



Direct Mortgage  
Wholesale™

## Program Guidelines

# DMC VA Guide

# 6176 VA IRRRL

<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>• The loan must be to reduce the interest rate.</li> <li>• If refinancing an adjustable rate mortgage (ARM) loan to a fixed rate loan, an exception is made allowing the new interest rate to be higher than the current interest rate.</li> <li>• Fixed rate loans may be refinanced to a 3/1 or 5/1 ARM if the lower interest rate and other basic conditions are met.</li> <li>• Graduated Payment Mortgage (GPM) loans may also be refinanced to a level payment loan.</li> </ul>
<b>Payments</b>	<ul style="list-style-type: none"> <li>• The principal and interest (P&amp;I) payment on the IRRRL must be less than the P&amp;I of the VA loan being refinanced unless one of the following conditions is met: <ul style="list-style-type: none"> <li>• the IRRRL is refinancing an ARM,</li> <li>• the term of the IRRRL is shorter than the term of the previous VA guaranteed loan, or</li> <li>• energy efficient improvements are included in the IRRRL.</li> </ul> </li> <li>• If the PITI increases by 20% or more, following conditions must be met: <ul style="list-style-type: none"> <li>• determine that the veteran qualifies with the new housing payment and all other obligations (calculate both debt and residual income),</li> <li>• income is stable and reliable,</li> <li>• and completion of the <i>VA Automatic Underwriter's Certification for IRRRLs</i>.</li> </ul> </li> <li>• These instructions also apply to an EEM IRRRL transaction when the cost of the improvements causes the new loan payment (PITI) to be 20% or more higher than the payment on the loan being refinanced.</li> </ul>
<b>Loan Amount Restrictions</b>	<ul style="list-style-type: none"> <li>• Loan proceeds may only be applied to paying off the existing VA loan and to the costs of obtaining and closing the IRRRL.</li> <li>• The one exception is reimbursement to the veteran for the cost of energy efficiency improvements up to \$6,000, which must be completed <b>WITHIN THE 30 DAYS IMMEDIATELY PRIOR TO THE DATE OF CLOSING</b>. <u>Reference:</u> See the heading "Special Instructions for EEMS on IRRRL Transactions" in the topic "Energy Efficient Properties" within the subtopic "Closing and Post Closing – Escrow for Improvements."</li> <li>• The maximum loan amount includes the following items: <ul style="list-style-type: none"> <li>• the existing loan balance, including any late payments and late charges (all loans with delinquent payment must be submitted to VA for prior approval), plus</li> <li>• allowable fees and charges (including up to 2% discount points), plus</li> <li>• the cost of any energy efficient improvements, plus</li> <li>• the VA funding fee.</li> </ul> </li> <li>• <u>Reference:</u> See the topic "VA Allowable Fees" in this product description for additional information.</li> <li>• Situations which may result in the borrower receiving cash for which VA does not object are as follows: <ul style="list-style-type: none"> <li>• minor computational errors,</li> <li>• changes in final pay-off figures,</li> <li>• up-front fees paid for the appraisal and/or credit report that are later added into the loan, and</li> <li>• refund of the escrow balance on the old loan. This occurs when a party other than the present holder originates the loan.</li> </ul> </li> <li>• VA does not set a "ceiling" on cash refunds resulting from adjustments at closing; however, lenders must exercise caution when assessing the situation and know the difference between an equity withdrawal and cash from unforeseen circumstances.</li> <li>• DMC will allow up to \$100 as a closing adjustment only to eliminate the need to recalculate the mortgage amount.</li> </ul>

