



first community mortgage

# WHOLESALE ANNOUNCEMENT 2020-32

July 13, 2020

## COVID-19 Update- VA

### 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:
    - i. any past due installment payments,
    - ii. allowable late charges consistent with the note and applicable laws,
    - iii. the cost of energy efficiency improvements,



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- 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