§ 36.4307 Interest rate reduction refi-
nancing loan.

(a) Pursuant to 38 U.S.C. 3710(a)(8),
(a)(9)(B)(i), and (a)(11), a veteran may
refinance an existing VA guaranteed,
insured, or direct loan to reduce the in-
terest rate payable on the existing loan
provided that all of the following re-
quirements are met:

(1) The new loan must be secured by
the same dwelling or farm residence as
the loan being refinanced.

(2) The veteran owns the dwelling or
farm residence securing the loan and

(i) Occupies the dwelling or residence
as his or her home; or

(ii) Previously occupied the dwelling
or residence as his or her home and cer-
tifies, in such form as the Secretary
shall require, that he or she has pre-
viously occupied the dwelling or resi-
dence as a home; or

(iii) In a case in which the veteran is
or was unable to occupy the residence
or dwelling as a home because the vet-
eran was on active duty status as a
member of the Armed Forces, the
spouse of the veteran occupies, or pre-
viously occupied, the dwelling or resi-
dence as the spouse’s home and cer-
tifies to that occupancy in such form
as the Secretary shall require.

(3) The monthly principal and inter-
est payment on the new loan is lower
than the principal and interest pay-
ment on the loan being refinanced; or
the term of the new loan is shorter
than the term of the loan being refi-
nanced; or the new loan is a fixed-rate
loan that refinances a VA-guaranteed
adjustable rate mortgage; or the in-
crease in the monthly payments on the
loan results from the inclusion of en-
ergy efficient improvements, as pro-
vided by §36.4839(a)(4); or the Secretary
approves the loan in advance after de-
termining that the new loan is nec-
essary to prevent imminent foreclosure
and the veteran qualifies for the new
loan under the credit standards con-
tained in §36.4840.

(4) The amount of the refinancing
loan does not exceed:

(1) An amount equal to the balance of
the loan being refinanced, which is not
delinquent, except as provided in para-
graph (a)(5) of this section, plus closing
§ 36.4308 Joint loans.

(a) Except as provided in paragraph (b) of this section, the prior approval of the Secretary is required in respect to any loan to be made to two or more borrowers who become jointly and severally liable, or jointly liable therefor, and who will acquire an undivided interest in the property to be purchased or who will otherwise share in the proceeds of the loan, or in respect to any loan to be made to an eligible veteran whose interest in the property owned, or to be acquired with the loan proceeds, is an undivided interest only, unless such interest is at least a 50 percent interest in a partnership. The amount of the guaranty or insurance credit shall be computed in such cases only on that portion of the loan allocable to the eligible veteran which, taking into consideration all relevant factors, represents the proper contribution of the veteran to the transaction.

(b) Notwithstanding any other regulatory provision, the interest rate reduction refinancing loan may be guaranteed without regard to the amount of guaranty entitlement available for use by the veteran, and the amount of the veteran’s remaining guaranty entitlement, if any, shall not be charged for an interest rate reduction refinancing loan. The interest rate reduction refinancing loan will be guaranteed with the lesser of the entitlement used by the veteran to obtain the loan being refinanced or the amount of the guaranty as calculated under §36.4802(a). The veteran’s loan guaranty entitlement originally used for a purpose as enumerated in 38 U.S.C. 3710(a)(1) through (7) and (a)(9)(A)(i) and (ii) and subsequently transferred to an interest rate reduction refinancing loan (38 U.S.C. 3710(a)(8) or (a)(9)(B)(i)) shall be eligible for restoration when the interest rate reduction refinancing loan or subsequent interest rate reduction refinancing loans on the same property meets the requirements of §36.4802(h).

(5) If the loan being refinanced is delinquent (delinquent means that a scheduled monthly payment of principal and interest is more than 30 days past due), the new loan will be guaranteed only if the Secretary approves it in advance after determining that the borrower, through the lender, has provided reasons for the loan deficiency, has provided information to establish that the cause of the delinquency has been corrected, and qualifies for the loan under the credit standards contained in §36.4840. In such cases, the term “balance of the loan being refinanced” shall include any past due installments, plus allowable late charges.

(6) The dollar amount of guaranty on the 38 U.S.C. 3710(a)(8) or (a)(9)(B)(1) loan does not exceed the greater of the original guaranty amount of the loan being refinanced or 25 percent of the new loan.

(7) The term of the refinancing loan (38 U.S.C. 3710(a)(8)) may not exceed the original term of the loan being refinanced plus ten years, or the maximum loan term allowed under 38 U.S.C. 3703(d)(1), whichever is less. For manufactured home loans that were previously guaranteed under 38 U.S.C. 3712, the loan term, if being refinanced under 38 U.S.C. 3710(a)(9)(B)(1), may exceed the original term of the loan but may not exceed the maximum loan term allowed under 38 U.S.C. 3703(d)(1).

(5) If the loan being refinanced is delinquent (delinquent means that a scheduled monthly payment of principal and interest is more than 30 days past due), the new loan will be guaranteed only if the Secretary approves it in advance after determining that the borrower, through the lender, has provided reasons for the loan deficiency, has provided information to establish that the cause of the delinquency has been corrected, and qualifies for the loan under the credit standards contained in §36.4840. In such cases, the term “balance of the loan being refinanced” shall include any past due installments, plus allowable late charges.

(6) The dollar amount of guaranty on the 38 U.S.C. 3710(a)(8) or (a)(9)(B)(1) loan does not exceed the greater of the original guaranty amount of the loan being refinanced or 25 percent of the new loan.

(7) The term of the refinancing loan (38 U.S.C. 3710(a)(8)) may not exceed the original term of the loan being refinanced plus ten years, or the maximum loan term allowed under 38 U.S.C. 3703(d)(1), whichever is less. For manufactured home loans that were previously guaranteed under 38 U.S.C. 3712, the loan term, if being refinanced under 38 U.S.C. 3710(a)(9)(B)(1), may exceed the original term of the loan but may not exceed the maximum loan term allowed under 38 U.S.C. 3703(d)(1).

(5) If the loan being refinanced is delinquent (delinquent means that a scheduled monthly payment of principal and interest is more than 30 days past due), the new loan will be guaranteed only if the Secretary approves it in advance after determining that the borrower, through the lender, has provided reasons for the loan deficiency, has provided information to establish that the cause of the delinquency has been corrected, and qualifies for the loan under the credit standards contained in §36.4840. In such cases, the term “balance of the loan being refinanced” shall include any past due installments, plus allowable late charges.

(6) The dollar amount of guaranty on the 38 U.S.C. 3710(a)(8) or (a)(9)(B)(1) loan does not exceed the greater of the original guaranty amount of the loan being refinanced or 25 percent of the new loan.

(7) The term of the refinancing loan (38 U.S.C. 3710(a)(8)) may not exceed the original term of the loan being refinanced plus ten years, or the maximum loan term allowed under 38 U.S.C. 3703(d)(1), whichever is less. For manufactured home loans that were previously guaranteed under 38 U.S.C. 3712, the loan term, if being refinanced under 38 U.S.C. 3710(a)(9)(B)(1), may exceed the original term of the loan but may not exceed the maximum loan term allowed under 38 U.S.C. 3703(d)(1).