VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 2 — IRRRL Made to Refinance a Delinquent Loan

Register va-m26-7-ch06-t02

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 2 — IRRRL Made to Refinance a Delinquent Loan.

1 verbatim provision(s). Each quote is a verified substring of the regulator-published source snapshot, not retyped.

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 2 — IRRRL Made to Refinance a Delinquent Loan

2. IRRRL Made to Refinance a Delinquent Loan Change Date April 10, 2009, Change 11 • This section has been changed to update hyperlinks and to make minor grammatical edits. a. Prior Approval Submission Any IRRRL made to refinance a loan that will be 30 days or more past due as of the date of closing, must be submitted for prior approval. The lender must first obtain sufficient information and perform sufficient analysis to determine that: • the cause of the delinquency has been resolved, and • the veteran is willing and able to make the proposed loan payments. Submit a written proposal to VA which contains the following information: Item Information 1 The full name of the veteran and all other parties obligated on the prior loan and to be obligated on the new loan. 2 The VA loan number and month and year of origination of the loan to be refinanced. 3 The name and address of the lender proposing to make the loan. 4 The approximate proposed loan amount, interest rate, and term for the new loan versus the old loan. 5 Discount to be charged, expressed as a percentage of the loan and a dollar amount. 6 Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. • The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. • The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing). Continued on next page VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-14 2. IRRRL Made to Refinance a Delinquent Loan, Continued a. Prior Approval Submission (continued) Item Information 7 The appropriate certification concerning occupancy signed by the veteran or the spouse of an active duty servicemember. One of the following must be signed. "I have previously occupied the property securing this loan as my home." ____________________ veteran's signature "While my spouse was on active duty and unable to occupy the property securing this loan, I occupied the property securing this loan as my home." _________________ spouse's signature 8 VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet. 9 VA Form 26-8937, Verification of VA Benefits (if applicable). 10 Certificate of Eligibility, or, if unavailable, a request for a duplicate certificate VA Form 26-1880, Request for a Certificate of Eligibility. 11 Uniform Residential Loan Application (URLA). 12 Explanation of the reason(s) for the loan delinquency, including appropriate documentation to verify the cause. 13 Documentation to verify that the cause of the delinquency has been corrected. 14 Credit report (in-file credit report is acceptable). 15 Current pay stub and telephone verification of current employment. 16 VA Form 26-6393, Loan Analysis. 17 Documentation of the cost of energy efficiency improvements to be included in the loan, if known. See section 3 of chapter 7. For cash reimbursement of the veteran, the improvements must be completed within the 90 days immediately preceding the date of the loan. Continued on next page VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-15 2. IRRRL Made to Refinance a Delinquent Loan, Continued b. What Happens Next? VA will inform the lender of its decision. The lender may close the loan in

reliance on a VA-issued Certificate of Commitment. Reference: See section 4 of chapter 5 for further information on the Certificate of Commitment. c. How to Report Loan Closing and Request Guaranty A prior approval IRRRL must be reported (such as, all documentation submitted) to VA within 60 days of closing. A lender that fails to meet this time limit must provide a written explanation. (see order #8). To report an IRRRL, submit the following documents to VA in the order listed. Order Document 1 Lender's cover or transmittal letter (if used). 2 VA Form 26-0286, VA Loan Summary Sheet. 3 Funding fee receipt. See section 8 of chapter 8 for information on exemptions. 4 If the loan amount has increased beyond the amount indicated on the Certificate of Commitment, an updated VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet. 5 VA Form 26-1820, Report and Certification of Loan Disbursement. 6 HUD-1, settlement statement. 7 VA Form 26-0503, Federal Collection Policy Notice. 8 If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time. 9 Any other necessary documents. (See section 6 of chapter 5.) Continued on next page VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-16 2. IRRRL Made to Refinance a Delinquent Loan, Continued d. Treatment of Late Payments and Late Charges All late payments and late charges (and reasonable costs if legal action to terminate the old loan has commenced) can be rolled into the new loan. If the amount of late payments, late charges and legal costs is significant, the proposed monthly payment will be adversely impacted. Carefully analyze whether the IRRRL would benefit the veteran and not create unacceptable risk to the Government in light of the new monthly payment. VA Pamphlet 26-7, Revised Chapter 6: Refinancing Loans 6-17

Source: VA Lenders Handbook (VA Pamphlet 26-7), Chapter 6, Topic 2 — IRRRL Made to Refinance a Delinquent Loan · snapshot e9c94ae5dc0a61f0