<b>Loan Term</b>	<p>The maximum term of the new loan is limited to the lesser of the following:</p> <ul style="list-style-type: none"> <li>the original term of the VA loan being refinanced plus 10 years, or</li> <li>not to exceed a maximum of 30 years and 32 days.</li> </ul> <p><u>Example:</u> If the existing loan has a 15-year term, the term of the new loan cannot exceed 25 years.</p> <p><b>Note:</b> The timeframe of 30 years and 32 days is based on the existing loan. The term of the new loan cannot exceed 30 years.</p>
<b>Credit Issues</b>	<p><b><u>CAIVRS</u></b></p> <ul style="list-style-type: none"> <li>CAIVRS codes are required for all borrowers.</li> <li>The CAIVRS codes must be entered on the <i>IRRRL Worksheet (VA Form 26- 8923)</i> by the word “note” (located near the bottom of the form).</li> </ul> <p><b><u>Payment History</u></b></p> <ul style="list-style-type: none"> <li>Borrower must have a satisfactory twelve (12) month mortgage history on the property being refinanced.</li> <li>If the property was acquired less than twelve (12) months prior to the refinance, then a minimum six (6) month pay history will be required.</li> <li>Payment histories less than 6 months require a full credit qualify including income and asset documentation.</li> </ul> <p><b><u>Note:</u></b> A satisfactory mortgage pay history is defined as no more than 0 x 30 days late within the 12-month (or 6-month, if applicable) period.</p> <ul style="list-style-type: none"> <li>The existing loan must be seasoned with the current lender for at least six (6) months except as follows: <ul style="list-style-type: none"> <li>A loan transferred from one lender to another lender (i.e. through a bank or servicing sale), that does not result in a refinance is NOT covered by this restriction.</li> </ul> </li> </ul> <p><b><u>Note:</u></b> As long as the loan transfer is documented and a satisfactory six (6) month payment history is established, the transactions are eligible for a streamline refinance loan.</p> <ul style="list-style-type: none"> <li>Minimum credit score is 640.</li> <li>A tri-merged credit report is required.</li> <li>A borrower with a recent Chapter 13 bankruptcy may need approval of the trustee for the new loan.</li> </ul> <p><b><u>Delinquent VA Loan</u></b></p> <ul style="list-style-type: none"> <li>An IRRRL made to refinance a delinquent VA loan may not be processed and closed under the automatic procedure.</li> <li>VA considers any loans on which a payment is 30 days or more past due on the date of the proposed closing to be delinquent.</li> <li>If the current VA loan is delinquent, the new loan must be submitted to VA for prior approval.</li> </ul> <p><b><u>Note:</u></b> Direct Mortgage requires a satisfactory twelve (12) month mortgage pay history on the property being refinanced.</p> <ul style="list-style-type: none"> <li>Additional required documentation to submit a delinquent loan to VA includes all of the following: <ul style="list-style-type: none"> <li>explanation of reason(s) for loan delinquency, including documentation to support the explanation and evidence that the cause of delinquency has been resolved,</li> <li>credit report (in-file is acceptable),</li> <li>current paystub and telephone verification of current employment (if not employed, evidence of source of income such as disability, etc.),</li> <li>completed <i>VA Loan Analysis (VA Form 26-6393)</i>, and</li> <li>12-month payment history of current mortgage (if not on the credit report).</li> </ul> </li> </ul>
<b>Occupancy Requirements</b>	<ul style="list-style-type: none"> <li>Previous occupancy by the veteran and/or spouse will satisfy the occupancy requirements for IRRRLs.</li> <li>The veteran and/or spouse certifies to this on the <i>Report and Certification of Loan Disbursement (VA Form 26-1820)</i>.</li> </ul>

