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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

Loan Term	Product Name	Product Code
15 YR	VA 15 Year Fixed	VA150IRRRL
20 YR	VA 20 Year Fixed	VA200IRRRL
25 YR	VA 25 Year Fixed	VA250IRRRL
30 YR	VA 30 Year Fixed	VA300IRRRL
30 YR	VA 30 Year Fixed Jumbo	VAJ30IRRRL
15 YR	VA 15 Year Fixed - Plaza Serviced	VA15IRRRLR
20 YR	VA 20 Year Fixed - Plaza Serviced	VA20IRRRLR
25 YR	VA 25 Year Fixed - Plaza Serviced	VA25IRRRLR
30 YR	VA 30 Year Fixed - Plaza Serviced	VA30IRRRLR
30 YR	VA 30 Year Fixed Jumbo - Plaza Serviced	VAJ30IRRRLR

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Section 3 Program Matrix

Product Code Specific Highlights				
Product Code	Units	Loan Amount	Credit Score	Miscellaneous
"VAIRRRL"	1-4	<ul style="list-style-type: none">• <= \$417,000• (<= \$625,500 AK & HI)	620	Loan not currently serviced by Plaza.
"VAIRRRRLR"				Must be paying off a loan currently serviced by Plaza.
"VAJIRRRL"	1-4	<ul style="list-style-type: none">• > \$417,000• (> \$625,500 AK & HI)	640	Loan not currently serviced by Plaza.
"VAJIRRRRLR"				Must be paying off a loan currently serviced by Plaza.

DataTrac data input requirements can be found in the [VA IRRRL Underwriter Worksheet](#).

Section 4 Occupancy

- Primary Residences
- Second Home
- Investment Property

For second home and investment property transactions:

- 1 unit properties only
- Conforming loan amounts only
- Documentation 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.

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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
 - *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.
- 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 by Program:

Program	Units	Contiguous U.S.	Alaska and Hawaii
Conforming/non-Jumbo	1-4	\$417,000	\$625,500
Jumbo	1-4	\$1,000,000	\$1,000,000

Section 10 Subordinate Financing

- Loans with existing subordinate financing are eligible.
- New subordinate financing is not allowed.

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:

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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.

Online Status Inquiry in Lieu of COE:

The Prior Loan Validation (PLV) or Certificate of Eligibility (COE) is not required on an IRRRL transaction. Lenders still have the ability to obtain a PLV even when WebLGY automatically determines an active loan exists for a particular IRRRL case.

Section 12 Underwriting Method

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

- Underwriters must complete the [VA IRRRL Underwriter Checklist](#).
- The state specific or multi state net tangible benefit test must be satisfied in order to be eligible. The borrower must recoup closing costs not covered by YSP within 48 months or meet one of the other benefits per the NTB form.

Special Requirements

- **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:** The interest rate of the new loan must be less than the interest rate of the existing VA loan unless refinancing an ARM to a Fixed 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.

DataTrac data input requirements can be found in the [VA IRRRL Underwriter Checklist](#).

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Section 13 Credit

Qualifying Credit Score:

- The qualifying score is the lower of 2 or the middle of 3 scores and must be reviewed for each borrower.
- The lowest qualifying score of all applicants is used to qualify.
- Each borrower must have at least one credit score.

Credit Report:

- When a full credit report is not obtained, a mortgage only credit report with credit scores and key factors must be provided. If unable to obtain a mortgage only credit report with credit scores and key factors, a full 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 is not verified
- Income is not verified
- Exception:

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- 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-T:

- 4506-T 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.

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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

Ineligible Properties:

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

Section 22 Appraisal

Not Applicable.

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.

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Hawaii: Properties in Lava Flow Zones 1 or 2 are not allowed.

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.

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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 \$3000 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 \leq \$6000 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.

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