

Product Guidelines

VA IRRRLS (STANDARD and HIGH BALANCE PROGRAM)

PROGRAM CODES: V30FIRRRL, H30FVIRRRL, V15FIRRRL, H15FVIRRRL,
V20FIRRRL, V25FIRRRL, H20FVIRRRL, H25FVIRRRL

Version 5.2 – 06/25/18



INTEREST RATE REDUCTION REFINANCE (IRRRL)					
Occupancy	Maximum LTV/CLTV	Max Loan Amount	Min FICO	Max Ratios	Mortgage/Rental History
Primary	125%/125% Including VA Funding Fee"	\$453,100 - \$700,000 1-4 Units. County Loan Limits Do Not Apply to IRRRLs	No minimum*	N/A or 41% if P&I increasing 20%+	Current for month due
Non-Owner	125%/125% Including VA Funding Fee"	\$453,100 - \$700,000 1-4 Units. County Loan Limits Do Not Apply to IRRRLs	No minimum*	N/A or 41% if P&I increasing 20%+	Current for month due

*A FICO score is not required.

Regardless of the LTV, the Veteran must have sufficient entitlement to guaranty the loan. The minimum guaranty is 25%, regardless of the dollar amount of guarantee on existing VA loan.

Underwriting Guidelines Requirements				
MAXIMUM LOAN AMOUNTS				
	# of Units	Standard Maximum	High Balance Minimum	High Balance Maximum
Continental U.S.	1 Unit	\$453,100	\$453,101	700,000
Maximum Loan Amt (Base)	<ul style="list-style-type: none"> The maximum loan amount, including the VA Funding Fee, is 100% of the appraised value. The new loan amount may include unpaid principal balance of existing VA loan, allowable closing costs, prepaids, maximum 2 discount points, VA Funding Fee. 			
VA FUNDING FEE TABLE Applies unless Veteran is Exempt				
Interest Rate Reduction Loans	Percentage of .50% regardless of Subsequent Use			
Disabled Veteran (Service-connected disability)	Partial or Full Fee Waiver as directed by VA			

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COLLATERAL

Condos	Must be VA-approved condominium complex and meet all requirements.
Eligible Properties	<ul style="list-style-type: none"> Owner Occupied, 1-4 Units, PUD's, Condos, Investment properties, Manufactured Homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all VA requirements. Property condition must be C4 or higher. Any repair requirements noted by appraiser that impact safety, structural soundness, and habitability of subject property must be completed.
Ineligible Properties	Second homes, mixed use, non-warrantable condos, mobile homes, State-approved medical marijuana producing properties, co-ops, condotels, properties serviced by hauled water and Energy Efficient Mortgage (EEM), properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water), properties in Hawaii with water catchment systems, Hawaiian properties in Lava Zones 1 and 2, and Department of Hawaiian Home Lands (DHHL) loans are ineligible.
Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. For Streamline transactions without appraisals, the Underwriter must validate the subject property current MLS activity through RedFin. If RedFin doesn't identify the property, an alternative Google search (i.e., Zillow) is acceptable. If an appraisal is utilized, the appraiser will comment if the property has been listed for sale within the past 6 months. If it was listed, the borrower must provide a letter of explanation regarding why the property was listed and confirm their intent to retain the property.
Appraisal Requirements	<p>CMS serviced loans = No AVM or appraisal required</p> <p>CMS non-serviced loans with FICO >= 640 up to \$700,000 do not require an appraisal or AVM.</p> <p>CMS non-serviced loans with FICO 639 and below require AVM up to 125% LTV/CLTV. If no hit, 2055 is required up to 125% LTV/CLTV.</p> <p>Manufactured homes do not require an AVM. Max 125% LTV/CLTV. Account Manager or Processor will order an Internal Evaluation to determine value. Wholesale Loans - Broker should pull AVM to establish initial LTV/CLTV.</p> <p>When using Appraisal Form 2055, the 2055 must be ordered from a CMS approved AMC meeting Appraiser Independence Requirements. Must be specific to transaction. Appraisals are not transferable or portable. 2055 appraisals must be dated not less than 90 days from Note date.</p> <p>Non-credit qualifying VA IRRRLs must have income and asset verification. All AVMs must be processed through Data Verify.</p>
Limitations on other R.E. owned	Maximum of 4 Carrington Mortgage loans or \$2,000,000, whichever is less.

