VA IRRRL Program Guidelines

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Section 1 Program Summary

An Interest Rate Reduction Refinance Loan (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 a lower principal and interest payment than the existing VA loan.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
VA IRRRL 15 Year Fixed	VA150IRRRL	180
VA IRRRL 30 Year Fixed	VA300IRRRL	181-360
VA IRRRL 30 Year Fixed Jumbo	VAJ30IRRRL	181-360
VA IRRRL 15 Year Fixed – Plaza Serviced	VA15IRRRLR	180
VA IRRRL 30 Year Fixed – Plaza Serviced	VA30IRRRLR	181-360
VA IRRRL 30 Year Fixed Jumbo – Plaza Serviced	VAJ30IRRLR	181-360

Section 3 Program Matrix

Conforming and Jumbo IRRRL			
Product Code	**Property Type**	**Credit Score**	**Loan Amount**
VAIRRRL VAIRRRL**R** (Plaza Serviced)	1-4	550	$806,500 ($1,209,750 HI/AK)
	Manufactured Housing[1]	550	
VA**J**IRRRL[1] VA**J**IRRLR[1] (Plaza Serviced)	1-4	550	$1,000,000
	1-4	660	$2,000,000
	1-4	700	$2,500,000

1. Manufactured Housing: Jumbo loan amounts not allowed.

Underwriters must complete the **VA IRRRL Net Tangible Benefit Test**.

Section 4 Occupancy

- Primary Residences
- Second Home
- Investment Property

For second home and investment property transactions:

- 1-unit properties only
- Conforming loan amounts only
- Manufactured Housing not allowed
- Certification from Veteran must be provided evidencing the veteran previously occupied the subject property as their primary residence.
- There can be no history of late payments on the subject property or on the borrower’s primary residence.

Section 5 Transactions

No cash out Interest Rate Reduction Refinance (IRRRL):

Properties must not be listed for sale at the time of application.

Cash Out is not allowed:

- 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 costs of obtaining or closing the IRRRL. Therefore, the general rule is that the borrower cannot receive any 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, like computational errors and changes in final pay-off figures, the borrower may receive a maximum of $500.
- In Texas, there may be absolutely no cash to the borrower.

Section 6 Property Flips/ Resale Requirements

Not applicable.

Section 7 Identity of Interest

Not applicable.

Section 8 VA Loan Guaranty

The 25% minimum VA guaranty/entitlement is considered satisfied for IRRRLs regardless of the dollar amount of guaranty being transferred from the previous loan.

Section 9 Loan Limits

The new loan amount may include the existing VA loan balance plus the following:

- Any late payments and late charges (loan must be current at time of refinance)
- Allowable fees and charges (includes up to two discount points)
- The cost of any energy efficiency improvements
- The VA Funding Fee

Always use **VA Form 26-8923, IRRRL Worksheet**, to calculate the maximum loan amount.

Maximum Base Loan Amount				
Unit	Contiguous States		Alaska & Hawaii	
	Conforming	Jumbo	Conforming	Jumbo
1	$806,500	$2,500,000	$1,209,750	$2,500,000
2	$1,032,650		$1,548,975	
3	$1,248,150		$1,872,225	
4	$1,551,250		$2,326,875	

Section 10 Subordinate Financing

- Loans with existing subordinate financing are eligible.
- New subordinate financing is not allowed.
- Properties with Property Assessed Clean Energy (PACE) obligations are ineligible.
    - PACE liens may not be subordinated.

Section 11 Borrower Eligibility

Generally the parties obligated on the original VA loan must be the same parties on the new loan and the veteran must still own the property. However, some ownership changes may be acceptable.

The following outlines when a change in mortgagors is permitted:

Existing VA Loan	New Loan	Eligible?
Unmarried Vet	Veteran & new spouse	Yes
Unmarried Vet	Spouse only (deceased Veteran)	No
Vet	Different Veteran who has substituted their entitlement	Yes
Vet & Spouse	Divorced Veteran only	Yes
Vet & Spouse	Veteran and different spouse	Yes
Vet & Spouse	Spouse only (deceased Veteran)	Yes
Vet & Spouse	Divorced spouse only	No
Vet & Spouse	Different spouse only (deceased Veteran)	No
Vet & Non-Vet (joint obligors)	Veteran	Yes
Vet & Non-Vet (joint obligors)	Non-Veteran only	No

For loans involving a Power of Attorney, refer to the **VA Lender's Guide**, Chapter 9, Section 7.

Certificate of Eligibility:

A Certificate of Eligibility (COE) is required on all VA IRRRL transactions, except for the following situations:

- Veteran has already been determined to be exempt as evidenced on the IRRRL case assignment.
- Entitlement encumbered on the loan being refinanced belongs to a surviving spouse of a Veteran.
- Entitlement encumbered on the loan being refinanced belongs to a Veteran who has since passed away and the IRRRL borrower is a spouse who was also a co-borrower on the loan being refinanced.

