

To: All Customers **From:** Flagstar Lending
Date: 07/30/20 **Memo #:** 20077
Subject: **VA Circular 26-19-22 Change 1**

VA published circular [26-19-22 Change 1](#) to revise the requirements for VA IRRRLs.

This Circular rescinds exhibit B of Circular 26-19-22 and is removed in its entirety. The below guidance is effective immediately.

Circular 26-19-22 is changed as follows:

- Page 2, Paragraph 3(a)(3), remove the following:
 - “*Calculating Recoupment*. Recoupment is calculated by dividing all fees, expenses, and closing costs, whether included in the loan or paid outside of closing (i.e., an appraisal fee), by the reduction of the monthly PI payment. The VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners’ association (HOA) fees, are excluded from the fee recoupment calculations. See Exhibit B for more specific instructions and examples including IRRRLs with Energy Efficient Mortgage (EEM) improvements.”
- And replace with:
 - “*Calculating Statutory Recoupment*. Fee recoupment is calculated by dividing all fees, expenses, and closing costs, whether included in the loan or paid outside of closing (i.e., appraisal fee, pest inspections, credit report, etc., as applicable), by the reduction of the monthly PI payment. The VA funding fee, escrow, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners’ association (HOA) fees, are excluded from the statutory fee recoupment calculations. Lender credits may be used to offset allowable fees and charges.
- Adjustable Rate Mortgages (ARMs):
 - If the original monthly PI payment changed due to a loan modification or ARM, the monthly PI payment reduction should be computed based on the current PI payment. Note that if the monthly PI payment is not reduced as a result of the IRRRL, the lender must close the loan at no cost to the Veteran.”

Please view the VA [Circular 26-19-22 Change 1](#) for more information.