<b>Adding or Deleting Borrowers</b>	<ul style="list-style-type: none"> <li>• Generally, the parties obligated on the original loan must be the same on the new loan (and the veteran must still own the property).</li> <li>• The lender should contact VA regarding a proposed IRRRL involving a change in obligors unless the acceptability of the IRRRL is clear and meets VA accepted changes in obligors.</li> <li>• If the veteran whose entitlement was used to obtain the current VA loan has died (regardless of the cause of death) and the veteran's unmarried surviving spouse was a co-borrower, the unmarried surviving spouse is considered a veteran for the purpose of an IRRRL. The surviving spouse must own the property being refinanced.</li> </ul> <p><u>Reference:</u> See "Eligible Borrowers" subsequently presented in this topic for additional information.</p>																																	
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Prior approval for IRRRLs is not required for veterans in receipt of non-service-connected pension or for veterans rated incompetent by VA when these veterans meet the requirements of this section.</li> <li>• The following chart shows the VA accepted changes of the obligors from the old VA loan to the new VA IRRRL.</li> </ul> <table border="1" data-bbox="430 600 1503 1071"> <thead> <tr> <th>Parties Obligated on Old VA Loan</th> <th>Parties to be Obligated on new IRRRL</th> <th>Is IRRRL Possible?</th> </tr> </thead> <tbody> <tr> <td>Unmarried veteran</td> <td>Veteran and new spouse</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Divorced veteran alone</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Veteran and different spouse</td> <td>Yes</td> </tr> <tr> <td>Veteran alone</td> <td>Different veteran who has substituted entitlement</td> <td>Yes</td> </tr> <tr> <td>Veteran and spouse</td> <td>Spouse alone (veteran died)</td> <td>Yes</td> </tr> <tr> <td>Veteran and non-veteran joint loan obligors</td> <td>Veteran alone</td> <td>Yes*</td> </tr> <tr> <td>Veteran and spouse</td> <td>Divorced spouse alone</td> <td>No</td> </tr> <tr> <td>Unmarried veteran</td> <td>Spouse alone (veteran died)</td> <td>No</td> </tr> <tr> <td>Veteran and spouse</td> <td>Different spouse alone (veteran died)</td> <td>No</td> </tr> <tr> <td>Veteran and non-veteran joint loan obligors</td> <td>Non-veteran alone</td> <td>No</td> </tr> </tbody> </table> <p>*<u>Reference:</u> See the sub-topic "Veteran and Non-Veteran/Non-Spouse" in the topic "Eligible Borrowers" for additional information.</p> <p><b>Note:</b> In cases of an Interest Rate Reduction Refinance Loan to remove an ex-spouse from title, the standard Interest Rate Reduction Refinance Loan guidelines still apply.</p>	Parties Obligated on Old VA Loan	Parties to be Obligated on new IRRRL	Is IRRRL Possible?	Unmarried veteran	Veteran and new spouse	Yes	Veteran and spouse	Divorced veteran alone	Yes	Veteran and spouse	Veteran and different spouse	Yes	Veteran alone	Different veteran who has substituted entitlement	Yes	Veteran and spouse	Spouse alone (veteran died)	Yes	Veteran and non-veteran joint loan obligors	Veteran alone	Yes*	Veteran and spouse	Divorced spouse alone	No	Unmarried veteran	Spouse alone (veteran died)	No	Veteran and spouse	Different spouse alone (veteran died)	No	Veteran and non-veteran joint loan obligors	Non-veteran alone	No
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<b>Discount Point Limitation</b>	<ul style="list-style-type: none"> <li>• A veteran can include up to a maximum of 2% discount points in an IRRRL.</li> <li>• If more than 2% discount points are charged, the veteran must pay the amount over 2% out of his/her pocket in cash.</li> <li>• If more than the maximum points are included in the loan, VA will not issue guaranty.</li> <li>• Discount points only allowed for the actual cost of the loan.</li> </ul>																																	

