

MAXIMUM LTV

IRRRL PROGRAM	No FICO PROGRAM	MINIMUM FICO	MAX LTV
1-4 Unit Properties, Condos, and PUD's (Primary Residence)	**No FICO 100% LTV	580	100%
		620	125%
		660	UNLIMITED
		620	100%
		620	100%
High Balance		620	100%
Non-Owner Occupied and 2 nd Home		620	100%
Manufactured Housing (conforming limits only)		620	100%

***Mortgage Only Report*

(VA) INTEREST RATE REDUCTION REFINANCING LOANS (IRRRL)

- 580 Min FICO on conforming amounts
- 660 Min FICO with Unlimited LTV
- Manufactured homes allowed
- NO Asset Verification
- NO AVM
- NO Employment Verification
- No lender fees
- Reduction in the interest rate by refinancing an existing VA home.
- \$500 is the maximum cash back to the borrower from adjustments made at closing.
- VA loans don't require monthly mortgage insurance. This allows qualified veterans to buy more home for their money compared to any other loan type.

LHFS PROGRAM CODES

VA 30 year Fixed IRRRL	WGVIRRRL30-000
VA 25 year Fixed IRRRL	WGV25IRRRL-000
VA 20 year Fixed IRRRL	WGV20IRRRL-000
VA 15 year Fixed IRRRL	WGV15IRRRL-000
VA High Balance 30 year Fixed IRRRL	WGVHBIRRRL30-000
MH VA IRRRL Fixed 30	WMHVA30IRRRL-000
MH VA IRRRL Fixed 15	WMHVA15IRRRL-000



INTEREST RATE REDUCTION REFINANCE (IRRRL)

VA product offerings to include VA Interest Rate Reduction Loans (IRRRL) that qualify for Safe Harbor Protection under the VA's Ability-to-Repay Standards and Qualified Mortgage (QM) Definition Under the Truth in Lending Act Interim final rule that was published in the [Federal Register 38 CFR Part 36 on 5-9-2014](#).

If the IRRRL meets the three requirements listed below, it will be considered a Safe Harbor QM and the lender is not required to perform credit underwriting:

1. When refinancing any loan to a new VA loan, the Note Date of the new loan is the later of:
 - a. At least 210 days after the first payment is made* on the original loan
 - b. The date after the 6th monthly payment is made on the original loan

* This is the date the payment is made and not the first payment due date; and
2. All fees and charges financed as part of the loan or paid at closing (i.e., all expenses associated with the cost of the refinance, excluding pre-paid items) are in compliance with 38 C.F.R. § 36.4313, and such fees are shown to be recouped within 36 months of the new loan closing.

Note: VA excepts from the recoupment requirement, the following three types of IRRRLs:

- mortgages that include energy efficient improvements
 - loans that are being refinanced from an adjustable-rate to a fixed- rate, and
 - loans which refinance a fixed-rate loan into another fixed-rate loan of a shorter duration; and
3. The requirements set out in the bullets below, related to exemption of income verification are satisfied.
 - The Veteran is not 30 or more days past due on the loan being refinanced;
 - The proposed IRRRL does not increase the principal balance outstanding on the prior existing residential mortgage loan, except energy efficient mortgages and to the extent of fees and charges outlined in 38 CFR 36.4313.
 - Total points and fees (as defined in section 103(aa)(4) of the Truth-in-Lending Act (TILA), other than bona fide third-party charges not retained by the mortgage originator, creditor, or an affiliate of the creditor or mortgage originator) payable in connection with the proposed IRRRL do not exceed three percent of the total proposed principal amount;
 - 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;
 - The proposed IRRRL is subject to a payment schedule that will fully amortize the IRRRL in accordance with VA regulations;
 - The terms of the proposed IRRRL do not result in a balloon payment, as defined in TILA; and
 - Both the residential mortgage loan being refinanced and the proposed IRRRL satisfy all other VA requirements. VA did not exercise discretion in applying these conditions to the IRRRL program. VA merely recited the criteria required under the Dodd-Frank Act.

