

Impact of CARES Act Forbearance on VA Purchase and Refinance Transactions

1. Purpose. The purpose of this Circular is to clarify that periods of forbearance under the CARES Act cannot count toward loan seasoning requirements for both Interest Rate Reduction Refinancing Loans (IRRRLs) and cash-out refinancing loans made to refinance a VA-guaranteed loan.

2. Background. July 25, 2019, Public Law 116-33, Protecting Affordable Mortgages for Veterans Act of 2019 (formerly S.1749) amended Section 3709(c) of title 38, United States Code regarding loan seasoning requirements to be (1) the date on which the borrower has made at least six consecutive monthly payments on the loan being refinanced; and (2) the date that is 210 days after the first payment due date of the loan being refinanced. VA adopted the same loan seasoning requirements to apply to cash-out refinancing loans made to refinance a VA-guaranteed loan (VA-to-VA).

3. Therefore, Circular 26-20-25 is changed as follows:

Page 3, Paragraph 6 d. Loan Seasoning, Fee Recoupment, Discount Points and Net Tangible Benefit Standards, remove the first sentence:

“Lenders are reminded that all IRRRLs must meet loan seasoning, fee recoupment, discount points and net tangible benefit requirements, as prescribed by 38 U.S.C. § 3709 and VA policy guidance.”

And replace with;

“Lenders are reminded that all IRRRLs and cash-out refinance must meet loan seasoning, fee recoupment, discount points, and net tangible benefit requirements, as applicable, prescribed by [38 U.S.C. § 3709](#), [38 CFR § 36.4306](#), and VA policy guidance.

4. Rescission: This Circular is rescinded July 1, 2021.

By Direction of the Under Secretary for Benefits

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