VA IRRRL

(**I**nterest **R**ate **R**eduction **R**efinance **L**oan)

FCM TPO

Interested in refinancing your VA loan?

- No appraisal required unless refinancing a Fixed loan to ARM loan

- No asset qualifying (assets only needed if funds are required to close)

- No income (current employment info only)

- Soft pull Credit report with at least one credit score and a mortgage rating only (<u>VA Investor Overlay Matrix</u>)

- Funding fee is .5%, unless Veteran is exempt (check IRRRL case number assignment for exemption info)

- New rate must be .5% below current rate OR going from an ARM to fixed rate (no reduction in P/I is required if going from ARM to fixed rate)

- All signors on original Note must be on the new loan

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Am I eligible for an Interest Rate Reduction Refinance Loan?

You must meet all requirements below:

- You already have a VA-backed home loan, and

- You are using the IRRRL to refinance your existing VA-backed loan, and

- You can certify that you currently live in or used to live in the home covered by the loan

- You have made 6 mortgage payments, on time, and 210 days have passed since the Note date.

*Note: If you have a second mortgage on the home, the lender must agree to subordinate.

Determining maximum loan amount

Maximum Loan: The maximum loan amount is the existing VA loan balance plus the following: including any late payments and late charges, plus allowable fees and charges (includes up to two discount points), plus the cost of any energy efficiency improvements, and the VA funding fee.

VA Form 26-8923- Rate Reduction Worksheet- This form will should be used to calculate the Maximum loan amount. The form should be included in the Credit package at time of submission to Underwriting.

Closings Costs

The allowable fees that lenders can charge are limited by the VA guidelines to protect veterans from excessive costs. All fees must be reasonable and customary.

Allowable Fees

1. VA Funding Fee
   - 0.5% of the loan amount (can be rolled into the loan amount)
   - Exemptions: Veterans with service-connected disabilities and some surviving spouses

2. Origination Fee
   - Up to 1% of the loan amount
   - Covers lender costs (processing, underwriting, etc.)
   - Cannot charge additional "junk fees" (e.g., application, processing, or underwriting fees separately.)

3. Reasonable Third-Party Fees
   - Title insurance & title search fees
   - Recording fees
   - Credit report fee
   - Discount points (no more than two discount points can be included in the loan amount.)

The following list provides examples of items that cannot be charged to the Veteran as "itemized fees and charges." Instead, the lender must cover any cost of these items out of it's 1% flat origination fee.

- Document preparation fees
- Attorney services other than for title work
- Brokerage fees
- Photographs
- Interest rate lock-in fees
- Postage and other mailing charges
- Loan application and processing fees
- Escrow charges
- Notary fees
- Tax Service Fees
- Prepayment penalty

Fee recoupment applies to all IRRRLs

The Lender, broker or agency of the lender, and any servicer or issuer of and IRRRL must certify to VA that:

- IRRRL's that result in a lower monthly P&I payment: the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow and Funding Fee), incurred by the Veteran, does not exceed 36 months from the date of the loan closing.

- IRRRL that results in the same or higher monthly P&I payment: the Veteran must not incur fees, closing costs, or expenses (other than taxes, amounts held in escrow, and Funding Fee)

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.

Items needed:

VA IRRRL REMINDERS- CHECKLIST

- Copy of signed Note from current mortgage transaction

- Most recent mortgage statement

- Soft pull, single bureau credit report, which must include at least one credit score and a Mortgage rating

- CAIVRS (this is a database that keeps track of defaulted federal debts)

- Verbal verification of current employment

- Bank statement if assets are needed for closing

- Hazard insurance policy (FCM mortgagee added with new loan number)

- Payoff Statement

- IRRL Case Number Assignment

- URLA/1003 with Employment information

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