Veteran: If the veteran is *not* exempt from the VA Funding Fee, the veteran must provide a signed certification confirming if they have a claim for compensation pending with the Department of VA.

Active Duty Service Members: Must provide a signed certification confirming if they have a pre-discharge claim pending.

If there is a pending claim, a corrected COE must be pulled no earlier than 3 days before the loan closes to validate exemption status at time of closing. Refer to **VA Circular 26-19-17**.

Underwriters must validate the accuracy of the COE provided in the loan file. Use the "search" feature in WEBGLY to confirm the COE provided is accurate.

Section 12 Underwriting Method

All loans must be manually underwritten. Automated underwriting is not allowed.

- Underwriters must complete the **VA IRRRL Underwriter Checklist**.
- VA Net Tangible Benefit requirements must be met. Refer to **VA Circular 26-19-22**.
- The state specific (if applicable) net tangible benefit test must be satisfied in order to be eligible.

Special Requirements:

- **Fee Recoupment:**
  - For an IRRRL that results in a lower monthly principal and interest (P&I) payment, the recoupment period of fees, closing costs, and expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37), incurred by the Veteran, must not exceed 36 months from the date of the loan closing.
  - For an IRRRL that results in the same or higher monthly P&I payment, verify that the Veteran has incurred no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37.
- **Seasoning:**
  - The due date of the first monthly payment of the loan being refinanced must be 210 days or more prior to the closing date of the refinance loan; and
  - Six consecutive monthly payments must have been made on the loan being refinanced
  - If the subject loan is refinancing a modified loan, the seasoning is based on the modification, not the original loan that was subsequently modified.
  - If the loan being refinanced was in forbearance, the 6 months consecutive payments start post-forbearance
- **Term Increase:** The term of the new loan may not exceed the original term by more than 10 years, subject to the maximum term of 30 years and 32 days.
- **Interest Rate Decrease:** Fixed Rate to Fixed Rate refinances must reduce the interest rate by at least .50 in rate.
- **Payment Increase:** The P&I payment must be less than that of the existing VA loan unless:
  - Refinancing an ARM to a Fixed Rate; **OR**
  - The term of the new loan is less than the term of the existing VA loan.
  - IF the PITI increases 20% or more, refer to the **PITI increase** section.

Underwriters must complete the **VA IRRRL Net Tangible Benefit Test**.

Section 13 Credit

Qualifying Credit Score:

- All Borrowers must generate a valid, traditional credit score from at least one repository.
- If more than one credit score is provided, the qualifying score is the lower of 2 or the middle of 3 scores.
- The lowest qualifying score of all applicants is used to qualify.

Credit Report:

- Minimum credit report requirement is a single-bureau soft-pull that includes a complete mortgage payment history and a credit score.
- If unable to obtain a single-bureau mortgage only credit report with a credit score, a full tri-merge credit report will be required.
- Non-traditional credit is not allowed.

Housing Payment History:

Mortgage payment history of 0 x 30 in the last 12 months is required.

- For loans that are seasoned less than 12 months, the existing loan may not have any mortgage lates of 30 days or greater since the inception of the loan and, there may be no 30 day or greater lates on any mortgage loan associated with the borrower or property in the most recent 12 months.
- For borrowers with mortgage delinquency beyond the most previous 12 months, it is the underwriter's responsibility to carefully review and determine the borrower's credit worthiness.

Pay off of collection accounts: Collection accounts are not required to be paid off.

Tax Liens and Judgments: In all cases, outstanding tax liens and judgments must be paid at or before closing.

Bankruptcy / Foreclosure / Deed-in-lieu / Short Sale:

Must meet VA guidelines and must be seasoned a minimum of 2 years.

*Any IRRRL that includes delinquent payments in the loan amount must be submitted to the VA for prior approval, even when a lender has automatic authority.

Section 14 Income and Employment

Employment:

- Employment or source of income must be disclosed on the 1003 but is not verified
- Income is not verified
- Exception:
  - When there has been a change in obligors, a statement from the new obligor(s) will be required to address their ability to make payments on the new loan (addresses the fact obligors have changed from the obligors who qualified for the loan being refinanced).
  - When the PITIA will increase 20% or more it must be determined that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations.

Income:

- Income is not documented
- The loan application should not reference income
- Exception: When the PITIA will increase 20% or more it must be determined that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations.

If the PITIA increases by 20% or more:

- Determine that the borrower has stable and reliable income to support the proposed payment along with other recurring monthly obligations with the following:
  - Pay stubs covering at least the most recent 30 day period.
  - 2 years W2s
  - Verbal verification of employment
- The underwriter must complete **VA form 26-6393** to determine the borrower qualifies for the new loan.
- Maximum DTI 41%. Loans with DTIs > 41% up to a max of 50% may be considered if the loan meets the compensating factor requirement per the **VA Lender's Guide** Chapter 4, Section 10.

