

VA Issues Guidance on IRRRL Requirements

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To protect veterans from loan churning, the **Economic Growth, Regulatory Relief, and Consumer Protection Act** (Growth Act) imposed additional requirements for **Interest Rate Reduction Refinance Loans** (IRRRLs) to be guaranteed by the U.S. Department of Veterans Affairs (VA), as previously [reported](#). VA recently issued [Circular 26-19-22](#) (which has three exhibits: [Exhibit A](#), [Exhibit B](#) and [Exhibit C](#)) to consolidate and clarify guidance on the requirements, as well as to address the clarification of the loan seasoning requirement made by the [Protecting Affordable Mortgages for Veterans Act of 2019](#).

VA emphasizes that the Circular addresses only IRRRLs and that lenders should not confuse VA guidance regarding cash-out refinance loans with the guidance provided in the Circular. VA also indicates that it has not updated its regulations for IRRRLs to reflect statutory changes and that “until VA publishes a final rule updating its IRRRL regulations, in instances where regulatory provisions unequivocally conflict with this Circular, this Circular constitutes VA’s interpretation of current policy.”

The Circular provides guidance regarding the fee recoupment, net tangible benefit, and loan seasoning requirements for IRRRLs. For IRRRLs originated on or after May 25, 2018 (the date VA initially issued [guidance](#) under the Growth Act) and before August 8, 2019 (the date of Circular 26-19-22) that do not meet the fee recoupment and loan seasoning requirements outlined in the Circular, lenders may take steps to cure the noncompliance without VA’s prior approval, provided that the cure does not result in any costs to the veteran. VA advises that lenders should keep detailed records of cure actions for VA examination in cases where VA conducts loan reviews or lender site inspections. The ability to cure regarding the fee recoupment and net tangible benefit requirements does not apply to loans for which applications are received on or after the date of the Circular. Additionally, due to the nature of the loan seasoning requirement, VA advises that remedial action is not available for that requirement.

Exhibit A to the Circular is a quick guide for compliance with the requirements in the Circular, and Exhibit B provides guidance on determining the fee recoupment period. VA advises in the Circular that lenders must twice present the veteran with a comparison of the existing loan and proposed refinance loan, and Exhibit C is a sample comparison disclosure.

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