Underwriting Guidelines—VA Interest Rate Reduction Refinancing Loans (IRRRL)

DOCUMENT OVERVIEW

Purpose

The following document describes the responsibilities and requirements of the Carrington Mortgage Services, LLC (CMS) Mortgage Lending Division Underwriter (Underwriter) when reviewing and underwriting VA mortgage loan applications.

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Related Documents

VA Borrower Fees and Charges

Overview (continued)

Revision History

Date	Version	Description of Change
09/25/18	2.7	Revised **Net Tangible Benefit** requirements to add rate reduction of .125% when the borrower benefit is based solely on a Term Reduction.
07/12/18	2.6	Revised **Loan Seasoning Requirements** to remove the following **Note:** Seasoning requirement does not apply to a VA cash-out or "regular" refinance if the principal amount of the new cash-out loan will exceed the amount of the loan being refinanced.
06/05/18	2.5	• Added **The Protecting Veterans From Predatory Lending Act of 2018** section • Revised **Recoupment Period** requirements. • Added **Net Tangible Benefit** requirements. • Added **Loan Seasoning** requirements.
05/17/18	2.4	• Added **Qualified Mortgage (QM)** requirements.
03/27/18	2.3	• Revised **Veteran's Statement and Lender's Certification** to add disclosure requirements that are effective 4/1/18 • Added **Document Images** requirements.
11/14/17	2.2	Revised VA IRRRL Definition to add "There is no minimum FICO requirement."
08/29/17	2.1	• Revised Credit Underwriting Requirements to remove 0x30 overlay.
07/24/17	2.0	• Revised **Mortgage Payment Requirements** section.
02/15/17	1.9	• Revised **Recoupment Period** • Added GNMA minimum payment requirements and removed additional 36 month verbiage
11/08/16	1.8	• Added new **Initial Disclosures** section • Revised **Automatic Processing of IRRRLs Requirements** section
04/19/16	1.7	• Revised the VA IRRRL Definition to add: "Refinance transactions with borrower credit scores of 500 - 549 are permitted for existing VA-guaranteed loans currently serviced by CMS only. The FISERV loan number must be verified."
01/13/16	1.6	• Reviewed by SVP, Administration, MLD, Shared Services and the VP, Credit, MLD, Shared Services. No Changes are required.
02/11/15	1.5	• In the **Interest Rate and Payment Changes** section, added the **Payment Shock Calculation** sub-section. • Updated the **Recoupment Period** section. • Updated the **Title/Lien Requirements** section. • In the **Obligated Parties on an IRRRL** section, updated the following **Requirements** sub-sections.
01/22/15	1.4	• Updated the **Veteran's Statement and Lender's Certification** section. • Added the **Recoupment Period** section.

Overview (continued)

Revision History (continued)

Date	Version	Description of Change
01/02/15	1.3	• In the **Closing** section, updated the **Permissible Closing Costs** sub-section. • In the **Maximum Loan Amount** section, updated the **Requirements** sub-section.
04/04/14	1.2	Updated the **Occupancy** section.
01/07/14	1.1	Made changes to comply with CFPB rules effective 01/10/14: • **Safe Harbor Act for Appraisals**
05/24/12 (05/07/13)	1.0	New document. Re-branded document with new logo (05/07/13).

VA IRRRL LOAN UNDERWRITING

VA IRRRL Definition

An IRRRL is a VA-guaranteed loan made to refinance an existing VA-guaranteed loan, generally at a lower interest rate than the existing VA loan, and with lower principal and interest payments than the existing VA loan.

As of 01/10/2014, HPML loans must have income and asset verification and require a 1004 appraisal (a 2055 appraisal is no longer acceptable). Additionally, for non-credit qualified IRRRLs, a tri-merged credit report with FICO score and mortgage history for the subject property is required.

There is no minimum FICO requirement.