<p><b>Processing</b></p>	<ul style="list-style-type: none"> <li>• Although VA does not require a formal loan application for IRRRLs, Direct Mortgage requires a Fannie Mae 1003 application.</li> <li>• The new loan amount, origination fee, discount and VA funding fee are determined by the figures arrived at using the <i>Interest Rate Reduction Refinancing Loan Worksheet</i> (VA Form 26-8923); however, the new loan amount cannot exceed a maximum loan amount of \$417,000.</li> </ul> <p><b>Note:</b> The origination fee is based off of the existing loan balance and not the new loan amount.</p> <ul style="list-style-type: none"> <li>• Brokers may now use the VA WebGIL website to submit <i>IRRRL WebGIL Status Inquiries</i> in lieu of a <i>Certificate of Eligibility</i> for IRRRLs. This is an instant automated service that will process the request. This service can be used for all VA loans, regardless of the property location or VA office of jurisdiction. If LIN search returns information showing the Active loan to be refinanced etc., print the output and use in lieu of a COE.</li> </ul> <p><b>Note:</b> A link to this website is also provided in the required forms table on the following page. See the form name <i>Certificate of Eligibility</i> and the column titled “Notes” to access the link.</p> <ul style="list-style-type: none"> <li>• In order for Direct Mortgage’s Government Insuring Department to complete the <i>VA Loan Summary Sheet</i> (VA Form 26-0286), THE BROKER WILL ALSO NEED TO OBTAIN THE VETERAN’S BRANCH OF SERVICE AND DATE OF BIRTH AS PART OF THEIR FILE DOCUMENTATION. The broker should write this information on the <i>Certificate of Eligibility</i> if it is not preprinted on the form. VA will not accept an incomplete <i>VA Loan Summary Sheet</i>. All information needs to be obtained in order for the Insuring Department to fully complete the form.</li> </ul>
<p><b>Appraisal</b></p>	<ul style="list-style-type: none"> <li>• A conventional exterior-only appraisal is required on all IRRRL transactions. <ul style="list-style-type: none"> <li>• This conventional appraisal should be ordered through Direct Mortgage and does not have to be performed by a VA-approved appraiser.</li> <li>• The appraisal must show the property rated as “average” or better condition.</li> <li>• The veteran may be charged for the cost of the appraisal.</li> <li>• Max LTV is 100%</li> </ul> </li> </ul> <p><b>HVCC Transferred Appraisals</b></p> <ul style="list-style-type: none"> <li>• DMC no longer accepts appraisals ordered by other lenders. This is applicable whenever an HVCC appraisal is required. “Transfer” or “Assignment” letters will no longer be accepted.</li> </ul>
<p><b>Employment</b></p>	<ul style="list-style-type: none"> <li>• Current employment information is required on the loan application.</li> <li>• Self employed borrowers must provide a CPA Letter or Business license.</li> <li>• For retired borrowers or borrowers receiving social security we will accept a letter of explanation.</li> <li>• A verbal VOE will be performed prior to the loan closing and at funding.</li> </ul>

**VA Allowable Fees**

<p><b>General</b></p>	<ul style="list-style-type: none"> <li>• VA regulations provide the list of fees and charges that the veteran is allowed to pay.</li> <li>• The veteran may pay reasonable and customary amounts for permissible charges as designated by VA, plus a 1% flat charge by the lender and reasonable discount points.</li> <li>• The seller, lender, or any other party may pay fees and charges, including discount points, on behalf of the borrower. VA regulations limit charges paid by the borrower; they do not limit the payment of fees and changes by other parties.</li> </ul>
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**Itemized Acceptable Fees and Charges**

The table below shows fees and charges that the veteran may pay in addition to the one percent (1%) flat charge.  
Reference: See “Lender’s 1% Origination Fee” presented in this topic for additional information..