IRS Form 4506-C: 4506-C is not required unless the borrower is qualifying due to a PITIA increase or 20% or more as referenced above.

Section 15 Qualifying Ratios

- If the PITIA does not increase by 20% or more: Not calculated.
- If the PITIA increases by 20% or more: 41%. Refer to **PITIA increase** section.

Section 16 Down Payment / Cash to Close

Not applicable. Asset verification is not required.

Section 17 Reserves

Not required.

Section 18 VA Funding Fee

VA Funding Fee of .500% applies except for exempt veterans.

Section 19 Eligible Fees

Fees and Charges:

VA policy has evolved around the objective of helping the veteran to use his/her home loan benefit; therefore, VA regulations limit the fees that the veteran can pay to obtain a loan. For a list of eligible fees and charges refer to Plaza's **Veteran Borrower Paid Fees & Charges Policy**.

Note: If the veteran was charged an ineligible fee(s), the fee must be refunded and the loan file must contain adequate documentation that the fee was refunded to the veteran.

Section 20 Interested Party Contributions

Not applicable.

Section 21 Property Eligibility

Eligible Properties:

- Attached/Detached SFR
- Attached/Detached PUD
- Condos
- 2-4 Units
- Manufactured Housing

Manufactured Housing:

- Must be classified as Real Property
- Single-wide and multi-wide allowed
- Manufactured homes must have been built on or after June 15, 1976
- Property Size:
  - Multi-wide: Must have a minimum 700 square feet of gross living area
  - Single-wide: Must be at least 12 feet wide and have a minimum 400 square feet of gross living area
- Condos: Manufactured home condos must be on VA's approved condo list
- Co-op projects comprised of manufactured homes are ineligible
- The manufactured home may not have been previously installed or occupied at another location
- All manufactured housing must meet VA guidelines, restrictions in these Program Guidelines, and **Plaza's Manufactured Housing Guidelines**
- Leasehold properties are ineligible

Ineligible Properties:

- Commercial Property
- Condotels
- Cooperatives
- Geothermal Homes
- Mobile Homes
- Timeshares
- Working Farms, Ranches, Orchards

Section 22 Appraisal

Not required.

Section 23 Geographic Restrictions

State or geographic restrictions are identified here. At this time Plaza may not be lending in all states listed. Properties are limited to those states where Plaza is currently authorized to originate loans.

Hawaii: Properties in Lava Zones 1 and 2 are ineligible.

Iowa: An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

Kansas: Properties located in the State of Kansas require the lender to obtain the market value. This can be satisfied with a tax assessor's statement of value.

Montana: Lot size of the property may not exceed 40 acres.

Texas:

- If the first mortgage is subject to Texas 50(a)(6), VA financing is not permitted.
- If an existing second lien is subject to Texas 50(a)(6), VA financing is not permitted.
- The title policy will reference Texas Section 50(a)(6) or Article XVI of the Texas Constitution.
- When VA financing is permitted, underwriting must condition and closing instructions must indicate "No cash back to borrower is permitted" (not even one dollar is permitted).

Additional local property requirements and restrictions may be found on the **VA website**.

Refer to Plaza's **Geographic State Restrictions** for general guidelines and restrictions.

Section 24 Max Financed Properties

There is no maximum to the number of properties a borrower owns or has financed; however, the Schedule of Real Estate on the application must be completed with all of the properties the borrower owns per the credit report and per MERS.

Maximum Loans/Maximum Exposure: A maximum of four Plaza loans to one borrower.

Section 25 Escrow Accounts

An Escrow/impound account is required for property taxes and insurance on all VA loans.

Section 26 Repair Escrow

Both weather related and non-weather related holdbacks will be considered by Plaza's Underwriting Department as an exception only. Refer to Plaza's **Loan Closing Manual** for details on Repair Escrows. Escrow holdbacks for repairs are not eligible on condos.

Section 27 ARM Adjustments

Not applicable.

Section 28 Temporary Buydowns

Not allowed.

Section 29 Insurance

Hazard insurance coverage must be equal to at least the principal balance of the new loan or replacement cost.

Flood insurance is required on all properties located in a Special Flood Hazard Area (SFHA).

Section 30 Other Features

Energy Efficient Mortgages are eligible.

An EEM can be utilized and will allow the borrower to roll the cost of certain energy saving improvements into the refinance transaction. The EEM can cover up to $3,000 of improvements based solely on documented costs, or up to $6,000 provided the increase in monthly mortgage payment does not exceed the likely reduction in monthly utility costs. EEM improvements are limited to <= $6,000 on any Plaza IRRRL program.

If the cost of the improvements causes the new loan payment (PITIA 20 percent or more higher than the payment on the loan being refinanced, then the underwriter must include the lender's certification that the veteran qualified for the higher payment.