



DEPARTMENT OF VETERANS AFFAIRS
Regional Office
1240 East Ninth Street
Cleveland OH 44199

May 20, 1999

In Reply Refer To: 325/262
Information Letter 26-99-16

TO: All VA Lenders and Servicers

SUBJ: Changes to Interest Rate Reduction Refinancing Loan Policy

1. Purpose: This circular announces changes in procedures for processing Interest Rate Reduction Refinancing Loans (IRRRLs).

2. Effective Date: The effective date of the changes described below will be May 24, 1999. This means that all loan applications taken on or after May 24, 1999 must incorporate the new changes. For IRRRL purposes, "application" means the written proposal described in chapter 4 of VA Lender's Handbook that, among other things, compares the terms of the existing loan with those of the proposed loan.

(a) **Payment reduction** - For all IRRRL loan applications taken on or after May 24, 1999, **the principal and interest payment must be less than the principal and interest payment of the VA loan being refinanced unless:**

- an adjustable rate mortgage is being refinanced by a fixed rate VA IRRRL, **or**
- the term of the IRRRL is shorter than the term of the previous VA guaranteed loan, **or**
- energy efficient improvements are included in the IRRRL.

Note: The requirement that a lender certify the veteran is able to make the new payment amount in cases where the PITI is increasing by 20 percent or more will continue to apply.

(b) **Delinquent loans** - Also effective May 24, 1999, an IRRRL made to refinance a delinquent VA loan **may not** be processed and closed under the automatic procedure. This means that an IRRRL loan on which the application was taken on or after May 24, 1999 must be submitted to VA for prior approval if the loan is delinquent. (**NOTE:** For VA purposes, "delinquent" means **either** any loan on which a payment is more than 30 days past due on 1) the date of application; or 2) the date of loan closing. This is a change from previous procedures where lenders could close IRRRLs on the automatic basis as long as there were less than 3 payments past due.)

3. Additional Documentation for Delinquent Loans: In addition to the normal documentation required for IRRRL loans submitted to VA for prior approval (see chapter 4 in the VA Lender's Handbook), **all** of the following information must be submitted:

- Explanation of reason(s) for loan delinquency, including documentation to support the explanation, **and** evidence that the cause of delinquency has been resolved,
- Credit report (in-file is acceptable),
- Current pay stub and telephone verification of current employment (if not employed, evidence of source of income such as disability, etc.),
- Completed VA Form 26-6393, Loan Analysis, and
- 12-month payment history of current mortgage (if not on credit report).

NOTE: Please identify the case as a Prior Approval. Please do not include a Loan Summary Sheet (VA Form 26-0286) with the prior approval submission.

4. Lender Certification: For all IRRRLs closed on the automatic procedure in which the application is dated on or after May 24, 1999, the lender must certify the prior VA loan was current (not more than 30 days past due) **both** on the date of the IRRRL application and the date of closing the IRRRL. The certification must also state that no delinquent payments are included in the loan.

5. Examples of "Delinquent":

- Assume a veteran applies for an IRRRL on June 10, 1999, but has not made the May 1999 payment. Since the May payment was due on May 1, the loan is over 30 days past due. The loan cannot be closed on the automatic basis unless the veteran makes the May payment.
- Assume a veteran applies for an IRRRL on June 17, 1999 and has not made the June 1 payment. Due to processing delays, the loan will not close until July 3, 1999. Since this is more than 30 days past the time when the June payment was due (June 1), the loan cannot close on the automatic basis unless the June payment is made.
- Assume a veteran applies for an IRRRL on June 16, 1999 but has not made the June 1 payment yet. The loan is scheduled to close June 29, 1999. Under this scenario, the loan can be closed on the automatic basis since the veteran is not 30 days past due.

6. Forthcoming Change to Lender's Handbook: A change to the VA Lender's Handbook will be forthcoming which will provide additional background information on these changes.

7. VA Loan Numbers: Please make sure you use the 12-digit VA loan identification number, indicating the state where the home is located, on all correspondence related to a particular loan. We are authorized to process correspondence concerning VA home loans in the 6 states shown below. The following list indicates the numbers to be used as the first 6 digits of the 12-digit VA number and the corresponding states:

09-09-6-0 New Jersey	25-25-6-0 Ohio
10-10-6-0 Eastern Pennsylvania and Delaware	26-26-6-0 Indiana
11-11-6-0 Western Pennsylvania	29-29-6-0 Michigan

8. Contacts: A complete list of VA offices, states and their corresponding numbers is available upon request. If additional information is needed concerning these instructions, or if you would like to schedule VA training for your company, please fax your request to VA Loan Production at (216) 522-3103. Your interest and participation in our program is greatly appreciated.

/s/

JAMES L. BRUBAKER, JR.
Loan Guaranty Officer