VA IRRRL Net Tangible Benefit Worksheet

The following worksheet is used to determine if the borrower's net tangible benefit meets VA's requirements.

Borrower Name ____

Loan Number____________________________

Address:____

If each item is satisfied below, the IRRRL meets the Net Tangible Benefit Requirement.

The loan being refinanced was originated at least 6 months before the new loan's closing date

The existing loan is not currently past due **and** has not been 30 days or more past due during the prior 12 month period.

The recoupment period for all allowable fees and charges financed as part of the loan or paid at closing does not exceed 36 months.

Recoupment Calculation:

$__________ Total Closing Costs / _________ Monthly Decrease Principal and Interest =__________ Recapture Months

The interest rate must bear a lower interest rate than the loan it is refinancing:

- Fixed to Fixed requires 0.5% reduction
- Fixed to ARM requires 2.0% reduction
- ARM to Fixed and ARM to ARM are exempt from rate reduction
- To ensure compliance, a copy of the note from the refinanced loan must be provided

When refinancing from Fixed Rate to ARM and Discount Points are used to reduce the interest rate, an LTV calculation is required based on the following:

- less than or equal to one discount point requires an LTV of 100% or less
- greater than one discount point requires an LTV of 90% or less
  Note this is not required when refinancing from ARM to Fixed Rate or Fixed Rate to Fixed Rate

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All other VA requirements for guaranteeing an IRRRL are met, including the requirements related to **exemption of income** verification are satisfied.

All VA loans are considered QM, but not all IRRRL loans have safe harbor. To have safe harbor, FCM must verify the VA IRRRL loan meets the following criteria:

The proposed IRRRL does not increase the principal balance outstanding on the prior existing residential mortgage loan, except to the extent of fees and charges allowed by VA.

Total points and fees payable in connection with the proposed IRRRL do not exceed 3 percent of the total proposed principal amount.

The interest rate on the proposed IRRRL is lower than the interest rate on the loan being refinanced, unless the borrower is refinancing from an adjustable rate to a fixed-rate loan, under guidelines that VA has established.

The proposed IRRRL is subject to a payment schedule that will fully amortize the IRRRL in accordance with VA regulations.

The terms of the proposed IRRRL do not result in a balloon payment, as defined in TILA.

Both the residential mortgage loan being refinanced and the proposed IRRRL satisfy all other VA requirements.

Lenders will have to document and verify the borrower's income if any of these conditions are not met in order to have a safe harbor QM loan.

Note: VA Points and Fees restrictions are only applicable if the Lender is trying to skip the income verification on a VA Streamline.