



# DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-30

July 13, 2020

first community mortgage

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## COVID-19 Update

### VA

#### Circular 26-20-25

1. VA-Guaranteed Purchase and Cash-Out Refinance Loans
  - i. Lenders should not use a CARES Act forbearance as a reason to deny a Veteran a VA-guaranteed loan.
  - ii. Borrowers must provide reasons for the loan deficiency and information as to how the delinquency has been corrected.
  - iii. Lenders should continue to evaluate all applicable credit qualifying information
    - a. Any monthly obligation of the borrowers from deferred payments should be considered in credit qualifying.
2. IRRRLs
  - i. Underwriting Requirements and VA Approval
    - a. VA is waiving the requirement for prior approval for refinance of more than 30 day past due delinquent loans if:
      - i. the lender has automatic lending authority with VA,
      - ii. the borrower invoked a CARES Act forbearance on the loan being refinanced,
      - iii. the borrower provides information that they are no longer experiencing hardship, and
      - iv. the borrower qualifies under VA credit standards. (not exempt from income verification)
    - b. If the loan is less than 30 days past due, VA prior approval and lender underwriting are not required.
  - ii. Maximum Loan Amount
    - a. If the borrower invoked a CARES Act forbearance, the loan amount of their IRRRL may include:



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- i. any past due installment payments,
    - ii. allowable late charges consistent with the note and applicable laws,
    - iii. the cost of energy efficiency improvements,
    - iv. allowable closing costs and discount points, and
    - v. the VA funding fee
  - iii. Seasoning
    - a. If a loan met seasoning requirements prior to the forbearance, that seasoning requirement remains satisfied.
    - b. If a borrower was partially complete with seasoning before entering forbearance, that borrower will need to begin again at the start, until they have made six *consecutive* timely monthly payments post-forbearance.
      - i. Additionally, the date of closing for the refinance loan must be 210 or more days after the first payment due date of the loan being refinanced.
3. The Circular is effective immediately until its rescission by subsequent Circular or on July 1, 2021