If the IRRRL cannot be exempted from income verification, the loan can still be deemed a safe harbor QM, IF the borrower's income in accordance with VA's underwriting requirements found at 38 C.F.R. § 36.4340. If the loan is not exempted from verification, and the borrower(s) income is not verified in accordance with 38 C.F.R. § 36.4340, then the new IRRRL cannot be considered a safe harbor QM.



ADDITIONAL IRRRL PROGRAM SPECIFICS / REQUIREMENTS

- In order to calculate a recoupment period for the transaction, all IRRRLs must have a monthly payment decrease from the previous VA mortgage. IRRRLs that have monthly payment increases are not eligible.
- When refinancing any loan to a new VA loan, the Note Date of the new loan is the later of:
 - At least 210 days after the first payment is made* on the original loan
 - The date after the 6th monthly payment is made on the original loan

* This is the date the payment is made and not the first payment due date.
- A minimum of a 0 X 30 mortgage payment history within the twelve-month period preceding the IRRRL closing date.
- VA Form 26-8923 is required to calculate the maximum loan amount.
- VA IRRRL Qualified Mortgage Certification is required.
- 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
- No 30 day or greater mortgage late payments within last 12 months, as determined by application date.
- A minimum of a six-month payment history on the current mortgage
- Source of funds are not required on an IRRRL
- Disbursed cash out to the borrower cannot exceed \$500 (applies at funding only, not at time of approval)
- New subordinate financing is not permitted.
- Buydowns are not permitted
- The borrower must be the same except:
 - For the removal of a non-veteran spouse due to death or divorce (supporting documentation required indicating that the event occurred at least 12 months prior to the date of application). There will be no exceptions granted to this requirement.
 - Only new spouses can be added.
 - Non-borrowing spouse may be on title.

FEES AND CHARGES THE VETERAN-BORROWER CAN PAY

The veteran may pay any or all of the following itemized fees and charges in amounts that are reasonable and customary.

CHARGE	DESCRIPTION
APPRAISAL AND COMPLIANCE INSPECTIONS	<ul style="list-style-type: none"> The veteran can pay the fee of a VA appraiser and VA compliance inspectors. The veteran can also pay for a second appraisal if he or she is requesting reconsideration of value.
CREDIT REPORT	The veteran can pay for the credit report obtained.
FLOOD ZONE DETERMINATION	<ul style="list-style-type: none"> The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if made by a third party who guarantees the accuracy of the determination. The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination. A fee may not be charged for a flood zone determination made by LHFS or a VA appraiser.
HAZARD INSURANCE	<ul style="list-style-type: none"> The veteran can pay the required hazard insurance premium. This includes flood insurance, if required.
MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS) FEE	<ul style="list-style-type: none"> The veteran may pay a fee for MERS. MERS is a one-time fee for the purpose of electronically tracking the ownership of the beneficial interest in a loan and its servicing rights.
OTHER FEES AUTHORIZED BY VA	<ul style="list-style-type: none"> Additional fees attributable to local variances may be charged to the veteran only if specifically authorized by VA. LHFS may submit a written request to the Regional Loan Center for approval if the fee is normally paid by the borrower in a particular jurisdiction and considered reasonable and customary in the jurisdiction.
PREPAID ITEMS	<ul style="list-style-type: none"> The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance account.
RECORDING FEES	<ul style="list-style-type: none"> The veteran can pay for recording fees and recording taxes or other charges incident to recordation.
REFINANCING ALLOWABLE FEES	<ul style="list-style-type: none"> A maximum of two discount points can be rolled into the loan. <p>If the borrower pays more than two points, the remainder must be paid in cash.</p>
SPECIAL MAILING FEES FOR REFINANCING LOANS	<ul style="list-style-type: none"> For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.
SURVEY	<ul style="list-style-type: none"> The veteran can pay a charge for a survey, if required by the LHFS or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA.
TITLE EXAMINATION AND TITLE INSURANCE	<ul style="list-style-type: none"> The veteran may pay a fee for title examination and title insurance, if any. If LHFS decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.
VA FUNDING FEE	<ul style="list-style-type: none"> Unless exempt, each veteran must pay a Funding Fee to VA.

