

VA IRRL

Product

Eligible Borrower

- Eligible Veteran
 - If more than one veteran's entitlement is used and the veterans are not married to one another, prior approval must be obtained by the VA regional loan center.
 - If both veterans' entitlement is used and the veterans are married to each other loan must be underwritten by the investor
 - All veterans using entitlement must occupy the property
- Un-remarried surviving spouse of veteran who died from service-connected injuries
 - VA regional loan center determines cause of death – See Certificate of Eligibility Section
- Veteran's spouse co-borrower
 - Veteran must be the primary borrower on the loan, regardless of whether the veteran contributes income to the loan
 - Veteran's spouse is not required to be a veteran.
- Non-veteran co-borrower who is not the veteran's spouse
 - Eligible veteran must be the primary borrower on the loan
 - Additional down payment is > 25% of the non-veteran's half of the loan is required- Refer to VA Pamphlet 26-7
 - Prior approval by VA regional loan center is required
 - VA guaranty will not exceed the lesser of 25% of the veteran's half of the loan or veteran's be used, regardless of total loan amount
 - Down payment plus VA guaranty must be > 25% of the total loan amount, including the financed funding fee
 - All borrowers must occupy the property
 - Veteran's income must be sufficient to qualify for his or her half of the loan

Ineligible Borrower

- Any borrower who does not meet the eligible borrower criteria described above
- Non Occupant co-borrowers

Principal Reductions

- Principal reductions are required when the borrower is receiving more than \$500 cash at closing on an interest rate reduction refinancing loan. The principal reduction must include all cash back and not just the portion of cash back that exceeds \$500. For example, if the HUD Settlement Statement indicates the borrower is receiving \$626 cash back, a principal reduction in the amount of \$626 is required. A principal reduction in the amount of \$126 is insufficient

LTV

- LTV:
 - IRRRL transaction pays off a Investor-serviced VA loan: Base loan amount may not exceed the loan amount calculation on the *Interest Rate Reduction Refinancing Loan Worksheet*, – Neither the county loan limit nor the veteran’s remaining entitlement are considered
 - IRRRL transaction pays off a VA loan serviced by any lender other than the investor: Base LTV may not exceed the lesser of 100% of the appraised value or loan amount calculation on the *Interest Rate Reduction Refinancing Loan Worksheet*,– Neither the county loan limit nor the veteran’s remaining entitlement are considered
- CLTV – Existing subordinate financing may be re-subordinated – Unlimited CLTV. New subordinate financing is not permitted
 - Copies of the fully-executed note and mortgage are required prior-to-closing

Maximum Loan Amount

- Maximum base loan amount is the lesser of the following three calculations:
 - Amount calculated by the *Interest Rate Reduction Refinancing Loan Worksheet*, or
 - 100% of appraised value (not required for IRRRL transactions that payoff an Investor-serviced loan or
 - Investor’s maximum loan limitation:
 - SFR and borrower’s credit score is ≥ 640 - \$729,750
 - 2-4 units and borrower’s credit score is ≥ 640 - \$650,000
- Neither the county loan limit nor the veteran’s remaining entitlement are considered

Special Underwriting

- Principal reductions are required when the borrower receives any case back at a purchase transaction closing
- Transactions in which the realtor and the originator are the same individual are ineligible
- Escrow waivers not allowed
- Manual underwrites are ineligible
- Max number of investor Loans:
 - Borrowers having more than 4 loans with the investor or having an aggregate loan amount of \$1,000,000.

Ineligible Property

- Any property where the seller is not the owner of record
- 2-4 Unit properties are ineligible for cash out transactions in which the borrower consolidates non-mortgage debt and/or receives cash back at closing
- Second homes
- Investment properties
- Condotels
- Non-owner occupied properties
- Manufactured homes
- Modular On-Frame properties
- Co-operatives
- Working farms, ranches and orchards
- Condominiums without Homeowner’s Associations are ineligible

- Properties located in a “cancer cluster” or other health hazard area unless the local health authority provides written certification that the subject property is not affected by the health hazard and the borrower provides a written certification acknowledging the health hazard and its resolution
- Properties having Chinese drywall or properties previously having Chinese drywall, regardless of any drywall removal and/or efforts to cure the damage

AUS

- Do not need to be ran through DU

Ratios

- DTI Ratio \leq 60%
 - IRRL’s through which the borrower does not receive cash back and/or consolidate non-mortgage debt:
 - Single family properties – All borrowers must have a minimum credit score of 640
 - 2-4 unit properties – 640 fico
 - Non-mortgage debt paid off with the cash-out refinance must be seasoned at least 12 months and there may not have been any draws totaling more than \$1000 in the most recent 12 months. Draws > \$1000 for documented home improvements are acceptable
- DTI Ratio > 60%
 - 1-4 unit properties - All borrowers must have a minimum score of 640
 - 2-4 unit properties are ineligible for cash-out transactions in which the borrower receives cash back and/or consolidates non-mortgage debt
 - Two months reserves from the borrower’s own funds required – Reserves may not be gifted