Charges	Description
Appraisal	<ul style="list-style-type: none"> <li>The VA appraiser’s fee</li> <li>A second (2<sup>nd</sup>) appraisal only IF it is the veteran who is requesting reconsideration of value. The following applies to other requests for second appraisals: <ul style="list-style-type: none"> <li>the veteran <b>cannot</b> pay for an appraisal when it is the lender or seller who is requesting the reconsideration of value, and</li> <li>the veteran <b>cannot</b> pay for appraisals requested by parties other than the veteran or lender.</li> </ul> </li> </ul>
Compliance Inspections	<ul style="list-style-type: none"> <li>A VA compliance inspector’s fee or the VA appraiser’s fee.</li> </ul>
Recording Fees	The recording fees, recording taxes or other charges incident to recordation.
Credit Report	The credit report obtained by the lender.  <b>Note:</b> For Automated Underwriting cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report. For “Refer” cases, the veteran may also pay the charge for a merged credit report, if required.
Discount points	Reasonable discount points
Prepaid Items	The portion of taxes, assessments and similar items for the current year and the initial deposit for the tax and insurance account.
Hazard Insurance	<ul style="list-style-type: none"> <li>The required hazard insurance premium.</li> <li>A flood insurance premium, if applicable.</li> </ul>
Flood Zone Determination	<ul style="list-style-type: none"> <li>The actual amount charged for a flood certification: <ul style="list-style-type: none"> <li>Only if made by a third (3<sup>rd</sup>) party who guarantees the accuracy of the determination.</li> </ul> </li> <li>The life of the loan flood determination service purchased at the time of loan origination.</li> </ul> <b>Note:</b> A fee may <b>not</b> be charged for a flood zone determination made by a lender or an appraiser.
MERS Registration Fee	<ul style="list-style-type: none"> <li>A one-time fee, actual basic charge is considered reasonable and customary.</li> <li>Must be disclosed on the Good Faith Estimate and the HUD-1.</li> </ul>
Survey	<ul style="list-style-type: none"> <li>A survey, if required by the lender or veteran.</li> <li>Any charge for a survey on a condominium <b>must</b> have the prior approval of VA.</li> </ul>
Title Examination and Title Insurance	<ul style="list-style-type: none"> <li>The title examination and title insurance.</li> <li>An environmental protection lien endorsement to a title policy, if needed.</li> </ul>
Special Mailing fees for Refinancing Loans	For Refinance transactions only: Charges for Federal Express, Express Mail or similar services if the saved per diem interest cost to the veteran will exceed the cost of special handling.
VA Funding Fee	Unless exempt from the fee as evidenced by a <i>Verification of VA Benefit Related Indebtedness</i> (VA Form 26-8937).
Other fees authorized by VA	<ul style="list-style-type: none"> <li>Additional fees attributable to local variances may be charged to the veteran only if specifically authorized by VA.</li> <li>Approval of such fee may be requested if it meets the following: <ul style="list-style-type: none"> <li>normally paid by the borrower in a particular jurisdiction, and</li> <li>considered reasonable and customary in the jurisdiction.</li> </ul> </li> </ul>
Attorney’s fees	<ul style="list-style-type: none"> <li>The veteran can independently retain an attorney and pay a fee for legal services in connection with the purchase of a home.</li> <li>Closing documents must clearly indicate that the attorney’s fee is <b>not</b> being charged by the lender, but is being paid by the veteran as part of an independent arrangement with an attorney.</li> </ul>

<p><b>Lender's 1% Origination Fee</b></p>	<ul style="list-style-type: none"> <li>• The lender may charge the veteran a flat charge not to exceed 1% (origination fee) of the loan amount. This 1% is calculated on the principal amount after adding the funding fee to the loan, if the funding fee is paid from loan proceeds. Origination fee will show paid to DMC on the Hud-1. Direct Mortgage, Corp. will pay the origination fee to the broker POC.</li> <li>• Exception: For Interest Rate Reduction Refinance Loans, use <i>VA IRRRL Worksheet</i> (VA Form 26-8923) for the calculation.</li> <li>• The lender's flat charge is intended to cover all of the lender's costs and services that are not reimbursable as "itemized fees and charges."</li> <li>• The items listed below provide examples of items that <b>cannot</b> be charged to the veteran and must be covered from the 1% origination fee: <ul style="list-style-type: none"> <li>• loan closing or settlement fees,</li> <li>• document preparation fees,</li> <li>• Preparation of loan papers or conveyance fees</li> <li>• Attorney's services other than for title work</li> <li>• Photographs</li> <li>• Interest Rate Lock-in fees</li> <li>• Postage and other mailing charges, stationery, telephone calls and other overhead</li> <li>• Amortization schedules, pass books, and membership or entrance fees</li> <li>• Escrow fees or charges (for postponement of improvements including the inspection fees resulting from same)</li> </ul> </li> </ul> <p>Note: In the State of WA the only allowable broker compensation is the Yield Spread Premium</p>
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**Energy Efficient Mortgage (EEM) Program**