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COLLATERAL, continued

State Specific:	Colorado	Income must be stated on the application; no verification of income is required; no analysis of income is performed. Fixed rate product only, ARM loans are not eligible in Colorado.
	Kansas	All Owner occupied properties require the tax assessor's statement of value in order to meet Kansas law. If the loan amount (including funding fee) exceeds tax assessors 'statement of value,' provide written notice to consumer regarding High LTV mortgages and the availability of credit counseling.
	Michigan	Genesee county - a water quality test must show that the property does meet the MPRs for safe and potable water.
	Texas	If the existing first or second mortgage is subject to Texas Section 50(a)(6), VA financing is ineligible, once cash out, always cash out. The title policy will reference Texas Section 50(a)(6) or Article XVI of the Texas Constitution effective January 1, 1998.
	West Virginia	West Virginia state specific requirements include the following: <ol style="list-style-type: none"> 1. Loans where the value is less than the combined loan amounts are ineligible; therefore, maximum LTV/CLTV is 100%. 2. Owner-occupied property requires a full interior/exterior conventional appraisal.

TYPES OF FINANCING

Term Increase	The term of the new loan may not exceed the original term by more than 10 years, subject to a 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 Fixed Rate.
Payment Increase	The P&I payment must be less than the principle & interest payment of the existing VA loan unless 1) Refinancing an ARM to Fixed Rate, OR 2) The term of the new loan is less than the term of the existing VA loan.
Payment Increase 20% or more	Veteran's ability must be documented with a YTD paystub covering most recent 30 days, 1-year W-2's, verbal verification of employment. The borrower's income to total debt ratios must be manually calculated. VA IRRRL Loan Comparison worksheet is required.
Interest Rate Reduction Refi (IRRRL)	Rate and term only. No cash back to borrower. Incidental cash back not to exceed \$500.
Vendee Loans	Not permitted. Must direct the borrower to the RLC of jurisdiction to pursue a direct refinance transaction with the VA.
Recoupment Period	Effective for applications taken 5/25/18 and after: Recoupment of costs is 36 months with no exceptions . Seasoning is measured from the first payment date of the original loan to the note date of the new loan . VA IRRRL loans with a term reduction of at least 6 months OR are changing from an adjustable rate to a fixed rate are not required to meet the recoupment requirements.

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TYPES OF FINANCING, continued

Qualified Mortgage(QM)	(i) The loan being refinanced was originated at least 6 months before the new loan's closing date and (ii) at least 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 60 months.
Max Mortgage Calculation	New loan amount may include unpaid principal balance, accrued interest for month due, allowable closing costs*, prepaid expenses, discount points, late charges and VA funding fee. Late payments are not permitted. *Allowable closing costs = 1% origination (Retail only), appraisal, credit report, flood determination life of loan service but not flood determination fee, MERS, maximum 2 recording, recording taxes, mail & Federal Express fees exceeding per diem, survey (n/a condos), title exam, title insurance, title endorsements, transfer tax property compliance inspection. Ineligible Fees = flat fees charged by second lien holders to subordinate existing 2ndary financing cannot be financed and must be paid by Veteran. Subordination processing, preparation, or any 3rd party fees are not allowed, Veteran cannot pay. Appraisals for reconsideration, attorney, brokerage, consulting, tax service, escrow, underwriting, document, processing, redraw fees, wire fee, settlement, trustee, duplicate fees, and all others not on allowable list. Refer to CMS VA Borrower Fee Policy for additional information on Lender Paid Compensation.
Cash Out Refinance	Not Allowed. Minor adjustment at closing not to exceed \$500 (Texas = \$0)

CREDIT

Credit Profile	For Credit Qualifying IRRRL's, a tri-merged credit report is required. For non-credit qualifying IRRRL's, a mortgage rating is required for the subject lien only. The credit report may not be older than 60 days at underwriting or 90 days at funding.
Social Security Numbers	Required for ALL borrowers.
CAIVRS	CAIVR clearance must be obtained for all borrowers on the transaction.
Credit Score	A credit score is not required but will be used for pricing.
Credit Qualifying VA IRRRL	Applies if P&I increase exceeds 20%. Credit qualifying VA IRRRLs must meet all standard VA credit requirements per CMS guidelines.
Non-Traditional Credit	Not Allowed
Debt Ratio	The max DTI = 41% w/o comp factors, and 50% with comp factors.
Income	Residual income requirements apply and vary by region/loan amount/property type. See above matrix. Pay stubs covering 30-day period, 2 years W-2s, 2 years tax returns for self-employed borrowers, Telephone VVOE for current employment, and 4506t or Modelo SC 2907 transcripts. The 4506T must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.
Non-Taxable Income	Nontaxable income such as Social Security, Pension, Workers Comp, and Disability Retirement income must be grossed up.

