

**SUPPORTING STATEMENT
INTEREST RATE REDUCTION REFINANCING LOANS
OMB 2900-0386
38 CFR § 36.4307 and VA FORMS 26-8923 and 26-XXXX**

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary. Identify legal or administrative requirements that necessitate the collection of information.

VA is submitting a revision of its information collection to conform requirements to its rulemaking on interest rate reduction refinancing loans (IRRRLs). Specifically, VA is revising its existing VA Form 26-8923, *Interest Rate Reduction Refinancing Loan Worksheet*, to collect information and certifications from the lender that the refinancing loan adheres to statutory and regulatory requirements. VA is also incorporating its existing requirement for lenders to disclose certain loan information to Veterans into its regulations and providing a standardized format for such disclosures.

For a loan to be eligible for guaranty under 38 U.S.C. § 3710(a)(8) or 3712(a)(1)(F), 38 U.S.C. § 3710(e)(1)(C) provides that the amount of the loan may not exceed an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to 38 U.S.C. § 3703(c)(3)(A)) as may be authorized by the Secretary, under regulations which the Secretary shall prescribe, to be included in such loans. (See also 38 CFR §§ 36.4223(a)(3) and 36.4306(a)(3).)

For a loan to be eligible for guaranty, the loan must meet the following requirements under 38 U.S.C. § 3709: (a) the lender must certify that recoupment of all fees (minus taxes, amounts held in escrow and the funding fee as prescribed by 38 U.S.C. § 3729) occurs within 36 months; (b) the lender must provide the borrower with a net tangible benefit test; and (c) the refinancing loan must be properly seasoned (i.e., at least six consecutive regular monthly payments have been made to the underlying loan and 210 days passed since the first payment due date of the underlying loan).

To satisfy the net tangible benefit test requirement, section 3709 outlines interest rate reduction requirements for certain loans. More specifically, lenders must ensure a reduction of 50 basis points from the underlying fixed rate loan to a new fixed rate refinancing loan. They must also ensure a reduction of 200 basis points from the underlying fixed rate loan to a new adjustable rate refinancing loan; if the reduction in the interest rate is achieved solely through discount points that have been financed into the loan, the statute requires that lenders maintain certain loan-to-value ratios for the refinancing loan (depending on the amount of discount points financed). In addition, VA regulation at 38 CFR § 36.4307(a)(11) will require that the Veteran be provided comparison disclosures comparing five particular attributes of the loan being refinanced with the same attributes of the new, refinancing loan. Such disclosures will be provided

at the outset of the loan application process, as well as at loan closing. VA regulation will require Veterans to certify on the disclosure provided at loan closing that they received both the initial and final comparison disclosure.

The above information collection requirements apply to all IRRRLs. In the case of a lender refinancing a delinquent loan, VA regulation at 38 CFR § 36.4307(a)(5) also requires lenders to collect from the Veteran information regarding the delinquency and the Veteran's credit-worthiness, and request VA's approval prior to closing the loan.

2. Indicate how, by whom, and for what purposes the information is to be used; indicate actual use the agency has made of the information received from current collection.

The specific items within this information collection are as follows:

1. VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet
2. VA Form 26-XXXX, Interest Rate Reduction Refinancing Loan Comparison Disclosure
3. Borrower information when refinancing a delinquent loan

1. VA Form 23-8923, Interest Rate Reduction Refinancing Loan Worksheet

Lenders are required to complete VA Form 26-8923, *Interest Rate Reduction Refinancing Loan (IRRRL) Worksheet*, in conjunction with any IRRRL and submit the form with the loan file when selected by VA for audit review. The *IRRRL Worksheet* ensures that lenders correctly compute the funding fee and the maximum permissible loan amount for IRRRLs. Prior to the form being issued, lenders were frequently required to adjust these amounts before guaranty could be issued. The form reduces the time spent by VA personnel in explaining the computation to lenders and reviewing the closing documents after submission to VA.

VA has also made revisions to the *IRRRL Worksheet* to capture certifications regarding recoupment, net tangible benefit and seasoning to ensure that IRRRLs adhere to 38 U.S.C. § 3709. Prior to statutory changes to 38 U.S.C. § 3709 and VA's implementing regulation, Veterans were at increased risk of entering into predatory loans through churning practices that minimally reduced the interest rate but increased the overall cost of the mortgage. The statutory and regulatory requirements and associated revisions to the collection ensure that the lender has provided evidence that the lender adhered to requirements for calculating recoupment, for determining loan seasoning and for ensuring net tangible benefit.

