VA Circular 26-19-22 informs readers of the fact that there are two different recoupment calculations: *(Download a PDF of the circular here.)*

- The recoupment calculation with the purpose of providing the veteran a comparison statement between the current vs. new loan information with all the closing costs, POC expenses, amount held in escrow, prepaid items and the VA funding fee) in months which may or may not exceed 36 months; and

- The recoupment calculation for eligibility of guarantee which must include all the closing costs, POC expenses excluding the amounts held in escrow, prepaid items and the VA funding fee) in months which must not exceed 36 months.

## VA IRRRL Disclosure Tip *(Download a PDF of the form here.)*

- The Comparison Statement disclosure must be issued by the Loan Originator and given to the veteran within 3 business days of the loan application (it does not have to be signed within the 3 days of the loan application); however, the veteran must certify to VA that he/she received the comparison statement within 3 business days and evidence of this confirmation must be obtained by the lender; therefore FLC Bank's form has a certification statement to be signed by the veteran which must be provided to us prior to the clear to close (CTC).

**The top part of page has the application date and the date the disclosure is being issued**

Application Date: __________ Disclosure Issued Date: __________

Borrower: ______________________ Borrower: ______________________

Property Address: ______________________________________________

**<u>Comparison Statement</u>**

This Comparison Statement describes the length of time it will take the Veteran to recoup for the fees, closing costs, and expenses incurred for the new refinance and applies to all IRRRLs (IRRRLs where the principal balance is increasing, the term of the loan is decreasing, or where the loan being refinanced is an adjustable-rate mortgage (ARM)).

I. **For an IRRRL that results in a lower monthly principal and interest (P&I) payment, the recoupment period of all costs and fees, incurred by the Veteran, must not exceed 36 months. Lender credits may be used to offset allowable fees and charges.**

**The second page has the Veteran's certification of receipt within 3 business days of the loan application**

III. **Borrower Acknowledgement:** I hereby acknowledge that I (we) understand the effects of the loan payment and interest rate involved in refinancing our home loan; as well as, the length of time it will take to recoup the fees, closing costs and expenses incurred for the new refinance.

I also certify the receipt of this disclosure within 3 business days from the loan application date.

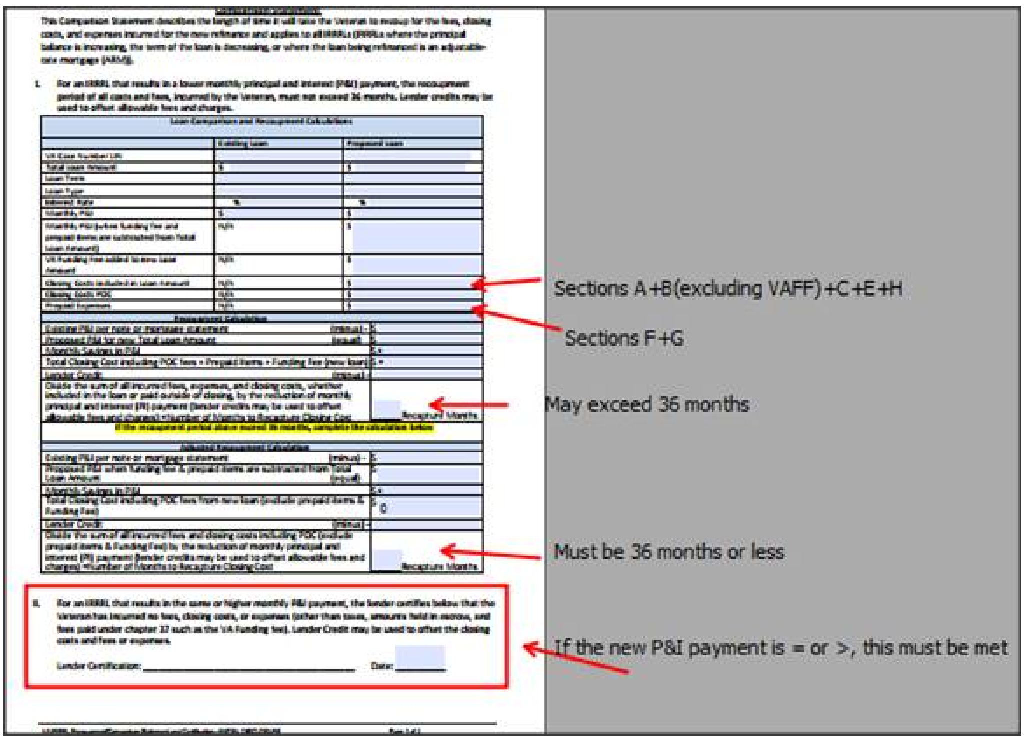
______________________ ______________
Borrower Date

______________________ ______________
Borrower Date

- The first part of the disclosure (top of Section I) is the VA Comparison Statement which serves to inform the veteran of all the fees, expenses and closing costs (including taxes, escrow and funding fee) whether included in loan or paid outside closing being incurred on the new refinance transaction which serves to disclosure to the veteran within 3 days of loan application all the costs/fees and the amount of time it will take for them to recoup such fees. This calculation may or may not exceed 36 months.