**** In addition, the borrower may not pay a duplicate fee for services that have already been paid for by another party.**

FEES AND CHARGES THE VETERAN-BORROWER CANNOT PAY

The following items cannot be charged to the veteran:

- Broker Fee
- Real Estate Agent/Brokerage Fees/Commissions—Including Short Sale Negotiation/Transaction Coordinator Fees
- Any portion of the seller's lien(s) on short sale purchases (no short sale fees of any kind may be paid by the Veteran)
- Pre-payment penalties financed through the refinance transaction—Veteran MAY pay for this fee out of their own funds only—these fees may NOT be financed
- VA Inspection Fees for builders (Normal new construction inspection fees may be paid for by the Veteran when required by the VA Appraiser)

NON-ALLOWABLE VETERAN-PAID CLOSING COSTS

(THE SUM OF THE NON-ALLOWABLES MAY NOT EXCEED 1% OF THE BASE LOAN AMOUNT)

- 3rd Party Fees, regardless of affiliation with the lender
- Assignment Fees
- Attorney Fees
- Commitment Fees or Marketing Fees of Secondary Purchasers
- Escrow Fees
- Fax, Email, Copying, Postage, Stationary, Telephone, or Other Overhead Charges
- Interest Rate Lock-In Fees
- Lender's appraisal (I.E. secondary appraisals for reconsiderations of value)
- Lender's inspections (except for construction loan inspections as required by the appraiser/NOV)
- Loan Closing/Settlement Fees
- Notary Fees
- Tax Service Fees
- Termite Report
- Trustee Fees