Net Tangible Benefit

- Decrease in principal and interest payment and
- Decrease in interest rate
- If IRRRL shortens the loan term, only the interest rate must decrease
- If IRRRL refinances an existing ARM loan into a fixed rate loan, neither the principal and interest payment reduction nor the interest rate reduction are required

Documents

- Certificate of Eligibility is not required
- Prior Loan Validation printout is no longer required
- Loans must close by the 7th calendar date of the months preceding the first payment date
- Closing documents must be signed and notarized on or before the closing date indicated on the closing documents, regardless of the state in which the property is located and/or whether it’s an escrow state
- Credit reports must be dated within 60 days of the underwriting and must be dated within 120 days of the note

- Borrower must provide the name, address and phone number of the his or her nearest living relative: Report and Certification of Loan Disbursement (VA Form 26-1820)
- Title commitment must be no older than 60 days as of the initial underwrite and within 120 days of the note

Misc Docs

- Veteran must acknowledge the following on *Old vs. New Loan Comparison*
 - The differences between the existing and new VA loans
 - Unless the borrower is refinancing from an ARM to fixed rate loan or reducing the loan term, the principal and interest payment must decrease at least 4%
 - The time it will take to recoup the costs (closing costs, pre-paid expenses, discount points and funding fee) associated with the loan (This part of the form is not required when the payment is increasing as permitted for an IRRRL loan that reduces the borrower's loan term or the refinance of an existing VA ARM loan to a fixed rate loan)
 - Unless the borrower is refinancing from an ARM to fixed rate loan or reducing the loan term, the number of months to recoup may not exceed 48
 - Fully executed form must contain the correct information for both loans

Credit

- The veteran must always be the primary borrower on the loan, regardless of whether income from the veteran is being used to qualify
- Social Security Number Validation form fully executed is required on all loans
- If credit report indicates a potential OFAC match, the credit report must be e-mailed to the investor for review. The loan may not close without clearance

Credit Inquiries

- Inquiries within the most recent 90 days must be explained in writing, regardless of Total Scorecard response
 - Fully executed *Undisclosed Debt Acknowledgement* is required for all loans having four or more inquiries in the most recent 90 days and may be used for all inquiry explanations, regardless of the number

Foreclosure/Short Sale

- Foreclosures/Short Sale aged more than two years may be disregarded – The foreclosure time frame is measured from the foreclosure completion date, regardless of whether the home was also included in a bankruptcy

Chapter 7 Bankruptcies

- Chapter 7 bankruptcies discharged more than two years ago may be disregarded

Chapter 13 Bankruptcies

- Must document at least one year into the payout plan has elapsed
- Must document satisfactory payment history
- Must obtain court permission to enter into new mortgage
- When the bankruptcy is still in repayment, include Chapter 13 payment in the debt ratio
- If the borrower has satisfactorily completed the repayment, the borrower is considered to have re-established credit

Judgments

- Judgments must be paid in full prior to closing unless the borrower is in a re-payment plan – Provide the following:
 - Fully executed repayment agreement
 - Evidence timely payments have been made (Evaluated on a case-by-case basis generally for a minimum of a 12-month period) - Payment must be included in ratios when qualifying borrower
- Judgments belonging to a non-purchasing spouse in a community property state are subject to all of the above requirements

Income

- Full income documentation required when the new P&I payment will be increased by 20% or more (see income section under VA Non IRRRL Guidelines)

4506

- Fully executed 4506 T must be included in all loan files
- Results for one year are required, or the most recent two years if required per AUS finding. In order to determine the percentage by which non-taxable income may be grossed up, 4506T results are required for borrowers who receive non-taxable income.

VVOE

- Should be completed on the day of or the day prior to closing but not more than ten business days prior to the loan closing

1003

- While ratios are not calculated unless the principal and interest payment increases 20% or more, CMG does not approve IRRRLs if none of the borrowers have income. The 1003 must include the current employer's name, address, phone number, borrower's job title and length of time on job. The following documentation requirements apply:
 - Salary hourly or commission income –perform a verbal verification of employment
 - Active-duty military income –perform a verbal verification of employment

- Borrower works in a seasonal profession but is currently receiving unemployment income – Proof the borrower is currently receiving unemployment income and performs a verbal verification of employment evidencing the borrower has been employed in a seasonal position at least two years. If the climate in which the borrower works indicates the borrower should be currently employed in his or her seasonal position, but the borrower is currently receiving unemployment, the loan will be denied
- Self-employed or partnership income – Provide a copy of a current valid business license or evidence of the business’ existence through Lexis Nexis
- Rental income as the borrower’s only source of income – Copy of current lease(s) required
- Social security income and borrower is ≥ 62 years of age – No verification is required
- Pension income – Provide a bank statement documenting direct deposit of the borrower’s pension income or a copy of the borrower’s pension award letter
- IRA or 401k distribution income: - Provide a copy of the borrower’s written distribution plan from the investment company or three months’ bank statements identifying the consistent monthly deposit
- Child support or alimony income – Provide a current friend of the court letter or copy of the borrower’s divorce decree or support order and the most recent three months’ bank statements showing consistent deposits in the amount of the support or alimony
- Disability income or social security income and borrower is ≤ 62 years of age – Provide a bank statement documenting direct deposit of income or a copy of the borrower’s social security award letter or a copy of the borrower’s disability award letter
- Loans that have two borrowers who were both employed on the application for loan being refinanced but one is no longer employed – As long as acceptable income verification as described above is obtained for the employed or income-receiving borrower, no further verification is needed
- Loans having no borrowers who receive income - Ineligible