- If it exceeds 36 months; then, the bottom portion of Section I needs to be completed which represents the adjusted recoupment calculation which result MUST be 36 months or less in order for the IRRRL to be eligible for VA guarantee. In this adjusted recoupment, we don't have to include the prepaid items or the Funding Fee from the calculation.

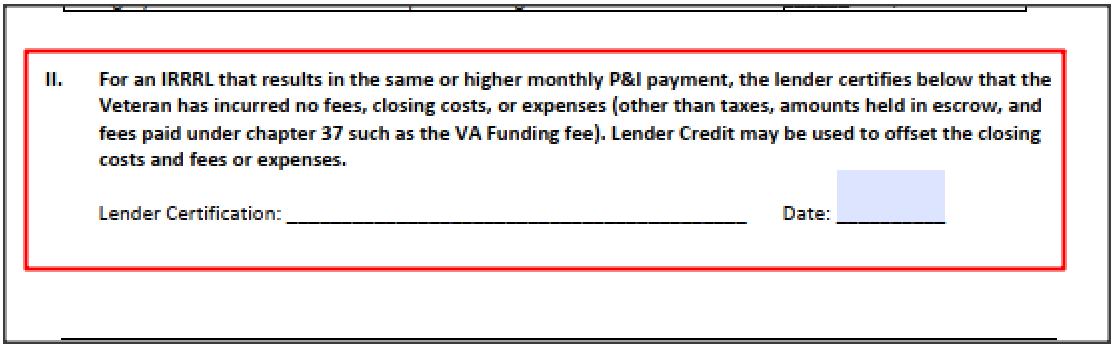
**In both instances, the calculations are performed automatically for both sections when the form is completed online**




- Another important item to point out is that VA requires the new P&I to be lower than the current P&I always except in the following circumstances:

  - If/When the new P&I payment for the IRRRL remains the same or is increasing due to an increase in the principal balance, the term of the loan is decreasing, or where the loan being refinance is changing from an adjustable rate to a fixed rate, the 36 months recoupment requirement must be met unless the Veteran does not incur any fees, closing costs, or expenses other than taxes, amounts held in escrow like prepaid items and the VA Funding fee (lender credit/premium pricing may be used to offset fees) and a lender certification of the same must be provided.

- Whenever, an IRRRL reflects the new P&I is not lower than the current P&I, the new loan amount cannot have the veteran pay/finance closing costs, fees or POC expenses into the new loan at all except for any pre-paid items and Funding Fee if applicable. The closing costs, fees and POC expenses can be off-set by a lender credit in which case, we must certify this to VA.  In which chase, Section II of our disclosure would need to be signed by the LO to certify this at the time of the initial issuance of the document.



II. For an IRRRL that results in the same or higher monthly P&I payment, the lender certifies below that the Veteran has incurred no fees, closing costs, or expenses (other than taxes, amounts held in escrow, and fees paid under chapter 37 such as the VA Funding fee). Lender Credit may be used to offset the closing costs and fees or expenses.

Lender Certification: ______________________ Date: __________

**Do not forget that the IRRRL must still meet all other VA IRRRL requirements including the fact that it must afford the veteran with NTB as follows:**

- Fixed Rate to Fixed Rate: The new refinanced loan must have an interest rate that is at least 0.50% less than the interest rate of the previous loan.

- Fixed Rate to an Adjustable Interest Rate: The new refinance loan must have an interest rate that is at least 2% less than the interest rate of the previous loan, and the lower interest rate cannot be produced solely from discount points unless;

    a) *Such points are paid at closing; and*
    b) *For discount points that are ≤ 1 discount point, the maximum LTV is ≤ 100%; and*
    c) *For discounts points that are > 1 discount point, the maximum is LTV is ≤ 90%.*

When discount points are charged, a determination of LTV must be made. The loan originator must order a conventional appraisal (Full URAR 1004; 1075; or 1073 as applicable) or an Exterior-Only Residential Appraisal Report (Form 2055) through his/her appraisal management company for the underwriter to determine value. The appraisal fee may be paid by the veteran and this cost must be included in the recoupment costs.

- Adjustable Interest Rate to Fixed Rate: There is no interest rate reduction requirement. The loan must meet eligibility recoupment; otherwise, have no fees, closing costs, or expenses other than taxes, prepaid items and VA Funding fee if payment is the same or increasing.

- Adjustable Interest Rate to Adjustable Interest Rate: There is no interest rate reduction requirement. The loan must meet eligibility recoupment; otherwise, have no fees, closing costs, or expenses other than taxes, prepaid items and VA Funding fee if payment is the same or increasing.