VA IRRRL Qualified Mortgage

Corporate Policy Statement 1008-ALL

Overview

CMG Mortgage, Inc., dba CMG Financial, NMLS #1820, ("CMG") has implemented the VA IRRL QM policy in accordance with guidance issued by the VA defining the circumstances in which a VA Interest Rate Reduction Refinance Loan (IRRRL) can be considered a Qualified Mortgage (QM). CMG is committed to ensuring that all loans originated and purchased by CMG meet VA's definition of "qualified mortgage" for the purposes of the Ability to Repay provisions of the Truth in Lending Act.

Ownership

Document Owner:	Corporate Credit
Applicable Channel(s):	All Channels
Process Responsibility:	Underwriters

Policy

Generally, CMG will only originate or purchase loans that meet the safe harbor Qualified Mortgage requirements. Standard VA loans (non IRRRL's) automatically meet safe harbor QM requirements as long as the loan meets CMG and VA's standard VA requirements. IRRRLs however are subject to additional requirements to meet the safe harbor QM regulations. Rebuttable Presumption IRRRLs are not permitted.

VA IRRRL's must meet a two-part test to be eligible for safe harbor and also eligible for the waiver of the verification of income. The tests are dependent on one another and each loan must meet all of the requirements of each.

Test A: Safe Harbor Test

- The new loan must have a closing date that is at least 6 months from the old note date and the veteran cannot have been 30 days late during that 6 month period.
- All allowable fees and charges (including funding fee) that are charged to the borrower (financed or paid) must be recouped through interest savings within 36 months of the closing date of the new loan. Premium pricing, to the extent these funds are used to offset allowable fees, may be excluded from the calculation.
    - This requirement is waived if:
        - Converting from an ARM to a Fixed Rate OR
        - Reducing the duration of the borrowers fixed term (i.e. 30 year fixed to 15 year fixed)
- All conditions of the income verification waiver are met (Test B)

Test B: Income Verification Waiver Test

- Loan being refinanced cannot be more than 0x30 in the last 6 months and 1x30 in the last 12 months (see churning statement below)
- Prior outstanding balance of loan being refinanced (including interest) cannot increase except for allowable fees and charges being financed
- Total points and fees (other than TILA defined bona fide) payable in connection with the proposed loan cannot exceed 3% of the principal amount of the new loan

- The interest rate on the new loan must be lower than the note rate on the loan being refinanced
    - This condition can be waived if the loan is the refinance from an ARM to a fixed rate
- The new loan must be fully amortizing (no interest only) and must not have a balloon payment at the end of the term
- Both the loan being refinanced and the new loan must meet all other VA and CMG requirements as stated in the CMG product description.

Churning Exception:

CMG defines churning as a borrower who has refinanced two or more times in the preceding 24 months. Any loan that meets the CMG definition of "churning" is considered an exception which requires approval from Corporate Credit prior to loan approval and/or purchase of the loan.

Borrowers who have refinanced recently and or show a pattern of refinancing may be subject to additional conditions and or requirements to ensure that the transaction is in the best interest of the veteran. Loans which are not in the best interest of the veteran will be declined for lack of benefit to borrower.

Additional Information

Related Documents:

- VA IRRL QM-Safe Harbor Worksheet
- HPML and HPCT Exception CP-2008-RL-WL

External Resources:

- Federal Register – Ability-To-Repay standards and Qualified Mortgage definition under TILA http://www.gpo.gov/fdsys/pkg/FR-2014-05-09/pdf/2014-10600.pdf