maximum loan amount, as appropriate.
- The funding fee for interest rate reduction refinance is .50%.

**Interest Rate and Payment Changes**

- An IRRRL must have a lower interest rate than the loan it is refinancing, unless the loan being refinanced is an Adjustable Rate Mortgage (ARM) and the IRRRL is a fixed. If PITI is increasing by more than 20%, a full credit qualification is required.
- The principal and interest payment on an IRRRL must be less than the principal and interest payment on the loan being refinanced, unless the term of the IRRRL is shorter than the term of the loan being refinanced. If PITI is increasing by more than 20%, a full credit qualification is required.
- Any monthly PITI increases that do not fall in the two above exceptions must be approved by the Chief Credit Officer.

**Veteran’s Statement and Lender’s Certification**

- All IRRRLs must include a signed Veteran’s statement acknowledging the effect of the refinancing loan on the veteran’s loan payments and interest rate. The statement must reflect the interest rate, monthly payments of the new loan as well as how long it will take to recoup ALL closing costs (those included in the loan and those paid outside of closing). The recapture period is not to exceed 36 months.

**Obligated Parties on an IRRRL**

- The parties obligated on the original loan must be the same on the new loan that is being refinanced, and the veteran must still occupy the property.
- NDM will contact the VA regarding a proposed IRRRL involving a change of obligors. This type of change may require a full credit qualification underwrite at the underwriter's discretion.
- Sample cases the VA allows in the table below:

Parties obligated on VA loan being refinanced:	Parties to be obligated on the 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 nonveteran joint loan obligors	Veteran alone	Yes
Veteran and spouse	Divorced spouse alone	No
Unmarried veteran	Spouse alone (veteran died)	No
Veteran and spouse	Different spouse alone (veteran died)	No
Veteran and nonveteran joint loan obligors	Nonveteran alone	No

## Requirements

Appraisal	<ul style="list-style-type: none"> <li>NDM will use the original loan amount to determine the LTV/CLTV</li> <li>When going from a fixed to an ARM and discount points are paid, a valuation must be determined as per VA Circular 26-18-1 Exhibit A</li> </ul>
Automated Underwriting	<ul style="list-style-type: none"> <li>Manual underwrite only.</li> </ul>
Borrowers	<ul style="list-style-type: none"> <li>An eligible veteran is a person who served on active duty in the Army, Navy, Air Force, Marines, or Coast Guard, and who, (except for a service member on active duty) was discharged or released from active duty under conditions other than dishonorable; or</li> <li>Members of the Reserves and National Guard are eligible upon completion of 6 years of service; or</li> <li>Unmarried surviving spouses of veterans who died as a result of service or service-connected causes.</li> </ul>
Credit	<ul style="list-style-type: none"> <li>580 minimum credit score for all borrowers.</li> <li>All borrowers must have a valid social security number.</li> <li>All borrowers must have a valid credit score from a tri-merge credit report.</li> <li>The mortgage of record must be current at the time of application</li> <li>A mortgage only credit report with credit scores is acceptable unless the PITI payment is increasing by more than 20% or a spouse is being removed from the new loan then a tri-merge credit report is required.</li> </ul>
Debt Ratio	<ul style="list-style-type: none"> <li>If loan is a credit qualifying IRRRL, the max DTI is 41%/50% (housing debt ratio/total debt ratio). <ul style="list-style-type: none"> <li>The ratio is greater than 41% solely due to the existence of tax-free income (notate tax-free income in the loan file or calculate an adjusted, smaller ratio based on “grossing up” of the tax-free income.); or</li> </ul> </li> <li>Residual income must exceed the VA guidelines by at least 20 percent.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>Two most recent month bank statements required if assets are needed to close.</li> <li>If credit qualifying, an IRS Form 4506-T must be signed, completed, and dated at application and at closing by all borrowers.</li> <li>In addition to above, IRS transcripts for the time period covered by the required income documentation must be obtained prior to loan closing for all borrowers</li> </ul> <p>Policy Guidance for VA IRRRLs (see Circular 26-18-1 for complete information and post closing requirements)</p> <ul style="list-style-type: none"> <li>Starting with loans closed on and after April 1, 2018,: <ul style="list-style-type: none"> <li>Provide the Veteran’s Statement and Lender Certification (note: lender certification only needed for payment increases of 20 percent or more), as outlined in VA Lender’s Handbook, Chapter 6 section 1d. Lenders should provide this information to the Veteran with the initial disclosure documents no later than the third business day after receiving the Veteran’s application.</li> <li>For the initial Statement, add the following categories from the Loan Estimate (this is the total costs plus the VA funding fee): <ul style="list-style-type: none"> <li>Origination charges, services you cannot shop for, services you can shop for, taxes and other government fees, other, or VA funding fee</li> <li>For the initial Statement, VA would subtract any lender credits listed in section J.</li> <li>The remainder is the closing costs for the recoupment calculation.</li> <li>Divide the closing costs in (3) above by the decrease in monthly principal and interest payment for the number of months to recoup.</li> </ul> </li> <li>For the final Statement, add the following categories from the Closing Disclosure: <ul style="list-style-type: none"> <li>Origination charges, services borrower did not shop for, services borrower did shop for, taxes and other government fees, other, or VA funding fee</li> <li>For the final Statement, subtract any lender credits from section J.</li> <li>The remainder is the closing costs for the final recoupment calculation.</li> <li>Divide the closing costs in (3) above by the decrease in monthly principal and interest payment for the number of months to recoup.</li> </ul> </li> <li>In the case of an increased principal and interest payment due to a lower term, or from changing from an adjustable rate to a fixed rate, it is not necessary to show the recoupment in months; however, lenders should show all other fields in the Statement.</li> </ul> </li> </ul>

Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> <li>SFR, Condominiums (VA approved), PUD, Manufactured Homes and 2-4 units.</li> <li>Owner Occupied and Non-Owner Occupied properties OK</li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>Co-ops, mobile homes, condotels, non-warrantable condo's, condos purchased at auction, earth-berm homes, board &amp; care homes, working farm/ranches, vacant land, unique properties, properties with less than 600sq feet;</li> <li>Property cannot be vested in the name of a trust</li> </ul>
Payment History	<ul style="list-style-type: none"> <li>The borrower made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date; and</li> <li>The first payment due date of the new loan occurs no earlier than 210 days after the first payment was made on the being refinance.</li> </ul>
Reserves	<ul style="list-style-type: none"> <li>Not required unless loan is a credit qualify IRRRL.</li> </ul>
Verbal Verification of Employment	<ul style="list-style-type: none"> <li>Required on all loans and must be dated within 10 days of funding. Can NOT be obtained after funding.</li> </ul>
Seasoning	<ul style="list-style-type: none"> <li>210 days from the date the first payment was made</li> <li>6 regular payments have been made, cannot be prepaid</li> </ul>
States	<ul style="list-style-type: none"> <li>Where Nations Direct Mortgage lends (see <a href="http://www.myndm.com">www.myndm.com</a> for licensed states)</li> <li>Texas – Primary residence (“Homestead Properties”) -not cash back allowed.</li> </ul>
Subordinate Financing	<ul style="list-style-type: none"> <li>Allowed with a re-subordination certificate from current lender.</li> </ul>
Cash back	<ul style="list-style-type: none"> <li>Maximum of \$500 on limited situations such as computational errors, changes in final payoff figures, or refund of escrow balance on old loan.</li> </ul>
Entitlement/Guaranty	<ul style="list-style-type: none"> <li>VA Guaranty for all IRRRLs is 25%</li> <li>No additional charge is made to the veteran's entitlement of an IRRRL (such as the amount of the veteran's previously used and available entitlement remains the same before and after closing an IRRRL).</li> </ul>

#### Forms Required for VA loans upon submission:

- VA 26-1880 Request for Certificate of Eligibility
- VA 26-1802a (92900-A) pages 1 and 2
- Verification of VA Benefits 26-8937