Safe Harbor Act for Appraisals

Safe Harbor Act for Appraisals

To ensure that the appraisal will meet the "safe harbor" protection of the HPML Appraisal Rule, the list of requirements below must be met:

- The appraisal must be ordered from a certified or licensed appraiser in the state where the property is located and require the appraiser to follow USPAP and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and any implementing regulations in effect at the time the appraiser signs the appraiser certification.
- CMS must confirm the appraisal:
  - identifies the creditor who ordered the appraisal, the property and the interest being appraised,
  - indicates whether the appraiser analyzed the contract price,
  - addresses conditions in the property's neighborhood,
  - addresses the condition of the property and any improvements to the property,
  - indicates which valuation approaches the appraisal used and includes a reconciliation, if the appraiser used more than one valuation approach,
  - provides an opinion of the property's market value and an effective date for the opinion,
  - indicates that the appraiser performed a physical property visit of the interior property, and
  - includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of USPAP and Title XI of FIRREA and any implementing regulations,
- CMS must check the status of the appraiser.
  - Use the National Registry to verify the appraiser is certified or licensed in the state where the property is located on the date the appraiser signed the appraiser's certification.

The Safe Harbor applies only if CMS does not have actual knowledge contrary to the facts or certification contained in the written appraisal.

INTEREST RATE AND PAYMENT CHANGES

Interest Rate Decrease Requirement

An IRRRL must bear a lower interest rate than the loan it is refinancing, unless the loan it is refinancing is an adjustable rate mortgage (ARM).

Payment Decrease/Increase Requirements

The principal and interest payment on an IRRRL must be less than the principal and interest payment on the loan being refinanced, unless one of the following exceptions apply:

- The IRRRL is refinancing an ARM, or
- The term of the IRRRL is shorter than the term of the loan being refinanced,

A significant increase in the veteran's monthly payment may occur with any of the previous two exceptions, especially if combined with one or more of the following:

- Financing of closing costs,
- Financing of up to two discount points,
- Financing of the funding fee, and/or
- Higher interest rate when an ARM is being refinanced.

If the monthly payment (PITI) increases by 20 percent or more, CMS must:

- Determine that the veteran qualifies for the new payment from an underwriting standpoint (such as determine whether the borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable), and
- Include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.

Payment Shock Calculation

Payment shock is the percentage of payment increase of the proposed payment compared to the existing payment. Payment shock is calculated by dividing the difference between the proposed payment and the existing payment by the existing payment.

Example:

Existing Payment - $1250

Proposed Payment - $3000

Difference - $1750

Calculation: $3000 - $1250 = $1750 / $1250 = 1.40 or 140%

THE PROTECTING VETERANS FROM PREDATORY LENDING ACT OF 2018

Overview

The Protecting Veterans From Predatory Lending Act of 2018 (the Act) is designed to protect Veteran borrowers from predatory lending practices known as "loan churning" or "serial refinancing", when obtaining a VA-guaranteed refinance loan.

CMS ensures all VA-guaranteed loans meet the fee recoupment, net tangible benefit and loan seasoning requirements of the Act.

VETERAN'S STATEMENT AND LENDER'S CERTIFICATION

Requirements

For all IRRRLs, the veteran must sign a statement acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate.

The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also indicate how long it would take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).

If the monthly payment (PITI) increases by 20 percent or more, CMS must include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.

Example:

- The veteran's monthly payment decreases by $50.
- The veteran pays $5,000 in closing costs (includes all costs – closing costs, funding fee, discounts, etc.).
- Recoup closing costs in 36 months (loans closed greater than 6 months) - $5,000 divided by $50.

Note: This would not be required in those limited cases where the payment is not decreasing (reduced term of the loan, etc.).

The veteran's statement may be combined with the lender's certification and should be on the lender's own letterhead. (Refer to the CMS form.)

Starting with loans closed on and after **April 1, 2018**, CMS should provide the Veteran's Statement and Lender Certification information to the Veteran with the initial disclosure documents no later than the third business day after receiving the Veteran's application.

RECOUPMENT PERIOD

Requirements

When issuing a VA-IRRRL, CMS must:

- Provide a recoupment statement (Veteran's Statement and Lender Certification described above) to VA, and;
- Certify that all applicable fees and incurred costs are recouped on or before the date that is 36 months after the date of the loan, as determined by the date of the loan note.

