

VA - IRRRL

Amended 9/4/2018

Purpose	Total Loan Amount	Credit Score	Units	LTV/CLTV
IRRRL	Conforming Limit ≤ \$453,100	550	1-4 Units	100%
	Conforming Limit ≤ \$453,100	620	Manufactured	
	HB Limit > \$453,100 - \$1,000,000	620	1-4 Units	
	Super HB > \$1,000,000 - \$1,500,000	680	1-4 Units	

General	<ul style="list-style-type: none"> Purpose -Interest Rate Reduction Refinance Loan of an existing VA mortgage. Minimum Loan Amount \$75,000 Maximum Loan Amount \$1,500,000 Eligible Products - 15 and 30 Year Fixed Rate Term may not exceed the existing mortgage term by more than 10 years, subject to the maximum term of 30 years plus 32 days. Occupancy - Primary Residence and Investment No AUS required. Manual Underwriting for Non-Credit Qualifying and Credit Qualifying Streamlines Rate must be lower or convert from ARM to Fixed Safe Harbor Seasoning requirements must be met
Title/Loan Seasoning	<p>The Note date of the refinance loan must be on or after the later of:</p> <ul style="list-style-type: none"> The date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and The date on which six (6) full monthly payments have been made on the mortgage being refinanced
Ineligible Transactions	<ul style="list-style-type: none"> Texas 50a6 loans Texas transactions when converting a home equity loan (a6) to a non-home equity loans are not eligible
Net Tangible Benefit	<ul style="list-style-type: none"> Fixed to Fixed loan, new refinance loan must have an interest rate that is .50 less in interest rate than the previous loan. Fixed to ARM loan, new refinance loan must have an interest rate that is 2.00 less in interest rate than the previous loan, AND The lower interest rate is not produced solely from discount points unless; <ul style="list-style-type: none"> -Such points are paid at closing, AND -For discount point amounts that are ≤ 1 discount point , the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain 100%LTV ratio or less ; AND -For discount point amounts that are > 1 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 90%LTV or less .
Recoupment	<ul style="list-style-type: none"> Provide recoupment statements to VA in accordance with VA Circular 26-18-1 and 26-18-1 Change1 exhibit A Policy Guidance for VA IRRRL AND Certify that all fees and incurred costs shall be recouped on or before the date that is 36 months after the date of the loan, as determined by the Note date.
CREDIT	
Credit	<ul style="list-style-type: none"> Mortgage Only Credit Report Allowed (Full Tri-Merge report required if credit qualifying - see section below) Each borrower must have at least one credit score.
Mortgage Lates	<ul style="list-style-type: none"> None in the last 6 months Isolated event over 6 months - U/W discretion; All lates must be explained
CREDIT QUALIFYING	
Bankruptcy	<ul style="list-style-type: none"> Chapter 7 & 11: 2 years from discharge date Chapter 13: No seasoning required if discharged. If open requires court approval and 0x30 last 12 months to trustee. <p>**Borrower must demonstrate re-established credit**</p>
Credit Report	<ul style="list-style-type: none"> Full Tri-Merge credit report required. No 30-day mortgage lates allowed in the past 12 months.
Foreclosures	<ul style="list-style-type: none"> Foreclosure - 2 years; Short Sale - Underwriter discretion <p>**Borrower must demonstrate re-established credit**</p>
Income Requirements	<ul style="list-style-type: none"> Loans requiring Credit Qualifying when PITI of new loan increases ≥ 20% of current loan. Borrower must Credit Qualify (self-employed borrowers will need to provide most recent 2 years tax returns) DTI may exceed 41% when residual income exceeds 120% and significant documented factors exist such as: <ul style="list-style-type: none"> o Excellent credit history o Conservative use of consumer credit o Minimal consumer debt o Long-term employment o Significant liquid assets o The existence of equity in refinancing loans o Little or no increase in shelter expense o Military benefits o Satisfactory homeownership experience. o High residual income