2. VA Form 26-XXXX, Interest Rate Reduction Refinancing Loan Comparison Disclosure

Under VA's rulemaking on IRRRLs, the lender will have to provide comparison disclosures to the Veteran that compare particular attributes of the new and existing loans. The information provided as part of the comparison disclosures ensure that Veterans can be fully apprised of the financial impact the refinancing transaction has on their loan terms, as part of meeting the net tangible benefit test. The initial and subsequent comparison disclosure(s) must be provided to the Veteran in conjunction

with the Loan Estimate, revised Loan Estimate (when such is required), and Closing Disclosure, pursuant to the process described in VA's finalized IRRRL regulation when codified at 38 CFR § 36.4307(a)(11)(iii)-(iv). The final disclosure, provided in conjunction with the Closing Disclosure, is provided to the Veteran and other applicants to assist the Veteran in making a decision that is in their financial interest.

The comparison disclosure requirements will ensure that the Veteran is provided with a Net Tangible Benefit and the loan meets the recoupment requirement per U.S.C. § 3709, including clarifications to be codified by VA upon finalizing its amendments to VA's IRRRL regulation at 38 CFR § 36.4307. Prior to this standardized disclosure, lenders were required to provide these certifications to the Veteran; however, it was in the lender's discretion to determine the format. These comparison disclosures standardize the information the Veterans are receiving and will make it easier for Veterans to compare lenders' fees and charges, as well as ensure all the correct information is disclosed. The disclosures standardized with this form reduce the time spent by VA personnel in reviewing the disclosures, as the information will be provided in the format of a standardized form. Prior to VA's regulation, lenders were only required to provide these comparison disclosures on two occasions: following receipt of the loan application and again at loan closing. Under amended § 36.4307, lenders will now have to provide an updated disclosure if any substantive changes are made to the Loan Estimate or Closing Disclosure.

3. Borrower information when refinancing a delinquent loan

In cases where a lender is refinancing a delinquent loan, VA collects information provided by the Veteran, through the lender, regarding the delinquency, along with underwriting information. The lender is required to submit this information to VA in order to confirm that the reasons for the delinquency on the original loan no longer exist and that the Veteran is a satisfactory credit risk. VA notes that information associated with underwriting is already approved under OMB Control Number 2900-0521. The present information collection therefore only covers information from the Veteran to the lender regarding the delinquency.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Lenders complete the *IRRRL Worksheet* to determine the maximum loan amount and to provide information to confirm adherence to the requirements of section 3709. Use of improved information technology is not applicable as the information sought relates to an individual real estate transaction. A fillable version of the form is at VA's website: <https://vbaw.vba.va.gov/bl/20/cio/20s5/forms/VBA-26-8923-ARE.pdf>.

While VA has added certifications to the *IRRRL Worksheet*, it will also continue to ask lenders to report these certifications via the electronic WebLGY portal when the lender requests the guaranty certificate or, as is anticipated in the near future, via the application programming interface (API) by a lender-user of VA's Guaranty Remittance loan guaranty certificate automation process. The Guaranty Remittance API, once deployed, will allow a lender's loan origination software (LOS) system to electronically submit information, including information from the *IRRRL Worksheet* and certifications, necessary to report a loan to VA for purposes of requesting evidence of guaranty (i.e., the Loan Guaranty Certificate (LGC)) via an automated capability and without human intervention. These electronic submission methods reduce the time burden on lenders.

The comparison disclosures will be provided to the Veteran by the lender as required per VA's IRRRL rulemaking. Lenders collect Veteran and applicant information during the loan application process. The information used to promulgate the disclosures is information already collected by the entities as part of the loan application process. Lenders generally use LOS systems, which automate the loan application process. The LOS is the electronic environment in which an entity will provide Veterans and applicants electronic copies of loan applications, lending disclosures, and closing documents. LOS are either proprietary or off-the-shelf software products, by which the information collected by the entities is displayed in a disclosure format by the entity. Veterans and applicants will acknowledge the comparison disclosure electronically or by printing and returning to the entity.

In cases where the lender does not utilize an LOS for the comparison disclosures, a fillable version of the form will be available on VA's website.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

There is no duplication of information involved. The forms solicit personal and loan-specific information about the transaction that would not be available in another record. Additionally, the information needed to comply with the provisions of section 3709 is information that lenders currently collect in the loan application process.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

The collection of information does involve lending entities of all sizes. However, the information collected is typical of mortgage loan applications and should present no unusual burden for any small firms.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently as well as any technical or legal obstacles to reducing burden.