NET TANGIBLE BENEFIT REQUIREMENTS

Requirements

CMS must provide the Veteran or borrower a net tangible benefit test (NTB) as follows:

- In cases where the previous VA loan had a fixed interest rate and the new refinanced loan will have a fixed interest rate; the new refinanced loan must have an interest rate that is not less than 50 basis points (0.50 less in interest rate) less than the previous loan.
- In cases where the previous VA loan had a fixed interest rate and the new refinanced loan will have an adjustable interest rate, the new refinanced loan must have an interest rate that is not less than 200 basis points (2.00 less in interest rate) less than the previous loan, and
- The lower interest rate is not produced solely from discount points unless;
  - Such points are paid at closing; and
  - For discount point amounts that are less than or equal to one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan-to-value (see Value Determination below) ratio of 100 percent or less; and
  - For discount point amounts that are greater than one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan-to-value (see Value Determination below) ratio of 90 percent or less.

Note: Term reductions of at least 6-months and ARM to Fixed refinance transactions constitute a net tangible benefit in themselves and do not require rate reduction, recoupment of fees, or an appraisal to determine value if there are discount points. In cases where there is a Term Reduction only, CMS will require a minimum .125% rate reduction.

Value Determination

In accordance with *The Protecting Veterans from Predatory Lending Act of 2018*, a loan-to-value determination must be made when discount points are charged. When discount points are not charged, a value determination is not required. These appraisals are not ordered through WebLGY or the VA Fee Panel. CMS should use approved AMCs to complete the value determination.

Acceptable forms of appraisal reports are:

- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
- Uniform Residential Appraisal Report (Fannie Mae 1004)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
- Other industry accepted appraisal reports for manufactured and multi-unit homes

If CMS requires the Veteran to pay for the cost of the appraisal, the cost must be included as part of the recoupment cost. The Veteran may only be charged a reasonable and customary amount, and only charged for one appraisal.

Loan-to-value is calculated by dividing the VA base loan amount (excluding the funding fee, if any) by the value determined in one of the methods listed above.

Net Tangible Benefit Requirements, continued

Value Determination, continued

After obtaining the VA Loan Identification Number (LIN), CMS has the ability to upload the appraisal report in WebLGY. If the appraisal is not uploaded prior to loan guaranty, CMS must upload it to the correspondence link of the VA LIN in WebLGY.

CMS must pay close attention at the time of guaranty to WebLGY messages. Loans that do not meet the requirements of *The Protecting Veterans from Predatory Lending Act of 2018*, will not be eligible for guaranty. WebLGY will prevent guaranty of loans that do not meet recoupment, net tangible benefit, and loan seasoning requirements. VA will be performing file audits to ensure that lenders are complying with the new law.

LOAN SEASONING REQUIREMENTS

Requirements

All VA-guaranteed loans must be seasoned for a period of time, before refinancing to a VA-IRRRL. The seasoning period also applies to cash-out refinances when the principal amount of the new loan is less than the loan being refinanced.

The required seasoning is the later of;

- The date that is 210 days after the date on which the first payment is made on the loan, and;
- The date on which the sixth monthly payment is made on the loan.

MORTGAGE PAYMENT REQUIREMENTS

Minimum Payments

CMS will permit late payments in the last six (6) months; however, the borrower must be current for the month of closing. GNMA requires six (6) months payment seasoning. The new refinance (date of the Note) must occur after the due date for the sixth (6^{th}) monthly payment on the original loan.

All liens for the subject property must be verified and paid current through the month due of closing.

INITIAL DISCLOSURES

Requirements

CMS requires the following initial disclosures for VA IRRRL loans:

- Fannie Mae Form 1003/Freddie Mac Form 65, Uniform Residential Loan Application (URLA)
- HUD/VA Form 1802a, HUD/VA Addendum to Uniform Residential Loan Application
- VA Form 26-8937, Verification of VA Benefits, if applicable
- VA Form 26-0592, Counseling Checklist for Military Homebuyers, if applicable
- CMS VA Borrower's Certification and Statement

CLOSING

Permissible Closing Costs

The following fees and charges may be included in an IRRRL:

- The funding fee, and
- Any allowable fees and charges discussed in the **Allowable Fees and Charges** section of the VA Borrower Fees and Charges Guide (such as all allowable closing costs, including the lender's flat charge).

Exception: While the borrower may pay any reasonable amount of discount points in cash, only up to two discount points can be included in the loan amount.

Although VA does **not** require an appraisal or credit underwriting on IRRRLs, any customary and reasonable credit report or appraisal expense incurred by CMS to satisfy its lending requirements may be charged to the borrower and included in the loan.

