

Instructions for Completion of VA Form 26-8923, *Interest Rate Reduction Refinance Loan Worksheet*

1. Purpose. This Circular clarifies the Department of Veterans Affairs' (VA) requirements regarding the completion of VA Form 26-8923, *Interest Rate Reduction Refinancing Loan Worksheet*, effective for all Interest Rate Reduction Refinance Loan (IRRRL) applications originated (initial Fannie Mae Form 1003 application date) on or after July 2, 2017.

2. Background. VA has received many inquiries from mortgage lenders on the proper completion of the *IRRRL Worksheet* since the implementation of the Truth in Lending Act - Real Estate Settlement Procedures Act Integrated Disclosure (TRID) Loan Estimate (LE) and Closing Disclosure (CD). This Circular clarifies and establishes VA policy regarding:

- a. Amount of the existing loan balance allowable (Line 1).
- b. Principal reduction from Veteran (Line 2).
- c. Maximum allowable discount points (Line 5).
- d. Maximum allowable closing costs (Line 8).
- e. Maximum allowable closing costs (Line 11).
- f. Maximum loan amount (Line 18).

3. Policy Clarification for Completion of the *IRRRL Worksheet*. As the validation of the payoff occurs and the fees adjust due to payoff updates, VA understands that it is necessary to change the loan amount and fees during the processing of the loan. If a lender issues a restated TRID-LE, a new *IRRRL Worksheet* may need to be completed to ensure an accurate maximum loan amount. An explanation of the form fields and when a new form will be required is provided below.

4. *IRRRL Worksheet* Instructions.

- a. For the purposes of calculating the maximum loan amount, the following must be used:

(1) Line 1 is limited to the calculation from the current lender's payoff statement with interest accrual and fees, adjusted to the actual date of payoff, plus energy efficient improvements.

(2) Line 2 is limited to direct cash from the Veteran to reduce the principal balance on the new base loan in Line 3. This line is not used to correct for any excess discount points that cannot be financed.

(3) Line 5 is limited to no more than two (2) discount points that can be financed. In cases where the borrower has elected to pay more than two (2) discount points for the rate chosen, the excess would be included on the TRID-LE and TRID-CD, but not on the *IRRRL Worksheet*.

(4) Line 8 will be calculated as follows: Line J minus the greater of either Line 5 or total discount points from the TRID-LE. Take this number and subtract Line 6 and Line 7. The lender must not finance VA non-allowable costs greater than the 1 percent flat fee, should these costs exist in Line J.

(5) Line 11 must be the same percentage as Line 8; the amount may vary.

(6) Line 18 is established per the calculations of the form.

b. Any changes allowed under Regulation Z (12 C.F.R. 1026), that reflect an adjustment to Line J, will require the *IRRRL Worksheet* to be re-calculated. This may change the maximum allowable loan amount on Line 18, and may cause an additional change to the lender's TRID-LE.

5. Documentation and Submission of *IRRRL Worksheet*. A final lender signed copy of the *IRRRL Worksheet* is required on all loans.

6. Rescission: This Circular is rescinded April 1, 2019.

By Direction of the Under Secretary for Benefits

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Director, Loan Guaranty Service

Distribution: CO: RPC 2021

SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2021)