Last Reviewed: 05/13/2025

UNIONHOME MORTGAGE

A new copy of this checklist must be downloaded for each individual use.

VA IRRRL (Interest Rate Reduction Refinance Loan) Checklist

General Requirements

- ☐ This loan is to pay off an *existing* VA-guaranteed mortgage loan by obtaining a new first mortgage loan secured by the *same* property.
- ☐ The loan balance does not exceed the amount on the VA IRRRL Worksheet; second liens or other debts cannot be included in the loan payoff amount.
- ☐ Property will be Owner Occupied. Secondary and Investment properties are eligible, but the loan file must contain documentation that the veteran previously occupied the subject as their principal residence at one point in time.
- ☐ The veteran borrower will be on the new loan or a surviving spouse who is on the original loan will be on the new loan. Other scenarios must be checked by the Underwriting Department.
- ☐ The veteran or surviving spouse still owns the property.
- ☐ Minimum Credit Score:
  - A tri-merged credit report is not required on streamline refinances (unless credit qualifying). Please note the following:
    - A review of non-mortgage credit history is not required.
    - Both non-credit qualifying and credit qualifying loans must meet UHM's mortgage payment history requirements outlined below.
    - A credit score of 680 should be used for pricing purposes.
    - The minimum score is 500 for VA credit qualifying high balance with AUS Approve/Eligible (over the county limit).
- ☐ Mortgage Payment History (Non-Credit Qualifying and Credit Qualifying):
  - A 12-month mortgage payment history is required. However, if the mortgage is less than 12 months old:
    - The mortgage must meet all Agency seasoning requirements, and
    - A payment history from the note date through closing is required.
- ☐ Borrower Delinquency:
  - Non-UHM to UHM Loans:
    - Borrowers cannot have more than one 30-day late payment in the last 12 months and cannot have any 30-day late payments in the past six months.
  - UHM to UHM Loans:
    - UHM will allow borrowers with one 30-day late payment in the last 12 months (or since origination if <12 months, provided the loan meets seasoning requirements).
  - VA requires documentation to verify the loan will not be more than 30 days past due as of closing. Any IRRRL made to refinance a loan that will be 30 days or more past due at the date of closing must be submitted to VA for prior approval. See CH6 of the VA Lender Handbook for specific requirements.
  - The seasoning requirements outlined below must also be met.

- ☐ The Details of Transaction shows no funds to the borrower (zero cash out). In the event of a required adjustment at closing, cash back is limited to no more than $500. If the cash back to the borrower will exceed $500, a closer may apply one monthly payment (PITIA) of the new loan, as a principal reduction (a principal reduction of more than one PITIA payment of the new loan is not permitted).
- ☐ The new loan term does not extend the current term by more than ten years, not to exceed 30 years + 32 days. (Example: If the borrower currently has 18 years remaining on their existing loan, the maximum allowable term on their new loan is 28 years).
- ☐ Total points and fees do not exceed 3% of the new base loan amount (automated in Encompass).
- ☐ Assets required for closing do not need to be verified for a non-credit qualifying IRRRL.
- ☐ Certificate of Eligibility (COE) is only required on Non-UHM to UHM VA IRRRLs in which the borrower is exempt from the funding fee.

Seasoning Requirements

- ☐ The Note Date is on or after the later of:
  - 210 days after the date on which the first monthly payment was due on the mortgage that is being refinanced, and
  - The date on which the sixth consecutive monthly payment is made (posted by the lender) on the mortgage being refinanced.

Seasoning Requirements for Modified Loans

- ☐ The Note Date is on or after the later of:
  - The date on which at least six modified payments have been made on the mortgage being refinanced, or
  - The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced.

Recoupment Calculation (Automated in Encompass)

- ☐ The borrower(s) will recoup all fees and closing costs within 36 months.
  - Divide the total fees and closing costs by the monthly principal and interest (PI) savings. The result must be less than or equal to 36.
  - Fees and closing costs do not include:
    - Lender paid costs,
    - Insurances, taxes, special assessments, and HOA fees, or
    - VA Funding Fee.

Interest Rate Check

One of the following must be true, along with all other rules:

- ☐ <u>Fixed rate to fixed rate</u>: The interest rate on the new loan is at least 0.50% (50bp) lower than the interest rate on the existing loan being refinanced.
- ☐ <u>Fixed rate to ARM</u>: The starting interest rate on the new adjustable-rate mortgage (ARM) loan is at least 2% less than the current fixed interest rate on the loan being refinanced.
- ☐ <u>ARM to Fixed rate</u>: The interest rate on the new Fixed rate loan must be lower than the current rate.

Monthly Payment Check

- ☐ If Principal and Interest (PI) is increasing due to term decreasing, UHM policy is to originate the loan as a full credit qualifying cash-out refinance.
- ☐ Income documentation and credit report requirements are determined by the increase in principal, interest, taxes, and insurance (PITI).
  - If the monthly PITI is not increasing by 20% or more, income documentation is not required.
  - If the monthly PITI is increasing by 20% or more, the borrower(s) must provide income verification and a credit report must be pulled to support an acceptable debt-to-income (DTI) and balance available for family support.
- ☐ The principal and interest (PI) on the new loan is less than the PI on the existing loan, unless one of the following exceptions apply:
  - The IRRRL is refinancing an ARM,
  - Term of the new IRRRL is shorter than the term of the existing loan, or
  - Energy efficient improvements are included in the new IRRRL.

Discount Point Check

- ☐ If this is a fixed rate to an ARM, and discount points are being charged, confirm one of the following is true:
  - The lower interest rate is NOT produced solely from discount points OR
  - The lower interest rate is produced solely from discount points AND the resulting new loan amount does not exceed a 100% LTV (an appraisal will be needed – refer to underwriting).

Other Ineligible Transactions

- Life Estates,
- VA Indian Leasehold Properties,
- Co-Ops, and
- If the loan is currently a Texas 50(a)(6) loan.

Appraisal Requirements

- No appraisal is required.
- Exception: If the property is located in FEMA declared county, the property must be inspected to determine if there is any sustained damage. See Ask Alice/Ask UHM for inspection requirements in Declared Disaster Areas.
- Please reference the VA Handbook for further detail and requirements, as necessary.