CMS may also set the interest rate on the new loan high enough to enable the lender to pay all closing costs, as long as the requirements for lower interest rate and payments (or one of the exceptions to those requirements) are met.

For IRRRLs to refinance loans 30 days or more past due (which must be submitted for prior approval), the following can be included in the new loan:

- Late charges on the old loan, and
- Reasonable costs if legal action to terminate the old loan has been commenced.

Qualified Mortgage (QM)

CMS must ensure the points and fees charged are in compliance with the Qualified Mortgage (QM) Rule. (i) The loan being refinanced was originated at least six (6) months before the new loan's closing date and (ii) at least six (6) payments have been made on the original loan, (iii) the recoupment period for all allowable fees and charges financed as part of the loan or paid at closing does not exceed 36 months.

Closing, continued

Cash at Closing

An IRRRL **cannot** be used to take equity out of the property or pay off debts, other than the VA loan being refinanced. Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining or closing the IRRRL. Therefore, the general rule is that the borrower cannot receive cash proceeds from the loan. If necessary, the refinancing loan amount must be rounded down to avoid payments of cash to the veteran.

In a limited number of situations, the borrower may receive cash at closing. Some examples of situations in which the VA does not object to the borrower receiving cash are:

- Computational errors,
- Changes in final pay-of figures,
- Up-front fees paid for the appraisal and/or credit report that are later added into the loan, and
- Refund of the escrow balance on the old loan. This often occurs when a party other than the present holder originates the loan.

VA does not set a "ceiling" or a specific dollar limitation on cash refunds resulting from adjustments at closing. However, if a situation involves a borrower receiving more than $500, consult VA as to its acceptability. CMS and VA personnel should exercise common sense when assessing such situations and draw from basic program information to know the difference between an equity withdrawal and cash from unforeseen circumstances.

MAXIMUM LOAN AMOUNT

Requirements

Always use VA Form 26-8923, IRRRL Worksheet, to calculate the maximum loan amount. The maximum loan amount is the existing VA loan balances plus all of the following:

- Including any late charges,

  Note: Any IRRRL that includes delinquent payments in the loan amount must be submitted for prior approval, even when a lender has automatic authority.
- Allowable fees and charges (includes up to two discount points),
- The VA funding fee.

Note: CMS' maximum loan amount is $700,000 for VA IRRRLs.

AMOUNT OF GUARANTY AND ENTITLEMENT USE

Requirements

No additional charge is made to the veteran's entitlement for an IRRRL (such as the amount of the veteran's previously used and available entitlement remains the same before and after obtaining the IRRRL).

The new IRRRL loan amount may be equal to, greater than, or less than the original amount of the loan being refinanced. This may impact the amount of guaranty on the new loan, but **not** the veteran's use of entitlement.

Example of New Loan Amount More than Old Loan

The existing VA loan was originally made for $110,000, with a guaranty of $27,500 or 25 percent. The new IRRRL is for $112,000. The guaranty on the new loan is $28,000 or 25 percent, but the veteran's entitlement use remains at $27,500.

Example of New Loan Amount Less than Old Loan

The existing VA loan was originally made for $42,000, with a guaranty of $25,000 or almost 60 percent (the percentage applicable under former law). The new IRRRL is for $40,000. The guaranty on the new loan is $20,000 or 50 percent, but the veteran's entitlement remains at $25,000.

Amount	How to calculate the amount of guaranty on an IRRRL
IRRRLs up to $45,000	First calculate the lesser of: • 50 percent of the IRRRL loan amount, or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: • The above result, or • 25 percent of the IRRRL loan amount.
IRRRLs of $45,001 to $56,250	First calculate the lesser of: • $22,500, or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: • The above result, or • 25 percent of the IRRRL loan amount.
IRRRLs of $56,251 to $144,000	First calculate the lesser of: • 40 percent of the IRRRL loan amount, or • The amount of guaranty used on the VA loan being refinanced. The amount of guaranty is the greater of: • The above result, or • 25 percent of the IRRRL loan amount.
IRRRLs greater than $144,000	Guaranty on these is always 25 percent of the IRRRL loan amount.

MAXIMUM LOAN TERM

Requirements

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 year cannot exceed 25 years.

TITLE/LIEN REQUIREMENTS

Requirements

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.