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PROPERTY	
Appraisal Requirement	<ul style="list-style-type: none"> According to 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 will not be ordered through WebLGY or the VA Fee Panel. Acceptable forms of appraisal reports are: <ol style="list-style-type: none"> 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
Appraisal Cost and Recoupment Calculation	<ul style="list-style-type: none"> If lenders require 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.
Eligible Properties	<ul style="list-style-type: none"> Attached/Detached SFRs PUDs VA Approved Condos 2-4 units Manufactured homes (1 Unit) max loan amount \$453,100 - double wide only
Manufactured Home Requirements	<p>Royal Pacific Funding will accept loans for manufactured properties with the following attributes:</p> <ul style="list-style-type: none"> 620 Minimum Qualifying Credit Score Primary Residence Only Max \$453,100 Loan Amount, no High Balance Allowed Manufactured Condo's ineligible Mortgage delinquencies in the last 12 months not permitted Title must be held fee simple Property must not be located in a deed restricted area including restrictions for age and income Affidavit of Affixture (or its equivalent) to evidence property is classified and taxed as real property
Properties Listed for Sale	<ul style="list-style-type: none"> Listing must be taken off the market on or before application date. If loan is a Primary Residence, borrower must provide LOE of intent to occupy the subject property and acknowledge borrower does not intend to relist the property for 12 months after the Note date.
MISCELLANEOUS	
Funds to Close	Assets documentation is not required unless loan is being credit qualified (see Credit Qualifying Section for requirements)
PACE / HERO Obligations	<p>Property Assessed Clean Energy (PACE) and Home Energy Renovation Opportunity (HERO) are typically used as financing sources for borrowers who wish to install solar energy items to their homes. These financing instruments are recorded against the property and collected through property tax bills in the same manner as a special assessment.</p> <p>PACE/HERO that are or will remain must meet the following:</p> <ul style="list-style-type: none"> Under the laws of the state where the property is located, the PACE obligation must be collected and secured by the creditor in the same manner as a special assessment against the property. The property may be subject to the full PACE obligation; however, the property shall not be subject to an enforceable claim (i.e., a lien) superior to the VA-guaranteed loan for the full outstanding PACE obligation at any time. The property may, however, be subject to an enforceable claim (i.e., a lien) that is superior to the VA-guaranteed loan for delinquent regularly scheduled PACE special assessments. There are no terms or conditions that limit the transfer of the property to a new homeowner. Legal restrictions on conveyance arising from a PACE obligation that could require the consent of a third party before the owner can convey the real property are prohibited, unless such provisions may be terminated at the option of, and with no cost to, the owner. The existence of a PACE obligation on a property is readily apparent to mortgagees, appraisers, borrowers, and other parties to a VA-guaranteed loan transaction; information on PACE obligations must be readily available for review in the public records where the property is located.

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PACE / HERO Obligations (con't)	<p>Royal Pacific Funding will allow the subordination of a lien associated with these instruments provided they meet the following criteria:</p> <ul style="list-style-type: none"> • The lien is collected through property taxes in substantially equal installments. • The underlying lease/contract/financing instrument does not contain a clause that would prevent the lien from transferring to a new owner, whether by sale or foreclosure, and must not contain a provision that a third party be notified. • In cases of foreclosure, the PACE/HERO lease/contract/financing instrument must allow that the priority of any delinquent PACE/HEREO payments be waived or relinquished. • A PACE/HERO obligation may not contain an acceleration clause where the entire obligation becomes due in the event of delinquency and must allow for payment of the past due amounts only. <ul style="list-style-type: none"> • The payment for the PACE/HERO should be included in the debt to income ratio as part of the property taxes . • The subordination of a PACE/HERO obligation does not affect the CLTV of the loan as it is not considered a mortgage lien. • Subordinated PACE/HERO obligations must be impounded with property taxes when impounds are requested or required. <p><i>Note that PACE/HERO obligations that are being paid in full at or before closing require no special approval, however, proof must be provided that the lien has been satisfied or will be satisfied through closing. If funds from the transaction are being used to satisfy these obligations the loan will be considered cash out.</i></p>
Solar Lease Equipment	<p>Leased Solar Equipment not included in county taxes</p> <ul style="list-style-type: none"> • Solar lease agreement to be reviewed verifying that removal of solar equipment do not have recourse to the lender or VA and return roof to water tight status. • Utility payment for new leased solar equipment cannot exceed the allowable Maintenance/Utiltiy cost per VA guidelines
Special Restrictions	<p>Term Increase:</p> <ul style="list-style-type: none"> • 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. <p>Payment Increase (P & I):</p> <ul style="list-style-type: none"> • The P&I payment must be less than the P&I payment of the existing VA loan unless: <ul style="list-style-type: none"> ◦ Refinancing an ARM to a Fixed Rate; OR ◦ The term of the new loan is less than the term of the existing VA loan <p>PITIA Increase</p> <ul style="list-style-type: none"> • If the PITIA increases by $\geq 20\%$ borrowers must credit-qualify, and provide the following: <ul style="list-style-type: none"> ◦ One current paystub - W2 borrower ◦ All pages of most recent tax return - Self-employed ◦ Mortgage statement ◦ 1 month bank statements for proof of funds to close
Spouse of a Deceased Veteran	<p><u>VA will allow IRRRL transaction for the spouse of a deceased veteran</u></p> <ul style="list-style-type: none"> • VA Portal will reflect under veteran's social security number • All other documentation will be under surviving spouse • Spouse must have been on the original loan. • Loan Summary must be completed with veteran's social security for insuring.
Escrow Account	<p>Escrows are required including Flood Insurance if the property is in a Special Flood Hazard Area (SFHA) for life of loan (unless flood insurance is paid by HOA).</p>
Subordinate Financing	<ul style="list-style-type: none"> • Allowed for existing liens • Subordination fee cannot be charged to Veteran
Short Refinance	<p>Not Allowed</p>
Vesting	<p>Individual(s) in a Revocable Trust are acceptable.</p>

VA Funding Fee Table Interest Rate Reduction Loans and Assumptions	
Type of Loan	Percentage for Either Type of Veteran
Interest Rate Reduction Refinance Loan	0.5% (0% if exempt)