

VA – Interest Rate Reduction Refinancing (IRRRL) without Appraisal

Summary

Product Types	15, 25 & 30-year Fixed, 5/1 ARM ¹
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Loan Purpose	Minimum FICO (See footnote 3)	Units	Max Total Loan Amount ²	Max LTV/CLTV
IRRRL - Non Credit Qualify	580	1-4	\$1,000,000	135/135%

¹ Max term not exceeding the original term + 10 years but not exceeding 30 years and 32 days. (VA Pamphlet 26-7 section I)
² 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
³ **Minimum credit score for IRRRL's is 580 for all loans currently owned by Nations Direct and serviced by Nations Direct (NDM to NDM).**
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

- VA loans may 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% (if applicable).

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 VP of Credit.

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.

Recoupment of Fees

- Recoupment describes the length of time it takes for a Veteran to pay certain fees, closing costs and expenses that were required to complete the transaction. **The recoupment requirements apply to all VA IRRRL transactions.** The requirement is to meet a worthwhile benefit to the Veteran for a monthly savings with a recoupment time of 36 months or less on all VA IRRRL transactions. NDM must certify that certain fees and costs of the Loan will be recouped on or before 36 months of the Loan Note Date.
- A Recoupment Statement to the VA must be provided which includes the following:
 - For an IRRRL that results in a lower monthly P&I payment, the recoupment period of fees, closing costs and expenses (other than the VA funding fee, escrow, and prepaid expenses such as insurance, taxes, special assessments and HOA fees) incurred by the Veteran does not exceed 36 months from the date of loan closing, or
 - For an IRRRL that results in the same or higher monthly P&I payment, the Veteran has incurred no fees, closing costs or expenses (other than the VA funding fee, escrow and prepaid expenses such as insurance, taxes, special assessments and HOA fees). In essence, this would have to be a "no cost" loan.

- NDM must upload the VA Loan Comparison during the Loan Guaranty Certificate (LGC) process to certify recoupment requirements have been met:
 - If the recoupment period shown on the final VA Loan Comparison is 36 months or less, NDM will upload the disclosure, or
 - If the recoupment period shown on the final VA Loan Comparison is more than 36 months, NDM must provide documentation showing the recoupment calculation and supporting recoupment is 36 months or less, or
 - For an IRRRL that results in the same or a higher monthly P&I payment, NDM must submit to VA evidence the Veteran has incurred no fees, closing costs or expenses (other than the VA funding fee, escrow, and prepaid expenses such as insurance, taxes, special assessments and HOA fees.)
- Calculating Recoupment
 - Recoupment is calculated by dividing all fees, expenses and closing costs, whether included in the loan or paid outside closing (i.e. appraisal fee) by the reduction of the monthly P&I payment. The VA funding fee, escrow, and prepaid expenses such as insurance, taxes, special assessments and HOA fees, are excluded from the recoupment calculation.
- Any recoupment calculation errors may be “self-cured”, provided the self-cure actions result in no costs to the Veteran.

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"> NDM will use the original loan amount to determine the LTV/CLTV 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
Automated Underwriting	<ul style="list-style-type: none"> Manual underwrite only.
Borrowers	<ul style="list-style-type: none"> 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 Members of the Reserves and National Guard are eligible upon completion of 6 years of service; or Unmarried surviving spouses of veterans who died as a result of service or service-connected causes.
Credit	<ul style="list-style-type: none"> 580 minimum credit score for all borrowers. See footnote #3 referenced on the LTV/Loan amount grid for allowances for NDM to NDM refinances down to 550 credit score. All borrowers must have a valid credit score from a tri-merge credit report All borrowers must have a valid social security number. The mortgage of record must be current at the time of application A mortgage only credit report with FICO scores is acceptable.
Debt Ratio	<ul style="list-style-type: none"> 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"> The ratio is greater than 41% solely due to the existence of tax-free income (note tax-free income in the loan file or calculate an adjusted, smaller ratio based on “grossing up” of the tax-free income.); or Residual income must exceed the VA guidelines by at least 20 percent.
Documentation	<ul style="list-style-type: none"> Two most recent month bank statements required if assets are needed to close. If credit qualifying, an IRS Form 4506-T must be signed, completed, and dated at application and at closing by all borrowers. 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 <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"> Starting with loans closed on and after April 1, 2018,: <ul style="list-style-type: none"> 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. 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"> 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 Statement, VA would subtract any lender credits listed in section J. The remainder is the closing costs for the recoupment calculation. Divide the closing costs in (3) above by the decrease in monthly principal and interest payment for the number of months to recoup. For the final Statement, add the following categories from the Closing Disclosure: <ul style="list-style-type: none"> Origination charges, services borrower did not shop for, services borrower did shop for, taxes and other government fees, other, or VA funding fee For the final Statement, subtract any lender credits from section J. The remainder is the closing costs for the final recoupment calculation. Divide the closing costs in (3) above by the decrease in monthly principal and interest payment for the number of months to recoup.
Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> SFR, Condominiums (VA approved), PUD, Manufactured Homes and 2-4 units. Owner Occupied and Non-Owner Occupied properties OK

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

Forms Required for VA loans upon submission:

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