GENERAL REQUIREMENTS

<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> • A Certificate of Eligibility (COE) is not required. • No loan other than the existing VA loan may be paid from the proceeds of an IRRRL. If a 2nd mortgage exists, the holder must agree to subordinate that lien so the new VA loan will be a first mortgage. • May have used entitlement by obtaining a VA loan when the house was purchased, or by substituting the eligibility for that of the seller, if borrower assumed the loan. • The occupancy requirement for an IRRRL is different from other VA loans. For an IRRRL, the borrower only needs to certify that the home was previously occupied. 																																	
	<p>The following table addresses if a refinance can be underwritten as an IRRRL when there is a change in the borrowers other than the veteran:</p>																																	
	<table border="1"> <thead> <tr> <th data-bbox="414 758 844 814">Parties Obligated on Old VA Loan</th> <th data-bbox="844 758 1312 814">Parties to be Obligated on new IRRRL</th> <th data-bbox="1312 758 1537 814">Is IRRRL Possible?</th> </tr> </thead> <tbody> <tr> <td data-bbox="414 814 844 848">Unmarried veteran</td> <td data-bbox="844 814 1312 848">Veteran and new spouse</td> <td data-bbox="1312 814 1537 848">Yes</td> </tr> <tr> <td data-bbox="414 848 844 882">Veteran and spouse</td> <td data-bbox="844 848 1312 882">Divorced veteran alone</td> <td data-bbox="1312 848 1537 882">Yes</td> </tr> <tr> <td data-bbox="414 882 844 915">Veteran and spouse</td> <td data-bbox="844 882 1312 915">Veteran and different spouse</td> <td data-bbox="1312 882 1537 915">Yes</td> </tr> <tr> <td data-bbox="414 915 844 972">Veteran alone</td> <td data-bbox="844 915 1312 972">Different veteran who has substituted entitlement</td> <td data-bbox="1312 915 1537 972">Yes</td> </tr> <tr> <td data-bbox="414 972 844 1005">Veteran and spouse</td> <td data-bbox="844 972 1312 1005">Spouse alone (veteran died)</td> <td data-bbox="1312 972 1537 1005">Yes</td> </tr> <tr> <td data-bbox="414 1005 844 1062">Veteran and nonveteran joint loan obligors</td> <td data-bbox="844 1005 1312 1062">Veteran alone</td> <td data-bbox="1312 1005 1537 1062">Yes</td> </tr> <tr> <td data-bbox="414 1062 844 1096">Veteran and spouse</td> <td data-bbox="844 1062 1312 1096">Divorced spouse alone</td> <td data-bbox="1312 1062 1537 1096">No</td> </tr> <tr> <td data-bbox="414 1096 844 1129">Unmarried veteran</td> <td data-bbox="844 1096 1312 1129">Spouse alone (veteran died)</td> <td data-bbox="1312 1096 1537 1129">No</td> </tr> <tr> <td data-bbox="414 1129 844 1163">Veteran and spouse</td> <td data-bbox="844 1129 1312 1163">Different spouse alone (veteran died)</td> <td data-bbox="1312 1129 1537 1163">No</td> </tr> <tr> <td data-bbox="414 1163 844 1241">Veteran and nonveteran joint loan obligors</td> <td data-bbox="844 1163 1312 1241">Nonveteran alone</td> <td data-bbox="1312 1163 1537 1241">No</td> </tr> </tbody> </table>	Parties Obligated on Old VA Loan	Parties to be Obligated on 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 spouse	Spouse alone (veteran died)	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
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<p>Cash Back</p>	<ul style="list-style-type: none"> • Borrower should receive no cash back at closing. However, cash back can never exceed \$500. 																																	
<p>Credit</p>	<ul style="list-style-type: none"> • Full tri-merged credit report is required for all Credit Qualifying IRRRL transactions. • Borrowers must have a clear CAIVRs rating. • Mortgage-only tri-merged credit report with credit scores, is permitted on Non-Credit Qualifying IRRRLs, and, • Any open judgments, liens or defaulted student loans must be paid in full prior to final approval • Seasoning requirement for VA IRRRL transactions require a minimum of six consecutive monthly payments prior to loan closing date. If the credit report does not reflect six consecutive monthly payments, the required payment history must be obtained. • 2 years elapsed since the discharge of Ch. 7 • Ch. 13 bankruptcy must be fully discharged before loan is submitted to underwriting. • 2 years elapsed since completion of Foreclosure, Deed in Lieu/Short Sale when the borrower was delinquent at time of transfer • No foreclosure, deed in lieu, loan modification or bankruptcy in last 7 years for unlimited LTV IRRRL • Student Loans (See Calculating a Student Loan Monthly Payment): <ul style="list-style-type: none"> • If student loan repayments are scheduled to begin within 12 months of the date of VA loan closing, LHFS will consider the anticipated monthly obligation in the loan analysis. If the borrower is able to provide evidence that the debt may be deferred for a period outside that timeframe, the debt need not be considered in the analysis. • If a student loan is in repayment or scheduled to begin within 12 months from the date of VA loan closing, the lender must consider the anticipated monthly obligation in the loan analysis and utilize the payment. 																																	



GENERAL REQUIREMENTS (continued)	
Documentation Requirements	<ul style="list-style-type: none"> • 1003 – Loan Application: <ul style="list-style-type: none"> • <u>Credit Qualifying:</u> <ul style="list-style-type: none"> • Fully completed loan application is required. • <u>Non-Credit Qualifying:</u> <ul style="list-style-type: none"> • Fully completed loan application with the exception of: <ul style="list-style-type: none"> • Income Section, and • Asset Section (unless assets are required for closing) • Signed HUD/VA Addendum • Nearest Living Relative • Completed Veteran's Acknowledgement form • VA Case Number Assignment • CAIVRS • Completed Loan Comparison Worksheet • Existing Mortgage Note
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 Unit Properties • PUDs • Condominiums and site-condos • Doublewide Manufactured Housing <ul style="list-style-type: none"> • (Please see separate Program Codes and Guidelines for MH Housing)
Escrow / Impound Account	<ul style="list-style-type: none"> • Required for all VA transactions regardless of Loan to Value.
Ineligible Property Types	<ul style="list-style-type: none"> • Non-warrantable Condo/PUD/Townhouse • Timeshare • Working Farm • Mixed Use • Cooperative • Condo/PUD Hotel • Commercial Property • Life Estates
Ineligible States	<ul style="list-style-type: none"> • Texas 50(a)(6) is not permitted
Loan Amount	<p>County loan limits do not apply to IRRRLs.</p> <ul style="list-style-type: none"> • Minimum loan amount is the existing unpaid principal balance. • Maximum mortgage calculation amount may include the: <ul style="list-style-type: none"> • Outstanding principal balance of the existing VA first lien, • Current interest due, • Eligible closing costs, pre-pays, bona fide discount and • VA funding fee • The new loan amount may not include any delinquent interest from the existing mortgage.
Manufactured Home	<ul style="list-style-type: none"> • See VA Manufactured Home Matrix
Maximum Loan Term	<ul style="list-style-type: none"> • Existing VA loan balance, plus: <ul style="list-style-type: none"> • Allowable fees and charges, plus • Up to two discount points, plus • VA funding fee.