For the *IRRRL Worksheet*, the collection is generally one time per refinancing loan. The use of this form has historically ensured that the funding fee and maximum permissible loan amount are computed correctly. The collection of the Net Tangible Benefit, seasoning and recoupment certifications ensure that the lender is adhering to each requirement.

The required comparison disclosures to the Veteran are anticipated to, on average, be provided four times, but twice at a minimum (i.e., in conjunction with loan application and at loan closing). These disclosures are provided to ensure the Veteran is aware of the impact of the refinance. VA assumes that the average loan will require two interim, updated comparison disclosures when applicable information changes, which will fall in between the initial disclosure (i.e., at time of Loan Estimate delivery) and the final disclosure.

7. There any special circumstances that would cause an information collection to be conducted more often than quarterly or require respondents to prepare written responses to a collection of information in fewer than 30 days after receipt of it; submit more than an original and two copies of any document; retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years; in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study and require the use of a statistical data classification that has not been reviewed and approved by OMB.

There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR §1320.6.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the sponsor's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the sponsor in responses to these comments. Specifically address comments received on cost and hour burden.

Not applicable.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No decisions to provide any payment or gift to respondents have been made under this collection of information.

10. Describe any assurance of privacy, to the extent permitted by law, provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

VA will not disclose information collected on these forms to any source other than what has been authorized under the Privacy Act of 1974 or in 38 CFR § 1.576 for routine uses (i.e., to a member of Congress inquiring on behalf of a veteran) as identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, and published in the Federal Register. <https://www.federalregister.gov/documents/2018/08/13/2018-17228/privacy-act-of-1974-system-of-records>.

11. Provide additional justification for any questions of a sensitive nature (Information that, with a reasonable degree of medical certainty, is likely to have a serious adverse effect on an individual's mental or physical health if revealed to him or her), such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private; include specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No questions of a sensitive nature are contained on the form.

12. Estimate of the hour burden of the collection:

Estimate of Information Collection Burden

Description of Information Collection	Frequency of Response	Annual Responses (loans)	Burden Hour per Response	Annual Burden Hours	Hourly Cost ²	Annual Cost ³
<i>All Interest Rate Reduction Refinancing Loans</i>						
VA Form 26-8923, IRRRL Worksheet (lenders)	1	173,193	0.25 (15 min)	43,298	\$36.99	\$1,601,606
VA Form 26-XXXX, IRRRL Comparison Disclosure (lenders)	1	173,193	0.167 (10 min) ¹	28,866	\$36.99	\$1,067,737
VA Form 26-XXXX, IRRRL Comparison Disclosure (Veterans)	1	173,193	0.083 (5 min)	14,433	\$27.07	\$390,695
<i>Additional Burden for Delinquent Loans (subset of all IRRRLs)</i>						
Information regarding delinquency (Veterans)	1	100	0.083 (5 min)	8	\$27.07	\$217
Total		519,679		86,605		\$3,060,038

¹VA estimates lenders will average 5 minutes per loan to complete the initial disclosure, 4 minutes per loan to complete 2 interim disclosures, and 1 minute per loan to complete the final disclosure. This results in an average burden hour per response of 10 minutes per loan.

²The Bureau of Labor Statistics (BLS) gathers information on full-time wage and salary workers. According to the latest available BLS data, the mean hourly wage for a Loan Officer is \$36.99 based on the BLS wage code – “13-2072 Loan Officers.” To estimate costs associated with Veteran respondent burden, VA used the mean hourly wage for all occupations of \$27.07 per

hour. This information was taken from the following website:
https://www.bls.gov/oes/current/oes_nat.htm#00-0000

³Please note that annual cost calculations do not reflect rounding of annual burden hours or fractional burden hours per response.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

This submission does not involve any recordkeeping costs.

VA assumes a one-time startup cost associated with required software or information technology alignment necessary to generate the comparison disclosures consistent with the revised information collection. As previously noted, lending entities use loan origination systems (LOS) which automate the loan application process. LOS are either proprietary or off-the-shelf software products, by which the information collected by the entities is displayed in a disclosure format by the entity. VBA internal data reflects that approximately 1,202 active VA lenders made at least one IRRRL during the last three fiscal years. As VA is conforming requirements to its rulemaking on IRRRLs, and the timing of this information collection would change based on that regulation, each of these lenders will need to modify their LOS to include these comparison disclosures at the appropriate points in the loan process.

