

WHOLESALE BULLETIN

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20W-121

Attention: AEs, Business Development Managers & Mortgage Brokers September 29, 2020

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: **REVISED Impact of CARES Act Forbearance on VA Purchase and Refinance Transactions**

Effective immediately, VA has provided the following forbearance guidance for both VA Purchase and Refinance transactions, including IRRRL's.

Veterans who are affected by COVID-19 should still be afforded the opportunity to utilize their earned VA home loan benefits. For this reason, VA is temporarily relaxing certain credit underwriting policies for VA guaranteed purchase and cash out refinance loans. The CARES Act forbearance **should not be used** as a reason to deny a Veteran a VA-guaranteed loan. Borrowers must provide reasons for the loan deficiency and information to establish that the cause of the delinquency has been corrected.

VA will not consider a Veteran as an unsatisfactory credit risk, based solely upon the fact that the Veteran received some type of credit forbearance or experienced some type of deferred payment during the COVID-19 national emergency. MWF will continue to review and evaluate all applicable credit qualifying information, e.g. residual income, debt to income ratios, credit, and assets. Although deferred payments may not be considered for credit risk purposes, Mountain West Financial® will consider the monthly obligation if the debt remains active after closing the new loan.

IRRRLs

Currently VA requires prior approval from VA if the loan being refinanced is delinquent, i.e., the scheduled monthly payment of principal and interest is more than 30 days past due. In such cases, borrowers must provide reasons for the loan deficiency information to establish that the cause of the delinquency has been corrected, and information establishing that the borrower qualifies for the loan under VA's underwriting and credit standards. Under this Circular (Circ. #26-20-25), VA is temporarily waiving certain prior approval requirements applicable to delinquent loans.

Waiver of Prior Approval

VA's prior approval is not required, regardless of delinquency status if –

- The borrower has invoked a CARES Act forbearance relating to the loan being refinanced,
- The borrower has provided information to establish that the borrower is no longer experiencing a financial hardship caused by COVID-19, and
- The borrower qualifies for the IRRRL under VA credit standards.

IRRRLs Where the Loan Being Refinanced is not more than 30 days past due.

As explained above, VA's regulations require prior approval and underwriting for an IRRRL only when the loan being refinanced is more than 30 days past due. If the loan being refinanced is not more than 30 days past due, VA's approval is not required in advance of the loan, nor is underwriting required. VA's prior approval and MWF underwriting are not required in cases where the loan being refinanced is overdue by 30 days or less, regardless of whether the Veteran requested a CARES Act forbearance or the delinquency status at the time of such request.

Maximum Loan Amount

MWF will continue to follow VA's regulation to determine the maximum loan amount of an IRRRL. In the context of a CARES Act forbearance, this means that IRRRL's may include the following:

- Any past due installment payments, including those a borrower deferred under a CARES Act forbearance, plus
- Allowable late charges, consistent with the Note, the CARES Act, and all other applicable laws, plus
- The cost of any energy efficiency improvements, plus
- Allowable closing costs and discount points, and
- The VA Funding Fee

Loan Seasoning, Fee Recoupment, Discount Points and Net Tangible Benefit Standards

All IRRRLs **and cash-out refinances** must meet loan seasoning, fee recoupment, discount points and net tangible benefit requirements. Periods of forbearance cannot count toward seasoning; however, forbearance under the CARES Act does not alone cause the loan to fail to meet the seasoning standard. If a loan being refinanced met seasoning requirements before a Veteran invoked a CARES Act forbearance, the seasoning requirements remain satisfied. A loan being refinanced is seasoned if both of the following conditions are met as of the date the borrower closes the refinance loan:

1. The borrower has made at least six consecutive monthly payments on the loan being refinanced. For example, in a case where a borrower made five consecutive payments before invoking a CARES Act forbearance, such borrower would need to make six additional consecutive payments, post forbearance, in order to meet the seasoning requirement.
2. The date of closing for the refinance loan is 210 or more days after the first payment due date of the loan being refinanced.

Valuation

An appraisal is not necessary except in cases where VA requires MWF to demonstrate that the IRRRL satisfies the statute's net tangible benefit standard. Refer to

VA Circular [26-20-13](#), *Valuation Practices during COVID-19*.

Fees and Charges for Veterans Affected by COVID-19

VA encourages originators to carefully consider whether an IRRRL is in the best financial interest of the Veteran. VA strongly supports and encourages the fee waivers that many originators have adopted, including the waiver of origination fees, discount points, and premium pricing offset for Veterans affected by COVID-19.

If you have any questions, contact your local Account Executive, or Production Coordinator. You may also contact Brian Daily, SVP Wholesale: Brian.Daily@mwfinc.com 909-255-8332.

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