GENERAL REQUIREMENTS (continued)	
Mortgage Payment History	<ul style="list-style-type: none"> • Loan must be current at the time of closing/Note date and have no 30-day or greater mortgage late payments in the most recent 12 months.
Occupancy	<ul style="list-style-type: none"> • Primary Residence <ul style="list-style-type: none"> • 1-4 Unit • One unit must be occupied by Veteran • Secondary/Vacation Home* <ul style="list-style-type: none"> • 1 unit only • Investment Property* <ul style="list-style-type: none"> • 1-4 Unit <p>*The loan file must contain documentation that the Veteran previously occupied the subject property as their primary residence at one point in time.</p>
Power of Attorney	<ul style="list-style-type: none"> • All POA's must be reviewed and approved prior to loan documents. If Veteran is currently deployed, an alive and well statement from their commanding officer will be required.
Qualifying Ratios	<ul style="list-style-type: none"> • Credit-Qualifying IRRRLs must be manually underwritten in accordance with VA Lender Handbook Chapter 4, 10-b and the LHFS Overlay Matrix. <ul style="list-style-type: none"> • Per VA, 120% residual income is required for DTIs greater than 41%. • Qualify at the Note Rate • Non-Credit Qualifying IRRRL transactions do not require a DTI calculation.
Recently Listed Properties	<ul style="list-style-type: none"> • VA IRRRL / Rate & Term - the listing must have been expired or been withdrawn on or before the application date.
Secondary Financing	<ul style="list-style-type: none"> • 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 a subordinate to the first lien holder. <ul style="list-style-type: none"> • The borrower cannot pay off liens other than the existing VA loan from IRRRL proceeds. • For properties located in Texas, the first mortgage being refinanced cannot be a 50(a)(6), a/k/a Texas home equity loan.
Underwriting Method	<ul style="list-style-type: none"> • AUS is not applicable on IRRRL refinance loans. All loans are manually underwritten.
Verbal Verification of Employment (VOE)	<ul style="list-style-type: none"> • For non-credit qualifying refinances, at least one borrower must be employed at time of closing. If a VOE cannot be obtained, alternative income documentation is acceptable to support a borrower who has an active source of income, such as: <ul style="list-style-type: none"> • SSA Award Letter / Pension Letter • 1099 or Tax Returns for other types of income • Divorce Decree or Child Support Statement



CALCULATING A STUDENT LOAN MONTHLY PAYMENT

- If the Veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, a monthly payment does not need to be considered.
- If a student loan is in repayment or scheduled to begin within 12 months from the date of VA loan closing, LHFS will consider the anticipated monthly obligation in the loan analysis and utilize the payment established in paragraph (1) or (2) below.
 - Calculate each loan at a rate of 5 percent of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes).
 1. LHFS will use the payment(s) reported on the credit report for each student loan(s) if the reported payment is greater than the threshold payment calculation above.
 2. If the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of VA loan closing and maybe an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.

HELPFUL LINKS:

- [LHFS VA IRRRL Submission Checklist](#)
- [VA Handbook](#)
- [VA Loan Limits](#)

Any item not covered in the guidelines can be accessed by searching the [VA Lenders Handbook](#).

For specific scenario requests, please go to the eScenarios tab located in eXPRESS - www.LHFSWholesale.com, and post your scenario.

Guidelines are for use by mortgage professionals only and subject to change without notice.