<p><b>General</b></p>	<ul style="list-style-type: none"> <li>• The Energy Efficient Mortgage (EEM) program allows borrowers to upgrade the energy efficiency of the subject property and to finance the cost of the upgrades.</li> <li>• The borrower may do this at the time of purchase or as a refinance if the borrower already owns the subject property.</li> <li>• All upgrades must be complete within 30 days of closing.</li> </ul>
<p><b>Eligible Property</b></p>	<ul style="list-style-type: none"> <li>• The property must be an existing dwelling that is either being purchased or refinanced by the veteran. For IRRRLs, the veteran may certify prior occupancy as current occupancy is not required.</li> <li>• We now require a condominium borrower to obtain a "Walls In" coverage policy (commonly known as a HO-6 policy). Coverage is to include interior walls, floor coverings, fixtures, cabinetry, appliances, and improvements and betterments made to the unit's interior. The HO-6 policy must provide coverage is an amount that is no less than 20% of the condominium unit's appraised value.</li> </ul>

<b>Eligible Improvements</b>	<p>Acceptable energy efficient improvements include, but are not limited to, the following items:</p> <ul style="list-style-type: none"> <li>• solar heating systems, including solar systems for heating water for domestic use,</li> <li>• solar heating and cooling systems,</li> <li>• caulking and weather-stripping,</li> <li>• furnace efficiency modifications limited to replacement burners, boilers or furnaces designed to reduce the firing rate or to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency, devices for modifying flue openings which will increase the efficiency of the heating system, and electrical or mechanical furnace ignition systems which replace</li> <li>• standing gas pilot lights,</li> <li>• clock thermostats,</li> <li>• new or additional ceiling, attic, wall and floor insulation,</li> <li>• water heater insulation,</li> <li>• storm windows and/or doors, including thermal windows and/or doors,</li> <li>• heat pumps, and</li> <li>• vapor barriers.</li> </ul>
<b>Maximum Allowable Cost of Improvements</b>	<p>The mortgage loan amount may be increased as follows:</p> <ul style="list-style-type: none"> <li>• up to \$3,000 based solely on documented costs for energy efficiency improvements,</li> <li>• up to \$6,000 provided the increase in the monthly mortgage payment does not exceed the likely reduction in monthly utility costs,</li> <li>• more than \$6,000 subject to a value determination by VA, or</li> <li>• up to the amount necessary to pay for materials, if labor is performed by the veteran.</li> </ul>
<b>Maximum Mortgage</b>	<p><b>Adding Cost of Improvements</b></p> <ul style="list-style-type: none"> <li>• The cost of the improvements may be added to the loan amount, up to \$6,000.</li> <li>• The appraised value may be exceeded by the amount of the energy efficient improvements on purchases.</li> </ul> <p><b>Funding Fee Calculation</b></p> <p>The funding fee is calculated on the full loan amount, including the cost of the energy efficient improvements.</p>
<b>Underwriting Issues</b>	<p><b>General</b></p> <p>In addition to the underwriting issues listed below, the lender must determine the following:</p> <ul style="list-style-type: none"> <li>• if the proposed weatherization and/or energy conservation improvements are reasonable for the particular property, and</li> <li>• if the veteran's ability to pay the increased loan payments caused by the addition of the improvements is satisfactory.</li> </ul> <p><b>Increased payments for costs up to \$3,000</b></p> <p>The lender must determine that the proposed energy efficient improvements up to \$3,000 meet the following requirements:</p> <ul style="list-style-type: none"> <li>• normally offset by a reduction in utility costs, and</li> <li>• based solely on the documented costs.</li> </ul> <p><b>Increased payments for costs between \$3,000 and \$6,000</b></p> <ul style="list-style-type: none"> <li>• For energy efficient improvements that are more than \$3,000 but no more than \$6,000, the lender must determine if the increase in the monthly mortgage payment does not exceed the likely reduction in monthly utility costs.</li> <li>• The lender is expected to rely on locally available information provided by utility companies, municipalities, State agencies, or other reliable sources to make the determination.</li> <li>• VA will accept the lender's determination that the requirement is met.</li> </ul> <p><b>Increased payments for costs above \$6,000</b></p> <ul style="list-style-type: none"> <li>• The lender should carefully exercise discretion and consider the following points whenever the energy efficient improvements exceed \$6,000:</li> </ul>