VA notes that the cost to lenders for this one-time technology alignment is dependent on two factors. First, whether the lending entity utilizes a LOS developed by a company with a large market share of LOS software. VA assumes that these companies will modify their product document libraries to include the disclosures covered by this information collection, thereby eliminating the need for lending entities who utilize that software to make any technology alignment associated with this information collection. VA assumes that 80 percent of VA's active lenders (i.e., 962 lenders) utilize a LOS provided by one of these larger software companies.

The second factor relevant to VA's estimate is whether these LOS software companies will update their IRRRL products by the time lenders must comply with the standardization under this regulatory information collection revision. If not, then lenders will be forced to generate disclosure forms consistent with this information collection and its standardized disclosure form. VA acknowledges that some lenders' LOS includes an option to create custom forms; lenders whose LOS does not provide such option must contract with a

third-party to customize their LOS. VA did not consider this to be a significant factor in calculating the cost of completing this one-time technology alignment.

Considering these two factors, VA has provided a high/low estimate of the one-time technology costs associated with this information collection. The low estimate assumes that 80 percent of affected lending entities will not be required to complete any technology alignment as the LOS software companies will update their products in time to enable lenders to comply with the regulatory requirements. The costs therefore represent the costs to the remaining 20 percent of lenders that will need to complete a technology alignment to generate the disclosures in their LOS. The high estimate assumes that no LOS product updates will be in place on time and all 1,202 lenders will be required to assume the costs of completing a technology alignment to generate their disclosures.

Estimated One-Time Technology Costs:¹

	<i>Lending Entities</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Annual Average Cost</i>
<i>High</i>	1,202	\$2,269,905	\$0	\$0	\$756,635
<i>Low</i>	240	\$453,981	\$0	\$0	\$151,327
<i>Average Cost</i>	---	\$1,361,943	---	---	\$453,981

14. Provide estimates of annual cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operation expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

Estimated Costs to the Federal Government:

Grade	Step	Burden Time Employee	Hourly Rate	Cost Per Response	Total Responses	Government Cost
11	6	0.50 (30 min)	\$36.14	\$18.07 (0.50 x 36.14)	100	\$1,807
Overhead at 100%						\$1,807

¹ VA calculated one-time technology costs utilizing the amount of time estimated to develop custom disclosures consistent with the standardized disclosure form (either through existing LOS software or via a third-party contract). VA assumed 40 hours of planning, development, testing, and deployment to add the disclosures to a lender's existing LOS. The wage burden was calculated as a composite wage, with weighting based on information provided by various industry professionals. Mean values from the BLS Occupational Employment and Wages data were used to estimate a composite wage as 5% Compliance Officer (occupation code 13-1041) at \$36.35/hour, 5% Lawyer (occupation code 23-1011) at \$71.59/hour, and 90% Computer Occupations (occupation code 15-1100) at \$46.46/hour, for a composite wage of \$47.21.

Processing/Analyzing Costs	\$0
Printing and Production Cost	\$0
Total Cost to Government	\$1,807

Overhead costs are 100% of salary and are the same as the wage listed above and the amounts are included in the total. This collection has no printing and production cost.

The processing time estimates above are based on the actual amount of time employees of each grade level spend reviewing the underwriting and delinquency information submitted by lenders for IRRRLs made to refinance a delinquent loan. There is no separate government cost associated with the VA 26-8923, certifications, and comparison disclosures. Such documents and certifications are only reviewed by employees during loan audits; the cost of reviewing such information is already captured under OMB approval number 2900-0515. The within-grade step (6) of each employee represents the average experience of employees within each grade.

Note: The hourly wage information above is based on the hourly 2021 General Schedule (Base) Pay (https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2021/GS_h.pdf). This rate does not include any locality adjustment as applicable.

15. Explain the reason for any burden hour changes since the last submission.

VA notes that there was a calculation error in the information collection previously approved by OMB. Such error has been corrected in this revision and accounts for some of the increased burden hours. Additionally, VA's prior information collection packages did not account for any Veteran burden associated with certifying as to receipt of any comparison disclosure or providing delinquency information, where appropriate. VA has added these burdens to this package while also updating its burden estimates to reflect the individual burden associated with each comparison disclosure associated with completing an IRRRL.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

Information collection is not for tabulation or publication use.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

We are not seeking approval to omit the expiration date for OMB approval.

18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB 83-I.

This submission does not contain any exception to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection of information by the Veterans Benefits Administration does not employ statistical methods.