- The borrower cannot pay off liens other than the existing VA loan from IRRRL proceeds.
- The veteran (or surviving co-obligor spouse) must still own and occupy the property.
- Title must be in the borrower's name at application for refinance transactions and at the time of closing for all transactions.

OBLIGATED PARTIES ON AN IRRRL

Requirements

Generally, the parties obligated on the original loan must be the same on the new loan, and the veteran must still occupy the property.

The lender should contact VA regarding a proposed IRRRL involving a change in obligors, unless the acceptability of the IRRRL is clear. Sample cases are provided in the table below.

Case Examples:

Parties obligated on old VA Loan		Parties to be obligated on new IRRRL	Is IRRRL Possible?
1	Unmarried veteran	Veteran and new spouse	Yes
2	Veteran and spouse	Divorced veteran alone	Yes
3	Veteran and spouse	Veteran and different spouse	Yes
4	Veteran alone	Different veteran who has substituted entitlement	Yes
5	Veteran and spouse	Spouse alone (veteran died)	Yes
6	Veteran and nonveteran joint loan obligors	Veteran alone	Yes
7	Veteran and spouse	Divorced spouse alone	No
8	Unmarried veteran	Spouse alone (veteran died)	No
9	Veteran and spouse	Different spouse alone (veteran died)	No
10	Veteran and nonveteran joint loan obligors	Nonveteran alone	No

Obligated Parties on an IRRRL (continued)

Requirements

In Case 5, the surviving spouse is permitted to refinance an existing VA-guaranteed loan as long as the surviving spouse was obligated on the original note. Must have death certificate for veteran in file in order to close the new loan in the name of the surviving spouse with the case number in the veteran's name.

In Case 7, the divorced spouse is keeping the home and wishes to refinance. The spouse cannot get an IRRRL unless the veteran agrees to be obligated on the new loan and commit his or her entitlement to the new loan. A person without entitlement cannot get an IRRRL or any other type of VA loan.

In Cases 8 through 10 (below), the applicants **cannot** obtain an IRRRL because they do **not** include the veteran or a person who was the veteran's spouse at the time the original loan was made, and who was obligated on the loan along with the veteran.

Case 8 - In the case of the unmarried veteran obtaining the original loan:

- The marriage and death of the veteran occurred after the loan was made, and
- The deceased veteran's spouse is **not** obligated on the original loan. Thus, an IRRRL is **not** possible.

Case 9 - In the case of the veteran and spouse obligated on the original loan:

- The divorce, remarriage, then death of the veteran occurred after the loan was made, and
- The deceased veteran's new spouse is **not** obligated on the original loan. Thus an IRRRL is **not** possible.

Case 10 - In the case of the veteran/nonveteran joint loan:

- The veteran "sold out" to the nonveteran co-obligor after the loan was made, and
- The veteran no longer has any ownership interest in the property. Thus, an IRRRL is **not** possible.

Underwriting IRRLs When Obligors Have Changed

Although VA does **not** require any credit/income documentation or re-underwriting of IRRRLs when there has been a change in obligors, CMS will consider the following:

- Check mortgage payment record in lieu of obtaining a full credit report, unless required by the investor.
- For death or divorce cases, obtain a statement from the obligor(s) on the ability to make payments on the new loan without the co-obligor's income.
- Obtain a statement about the addition of a different spouse, change in number of dependents, as applicable.

CMS should satisfy itself that the lower payment and interest rate, and the minimum 25 percent guaranty compensate for no re-underwriting on the new loan where there has been a change in obligors.

OCCUPANCY

Requirements

Primary and investment or secondary residences are permitted.

The veteran or the spouse of an active service member must certify that he/she currently occupies the property as his/her home.

For investment or secondary residences the veteran must certify that he or she previously occupied the property as his or her home.

Example: A veteran living in a home purchased in a home purchased with a VA loan is transferred to a duty station overseas. The veteran rents out the home. He or she may refinance the VA loan with an IRRRL based on previous occupancy of the home.

VA LOAN IDENTIFICATION NUMBER

Requirements

Request a new loan number for each IRRRL through the Appraisal System, without requesting an appraisal.

CREDIT UNDERWRITING

Requirements

No credit information or underwriting is required, unless:

- The loan to be refinanced is 30 days or more past due, or
- The monthly payment (PITI) will increase 20 percent more.