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CREDIT, continued

Non-Credit Qualifying VA IRRRL	<p>VA IRRRL loan transactions that exceed the Higher Priced threshold are permitted.</p> <p>Borrower's income is not verified. 1003 MUST NOT include income in Section V or the REO schedule Section VI. Income documentation is not required and the loan file CANNOT contain paystubs, W-2, tax returns, etc. In the event the initial 1003 reveals income or the loan file documentation contains evidence of the borrower's current income, the loan must be converted to a credit qualifying VA IRRRL and qualifying ratios will be computed.</p> <p>Evidence of a valid Social Security Number must be confirmed without providing income documentation.</p> <p>Assets are not required to be verified on VA IRRRLs</p> <p>Neither Form 4506T / Modelo SC 2907 or Tax Return Transcripts are required on Non-Credit Qualifying VA IRRRLs.</p> <p>Must ensure that a repayment plan is in place if there is an IRS tax lien on credit or title. Must document in file that plan is in place.</p>
Bankruptcy	<p>Active Chapter 7 Bankruptcy not permitted. Bankruptcy must be discharged.</p> <p>Chapter 13 Bankruptcy permitted with court approval and satisfactory trustee payment history.</p>
Collections/Charge Offs	<p>Unpaid accounts that could result in a lien against the property or impair the Veteran's ability to repay the mortgage may be required to be paid. Funds to pay off any required collections or charge offs must be from the borrower's own verified assets and/or gift funds per VA Standard Guidelines.</p>
Judgments/Liens	<p>All outstanding judgments and liens must be paid prior to or at closing. Includes judgments and tax liens of non-purchasing spouse.</p>
Short Sale/Deed In Lieu/Pre-foreclosure	<p>Must be seasoned for a minimum of 2 years.</p>
Minimum Payment	<p>5% of outstanding balance for revolving accounts if no payment is indicated. Applies to credit qualifying IRRRLS only.</p>
Mortgage History / Seasoning	<p>CMS will permit late payments in the last 6 months; however, the borrower must be current for the month of closing. GNMA requires 6 months payment seasoning on the loan being refinanced and 210 Days must have elapsed between the first payment of the original loan being refinanced and the note date of the new loan. All liens for the subject property must be verified and paid current through the month due of closing.</p>
Non Purchasing Spouse	<p>Credit report required in community property states. Debts must be added to DTI Ratio, and Credit History may be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.</p>
Community Property States	<p>The following states are known community property states: AZ, CA, ID, LA, NV, NM, TX, WA, WI.</p>

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CREDIT, continued

Net Tangible Benefit

Effective for applications taken 5/25/18 and after: Net Tangible Benefit (NTB) must be met as follows: 1) Reduce Existing Interest Rate by 0.50%, Recoup Closing Costs within 36 months, and meet LTV requirements if discount points; OR 2) Reduce Remaining Loan Term by 6+ months; 3) OR Convert existing ARM loan to Fixed Rate loan. Refer to the CMS VA IRRRL Guidelines for detailed NTB requirements.

Note: Term Reduction and ARM to Fixed refinances constitute a net tangible benefit in themselves and do not require rate reduction, recoupment of fees, or appraisal to determine value if there are discount points.

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Residual Income Charts (Applies if P&I increase exceeds 20%)					
Residual Income Requirements	Loan Amounts \$79,999 and below				
	Family Size	Northeast	Midwest	South	West
	1	\$390	\$382	\$382	\$425
	2	\$654	\$641	\$641	\$713
	3	\$788	\$772	\$772	\$859
	4	\$888	\$868	\$868	\$967
	5	\$921	\$902	\$902	\$1,004
	Above 5	Add \$75 for each additional member up to a family of seven			
	Loan Amounts \$80,000 and above				
	Family Size	Northeast	Midwest	South	West
	1	\$450	\$441	\$441	\$491
	2	\$755	\$738	\$738	\$823
	3	\$909	\$889	\$889	\$990
	4	\$1,025	\$1,003	\$1,003	\$1,117
	5	\$1,062	\$1,039	\$1,039	\$1,158
Above 5	Add \$75 for each additional member up to a family of seven				
* States are broken down by region. Check with Underwriting for breakdown.					
Verbal Verification of Employment	A verbal VOE is required on all loans.				
Payoff Debt to Qualify	Payoff of revolving debt is allowed if paid in full prior to closing. Payoff and zero balance must be documented directly from credit. Cannot pay off on the Closing Disclosure (CD).				
4506t/transcripts or 2907 Puerto Rico Tax Returns	4506T or 2907 Puerto Rico Tax Return forms are required in file. The processed transcripts are not required,				
1003 Application	Complete current employment and REO schedule. Income, Assets, and Liabilities are omitted on non-credit qualifying IRRRLs.				
VA Forms	VA Reserves or National Guard Certification: Required if credit qualifying and if applicable to Veteran VA Benefit (VA Form 26-8937). Required to determine disability benefits for VA Funding Fee and if credit qualifying.				

