

## **Elimination/Consolidation of Certain Certifications**

1. **PURPOSE**: This circular announces the elimination of certain certifications and requirements in the processing of VA guaranteed home loans. It also provides a consolidated certification (exhibit A) for use in originating VA loans. These changes will help lenders by eliminating redundancies and consolidating mandatory certifications into a single certification. The changes do not signal a relaxing of VA credit underwriting standards or a lessening of lender responsibilities.

### 2. **PROCESSING CHANGES**

a. **VA Form 26-1820, Report and Certification of Loan Disbursement**: Effective immediately, it will no longer be necessary for the form to be signed by an "officer" of the firm. Instead, any individual authorized by the lender to bind the firm to the certifications listed in item 24, may sign the form.

b. **Reserve/Guard Activation Statement**: Effective immediately, lenders no longer need to obtain a statement as to a person's status in the Reserve or Guard when processing a loan. Lenders should still consider if a veteran-borrower may be subject to activation and, if so, follow the guidance detailed in chapter 4 of the Lender's Handbook.

c. **Underwriter's Certification for Automated Underwriting Cases**: Effective immediately, lenders no longer need to execute the Underwriter's Certification found in Chapter 4, Topic 8, Documentation for Automated Underwriting Cases. The certification essentially repeats requirements noted in a preceding section on Data Integrity.

3. **CONSOLIDATION OF CERTIFICATIONS**: As noted above, exhibit A contains the most common certifications – both for veterans and lenders - that are required for various loan types. For ease of processing, lenders may wish to use this exhibit rather than obtain separate certifications.

4. **SUMMARY**: As previously noted, these changes in no way lessen the responsibility of lenders to underwrite loans in a sound, prudent manner in compliance with published VA directives. Nor do these changes compromise VA's ability to seek indemnification from lenders when a review reveals a flagrant

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disregard for VA credit underwriting guidelines. Instead, the intent is to eliminate unnecessary certifications and thus further simplify the processing of VA guaranteed loans for lenders.

5. RESCISSION: This circular is rescinded January 1, 2010.

By Direction of the Under Secretary for Benefits

Judith A. Caden, Director  
Loan Guaranty Service

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

### COMMON CERTIFICATIONS

#### Borrower Certifications

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1. INTEREST RATE AND DISCOUNT DISCLOSURE STATEMENT

This statement must be delivered to you prior to execution of the certification on the HUD/VA addendum to the Uniform Residential Loan Application.

VA does not establish or set a maximum or minimum interest rate for mortgage loans. A borrower may pay interest rate and discount points as agreed upon by you and the lender. It's also permissible for a seller to pay all or a portion of the discount points. The interest rate and discount points as well as the length of time the lender will honor the loan terms are all freely negotiable with the lender. Lenders may or may not agree to offer the loan terms for a definite period of time through a lock-in agreement. Note that any agreement with the seller could also affect the date you can close your loan.

The terms of your agreement with the lender will determine if, and how much, the interest rate and discount points may change before closing. An increase of more than 1.00% in the interest rate may require re-underwriting by VA or the lender. It may also be necessary for the lender to obtain your signature on a new application. If, after re-underwriting, it is determined that you remain qualified from a credit risk standpoint, the conditions of your agreements with the lender and the seller may require you to complete the transaction or lose your deposit.

IT IS YOUR RESPONSIBILITY TO ASSURE THAT YOU UNDERSTAND THE TRANSACTION.

Borrower : \_\_\_\_\_ Date: \_\_\_\_\_

2. INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) CERTIFICATION

Previous Loan Number \_\_\_\_\_ Loan Amount \$ \_\_\_\_\_ Original Term \_\_\_\_\_  
Monthly Payment \$ \_\_\_\_\_ Interest Rate \_\_\_\_\_  
Original Obligors \_\_\_\_\_

New Loan Number \_\_\_\_\_ Proposed Loan Amount \$ \_\_\_\_\_ Proposed Term \_\_\_\_\_  
Proposed Monthly payment \$ \_\_\_\_\_ Interest Rate \_\_\_\_\_  
Obligors \_\_\_\_\_

Monthly decrease in payments \$ \_\_\_\_\_

Total Closing Costs \$ \_\_\_\_\_

Recoup Closing Costs \_\_\_\_\_ Months

I/We hereby certify that I/we understand the effect of the loan payment and interest rate involved in refinancing our home loan.

Borrower \_\_\_\_\_ Co-Borrower \_\_\_\_\_ Date \_\_\_\_\_

3. ADJUSTABLE RATE MORTGAGE (ARM) CERTIFICATION

The undersigned borrower(s) acknowledge receipt of the appropriate ARM loan program disclosure and the "Consumer Handbook on Adjustable Rate Mortgages" prior to submitting an ARM loan application or payment of any non-refundable fee.

\_\_\_\_\_  
Borrower Signature \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Co-Borrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

**Lender Certifications**

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*1. LENDER CERTIFICATION FOR PAYMENT INCREASE*

I hereby certify that the borrower(s) qualify for the new payment (PITI) which exceeds the previous payment by at least 20 percent.

\_\_\_\_\_  
Lender Representative

\_\_\_\_\_  
Date

*2. INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) LOAN STATUS*

I hereby certify that the VA loan being refinanced was current (not more than 30 days past due) at the time of loan closing.

\_\_\_\_\_  
Lender Representative

\_\_\_\_\_  
Date

*3. POWER OF ATTORNEY CERTIFICATION*

I hereby certify that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer or designee, indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on \_\_\_\_\_, was examined by the undersigned and that said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in-fact.

\_\_\_\_\_  
Lender Representative

\_\_\_\_\_  
Date

*4. LATE REPORTING CERTIFICATION*

Guaranty is being requested more than 60 days after loan closing because

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Lender Representative

\_\_\_\_\_  
Date

*5. LOAN QUALITY CERTIFICATION*

The undersigned lender certifies that the loan application, all verifications of employment, deposit, and other income and credit verification documents have been processed in compliance with 38 CFR Part 36; that all credit reports obtained in connection with the processing of this borrower's loan application have been provided to VA; that, to the best of the undersigned lender's knowledge and belief, the loan meets the underwriting standards recited in chapter 37 of title 38 United States Code and 38 CFR Part 36; and that all information provided in support of this loan is true, complete and accurate to the best of the undersigned lender's knowledge and belief.

\_\_\_\_\_  
Lender Representative

\_\_\_\_\_  
Date