

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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VA'S NEW POLICY ON IRRRLS

Concerns surrounding the “churning of VA loans” have surfaced over the past months. The issues involve the repeated and early refinance of VA loans through the IRRRL program (Interest Rate Reduction Refinance Loan) or “streamline” refinance. It is claimed that these refinances have been generated with false marketing and have occurred repeatedly over a very short period of time (the “churn”).

Last month, Senators Warren (D) of Massachusetts and Tillis (R) of Virginia have raised these issues in Congress through bipartisan legislation. Ginnie Mae and the VA share the Senators’ concerns and have singled out nine lenders as targets including Flagstar, New Day and Nations Lending.

Now the VA has issued new Guidance on the issue. The Guidance may be found in VA Circular 26-18-1 at:

www.benefits.va.gov/HOMELOANS/documents/circulars/26_18_1.pdf

Previously, the VA Lenders Handbook did not inform lenders when the Veteran's Statement and Lender's Certification should be delivered to the veteran. The result was that some lenders did not provide the IRRRL statements prior to loan closing.

The new circular advises that starting with loans closed on and after April 1, 2018, lenders should:

- ✚ Provide the Veteran's Statement and Lender Certification (note: lender certification only needed for payment increases of 20 percent or more).**
- ✚ Lenders should provide this information to the veteran with the initial disclosure documents no later than the third business day after receiving the veteran's application.**

We would also add that marketing of VA loans has become a significant regulatory focus. Attention will be given to claims in advertising which are unfounded, deceptive or misleading.

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- ✚ Operational advice
- ✚ Transactional work Agreements such as Loan Officer
- ✚ Compensation Agreements etc.
- ✚ Various forms of employee, officer, and/or manager contracts
- ✚ Litigation representation

You may direct any questions or comments directly to:
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