<b>Underwriting Issues</b> <i>(continued)</i>	<ul style="list-style-type: none"> <li>• whether the increase in monthly mortgage payments exceed the likely reduction in monthly utility costs,</li> <li>• whether the veteran’s income is sufficient to cover the higher mortgage payment, and</li> <li>• documentation of VA’s valuation of the energy efficient improvements.</li> </ul> <p>• A <i>VA Certificate of Commitment</i>, on a prior approval loan, issued prior to the decision to make energy efficient improvements over \$6,000 must be returned to VA for a determination that the applicant still qualifies.</p> <p><b>Increased payments on an IRRRL</b>  If the monthly payment (PITI) for the new loan, when adding the cost of energy efficient improvements, exceeds the PITI of the loan being refinanced by 20% or more, the veteran must qualify with the higher payment.</p> <p><b>Policy regarding departure residences when they are mobile homes</b></p> <ul style="list-style-type: none"> <li>• Whether the borrower owns the land or pays lot rent, rental income may never be considered when the departure residence is a mobile home.</li> <li>• If the borrower is moving out of a mobile home and owns the land, an appraisal or AVM must be provided to verify that they are not upside down in value and mortgage.</li> <li>• If the borrower is moving out of a mobile home and pays lot rent, no appraisal or AVM is required. However, we must verify the amount of lot rent and hold it against them as a net rental loss.</li> </ul>
<b>Veteran’s Entitlement</b>	<p>VA will guarantee an energy efficient mortgage in the same proportion as a loan not including energy efficient improvements. However, the charge to the veteran’s entitlement will be based on the loan amount before adding the cost of energy efficient improvements.</p> <p><u>Reference:</u> See the VA Lender's Handbook (Section 7.03) for specific instructions on calculating the guarantee and entitlement for EEM loans.</p>
<b>Closing and Post Closing – Escrow for Improvements</b>	<p><b>General</b></p> <ul style="list-style-type: none"> <li>• Energy efficient improvements should be completed when the loan is reported to VA. However, if the improvements cannot be completed prior to submitting the loan report to VA, the loan may be closed by establishing an escrow to assure completion.</li> <li>• A formal escrow is not required for loans processed on a prior approval or automatic basis. Only the amount necessary to complete the improvements needs to be withheld and no additional documentation pertaining to the escrow funds needs to be submitted to VA.</li> <li>• Generally, the improvements must be completed within 30 days from the date of loan closing. At that time, VA will expect the lender's notification of completion or notification that funds were applied to reduce the loan balance.</li> <li>• When the improvements have been completed, the lender must provide VA with a written notification of completion and that all escrow funds have been disbursed. The lender is responsible for verifying that all costs have been paid.</li> <li>• If, after a reasonable period, the lender determines that the improvements will not be completed, the balance of the escrow funds should be applied as principal to reduce the loan balance and the Regional VA office must be notified.</li> </ul> <p><b>Special Instructions for EEMS on IRRRL Transactions</b></p> <ul style="list-style-type: none"> <li>• VA allows a veteran to receive up to \$6,000 of IRRRL loan proceeds as reimbursement for the cost of energy efficiency improvements completed within the 30 days immediately preceding the date of the loan.</li> <li>• If the energy efficiency improvements are not completed prior to closing, the funds may be escrowed as mentioned in the “General” section above.</li> <li>• Escrowed funds must be paid directly to the contractor(s) once the lender is satisfied that the work is properly completed. Escrowed funds may not be given to the veteran as reimbursement or payment.</li> </ul>