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GENERAL

Underwriting	Underwritten by a VA Automatic and LAPP approved underwriter.																														
IRRRL Eligible Borrowers	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 with proper documentation as follows:																														
	<table border="1"> <thead> <tr> <th>Existing VA Loan</th> <th>New VA Loan</th> <th>Yes/No</th> </tr> </thead> <tbody> <tr> <td>Unmarried Vet</td> <td>Veteran & new spouse</td> <td>YES</td> </tr> <tr> <td>Unmarried Vet</td> <td>Spouse Only (deceased Vet)</td> <td>NO</td> </tr> <tr> <td>Vet</td> <td>Different Veteran who is substituting his/her entitlement</td> <td>YES</td> </tr> <tr> <td>Vet & Spouse</td> <td>Divorced veteran only</td> <td>YES</td> </tr> <tr> <td>Vet & Spouse</td> <td>Vet & different spouse</td> <td>YES</td> </tr> <tr> <td>Vet & Spouse</td> <td>Spouse Only (deceased Vet)</td> <td>YES (spouse must own & occupy property)</td> </tr> <tr> <td>Vet & Spouse</td> <td>Different Spouse only (deceased Vet)</td> <td>NO</td> </tr> <tr> <td>Vet & Non-Vet (joint)</td> <td>Veteran only</td> <td>YES</td> </tr> <tr> <td>Vet & Non-Vet (joint)</td> <td>Non-Veteran only</td> <td>No</td> </tr> </tbody> </table>	Existing VA Loan	New VA Loan	Yes/No	Unmarried Vet	Veteran & new spouse	YES	Unmarried Vet	Spouse Only (deceased Vet)	NO	Vet	Different Veteran who is substituting his/her entitlement	YES	Vet & Spouse	Divorced veteran only	YES	Vet & Spouse	Vet & different spouse	YES	Vet & Spouse	Spouse Only (deceased Vet)	YES (spouse must own & occupy property)	Vet & Spouse	Different Spouse only (deceased Vet)	NO	Vet & Non-Vet (joint)	Veteran only	YES	Vet & Non-Vet (joint)	Non-Veteran only	No
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Vet & Non-Vet (joint)	Veteran only	YES																													
Vet & Non-Vet (joint)	Non-Veteran only	No																													
Surviving Spouse	VA IRRRL permitted provided 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.																														
Non-Occupant Co-Borrowers	Not allowed																														
Occupancy	Investment or secondary residences are permitted. The veteran must certify the subject property was previously owner occupied.																														
Guaranty/Entitlement	The loan being paid off through the refinance must be the loan indicated on the COE. In some cases, a copy of the Note may be required to verify the LIN number. The minimum guaranty on an IRRRL is 25%, regardless of the dollar amount of guaranty being transferred from prior loan.																														
Online Status Inquiry in Lieu of COE	Status of an existing VA loan can be confirmed by visiting https://vip.vba.va.gov/portal/VBAH/Home . To submit IRRRL status inquires enter VA lender ID and email address. If the response confirms the loan is an active VA guaranteed loan to the borrower Veteran, a COE will not be required. Use print out from the RLC. Verify VA Case # from RLC matches VA Case # on existing loan.																														
VA IRRRL Case Assignment	Evidence of new case number is required to verify that veteran's name and address match the new application																														
Cash to Close	CMS does not require documentation of funds at closing.																														
Prepayment Penalty	Not Permitted																														
Loan Terms Available	15 year fixed, 20 year fixed, 25 year fixed, 30 year fixed																														
Qualifying Fixed Products	Qualify at Note Rate																														
Minnesota	Qualify at Note Rate																														