Assets

- All funds to close, when required, must be documented from an acceptable source. (See Asset section under VA Non-IRRRL guidelines)

Property

- Requires a full interior/exterior appraisal for loans that are not paying off an investor serviced VA loan.
- Appraisal must be approved by the investor – eligible appraiser list showing “approved”

Occupancy

- Veteran is required to occupy the subject property for the new VA loan
 - Veteran must either occupy the home at the time of closing (cash-out refinances) or certify that he or she will occupy within 60 days of loan closing
 - The veteran’s spouse who occupies the home satisfies the occupancy requirement when the veteran cannot occupy the home due to active-duty assignment
 - Active-duty veterans must occupy within 12 months of loan closing

- Veterans who will retire within 12 months of loan closing satisfy VA's occupancy requirement when the following is presented:
 - Copy of veteran's application for retirement submitted to current employer (must indicate a retirement date within 12 months of loan closing)
 - Evidence borrower will meet ratio and residual income requirements using post-retirement income

Seasoning

- Property must be off the market at least one day prior to application

POA Requirements

- See the VA Non IRRRL guidelines

Condos Requirements

- For all VA loan purposes, condos, including site condos must be VA-approved
 - If the condo project was approved by FHA prior to December 7, 2009, send evidence of approval to VA, and they will add the project to the VA-approved condo list. VA will not accept FHA condo approvals having approval dates on or after December 7, 2009

Hazard Insurance

1-4 UNIT SINGLE FAMILY

- All files **must have** an original homeowner's insurance policy and contain all of the following:
 - Insured's name and property address, which must match, mortgage records (mortgage, note and title policy) exactly.
 - Policy inception and expiration dates must be clearly indicated. Annual premium must be indicated along with paid receipt.
 - Insurance carrier and agent must be indicated.
 - Property insurance for home mortgages must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement.
- Amount of coverage:
 - Coverage amount must be equal the lesser of the following:
 - 100% of the insurable value of the improvements, as established by the property insurer; or
 - The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If above requirements are not met, then coverage that does provide the minimum required amount must be obtained.

PLANNED UNIT DEVELOPMENTS

- Requirements for 1-4 family and multifamily properties apply to similar residential properties within a planned unit development (PUD). The unit owners' own Homeowner's Policy (if not covered by the Master Policy) must follow the same criteria as 1-4 family properties. Borrowers must show evidence of hazard insurance coverage for all properties with attached units that cover fixtures, equipment, and other personal property inside individual units if they will be financed by the mortgage. Borrowers must show evidence of a "walls-in" coverage policy unless they can document that the master policy provides the

same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that may have made to the unit.

- If the individual units are covered by insurance purchased by their respective owners, the PUD homeowner's association must maintain "all risk" coverage for common areas and property for 100 percent of their insurable value and providing for loss or damage settlement on a replacement cost basis. The association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available:
 - Agreed Amount
 - Demolition Cost
 - Increased Cost of Construction
 - Boiler and Machinery
- **COVERAGE MINIMUM**
 - The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million whichever is less.
- **BLANKET POLICY**
 - CMG will also accept blanket insurance covering all units in the PUD as well as insurable common areas and property, if called for in the PUD's constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual does not exceed the lower of \$1,000 or 1 percent of the unit's insurable value. Funds for any deductibles must be included in the association's reserves and be so designated. The PUD's insurance policy must name the insured in substantially the same language indicated below:

"Association of Owners of the ... Planned Unit Development for the use and benefit of the individual owners (designate by name, if required by law or the constituent document.)"

CONDOMINIUMS

- The condominium owner's association must maintain blanket "all risk" coverage for the following:
 - General and limited common elements within the condominium
 - Fixtures, machinery, equipment, and supplies maintained for the service of the condominium
 - Fixtures, improvements, alterations, and equipment within the individual units
- Coverage must be for 100 percent of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.
- The additional coverage required of PUD homeowners' associations are also required of condominium owners' associations where applicable and available.
- Required verbiage:
 - The insurance policy of the condominium owners' association must name the insured using substantially the same language as indicated below:
 - Association of Owners of the ...Condominium for the use and benefit of the individual owners (designated by name, if required by law or the constituent documents)."
- HO-6 policy required to cover 20% of the appraised value if the master policy does not cover "walls In"
- Fidelity Insurance:
 - For projects having 20 or more units, provide evidence of Fidelity (employee dishonesty) coverage in an amount that is at least three months of the project's HOA assessments. The HOA must be named as the insured.