Note: CMS is not participating in refinancing delinquent VA mortgages. Loan must be current at closing. A borrower with a recent Chapter 13 bankruptcy may need approval of the trustee for the new loan.

PRIOR APPROVAL PROCEDURES

Requirements

An IRRRL can be closed on an automatic basis by any lender (such as a lender with or without automatic authority to close other types of loans on an automatic basis) in any geographic location.

CMS may choose to submit an IRRRL for prior approval. In such cases, include an explanation of why the loan is being submitted for prior approval.

Submit documents on closed prior approval IRRRLs in accordance with the instructions outlined in the VA Lender’s Handbook.

Note: Prior approval for IRRRLs **is not required** for veterans in receipt of nonservice-connected pension or for veterans rated incompetent by VA when these veterans meet the requirements of this section.

AUTOMATIC PROCESSING OF IRRRLS

Requirements

An IRRRL can be closed on an automatic basis by any lender (such as a lender with or without automatic authority to close other types of loans on an automatic basis) in any geographic location.

A loan must be reported (such as all documentation submitted) to VA within 60 days of closing. If CMS fails to meet this time limit must provide a written explanation.

To report a loan, submit the following documents to VA in the order listed below:

1. CMS's cover or transmittal letter, if used
2. Fannie Mae Form 1003/Freddie Mac Form 65, Uniform Residential Loan Application (URLA)
3. HUD/VA Form 1802a, HUD/VA Addendum to Uniform Residential Loan Application
4. Closing Disclosure (CD)
5. Closing Disclosure (CD) itemization
6. VA Form 26-1820, Report and Certification of Loan Disbursement
7. Statement signed by the veteran, acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate.
8. VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet
9. VA Form 26-8937, Verification of VA Benefits, if applicable
10. CMS (Lender's) Certification that the prior loan was current (not 30 days or more past due) at the time of loan closing
11. (CAIVRS) Credit Alert Verification Report System
12. VA Form 26-0286, VA Loan Summary sheet
13. If the loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of CMS which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate.
14. VA Form 26-0592, Counseling Checklist for Military Homebuyers, if applicable
15. -Closing Loan Estimate
16. Any other necessary documents, e.g. but not limited to , Power of Attorney if used, Lenders loan quality certification, funding fee receipt, CMS Borrower's certification and statement

Document Images

CMS permits the use of any available technology to produce copies of the documents in the mortgage loan file, such as a photocopier, facsimile machine, document scanner, or camera. Copies of documents provided by the borrower may be photos or scanned versions of the original documents and can be delivered to CMS in hardcopy or via email or other electronic means.

Document images must be typical of what the actual document would look like and must have good image quality, be legible, and not have borders showing phone/mobile background content.

QUICK REFERENCE TABLE

IRRRL Features The following table provides a quick reference of IRRRL features.

Feature	Explanation
Purpose	To refinance an existing VA loan at a lower interest rate.
Interest Rate	Rate must be lower than an existing VA loan (unless existing loan is an ARM)
Monthly Payment Amount	Payment must be lower than that on an existing VA loan (unless existing loan is an ARM or a term is being shortened)
Discount Points	Reasonable points can be paid; only two of these points can be included in the loan
Maximum Loan	Existing VA loan balance, plus allowable fees and charges, plus up to two discount points, plus the VA funding fee
Maximum Guaranty	Guaranty is at least 25 percent in all cases
Entitlement	Veteran re-uses the entitlement used on the existing VA loan; the IRRRL does **not** impact the amount of entitlement the veteran has in use
Fees and Charges in the Loan	All allowable fees and charges, including up to two discount points, may be included in the loan
Cash to Borrower	Not permitted
Lien/Ownership	Must be secured by first lien; veteran must own property
Refinance of Other Liens	Cannot refinance other liens; can only refinance the existing VA loan
Maximum Loan Term	Existing VA loan term plus 10 years, not to exceed 30 years + 32 days
Occupancy	Veteran or spouse of an active duty servicemember must certify to prior occupancy
Appraisal	No appraisal is required
Credit Underwriting	No underwriting is required, except in certain cases
Automatic Authority	All lenders can close IRRRLs automatically, except if the loan being refinanced is 30 days or more past due, then prior approval is required
Law	38 U.S.C. 3710(a)(8)

End of Guidelines