

***VA Home Loan Program
Lenders Training Guide***



***DEPARTMENT OF VETERANS AFFAIRS
HOUSTON, TEXAS***

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Loan Production



Staff

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Address

Department of Veterans Affairs
Regional Loan Center
6900 Almeda Road
Houston, TX 77030-4200

Prior Approvals/Quality Packages
PO Box 300288
Houston, TX 77030-0288

Telephone Number

1-888-232-2571
Press 6 for Underwriting, Loan Guaranty, or Lender Approvals

Texas Veterans Land Board

1-800-252-8387 (Texas Residents Only)
512-463-5060 (Outside of Texas)

Facsimile Number

713-383-1772 (for VA 26-8937s)
713-383-1845

Internet Site

<http://www.homeloans.va.gov> OR
www.vba.va.gov/ro/houston/lgy/home.html



A BRIEF HISTORY OF VA

In 1776 the Continental Congress sought to encourage enlistment in the military and curtail desertions with the nation's first pension law. Only 3,000 Revolutionary War veterans ever drew pensions. Grants of public land were made to those who served to the end of the war.

The General Pension Act of 1862 provided disability payments and liberalized benefits for widows, children and dependent relatives. Union veterans were assigned a special priority in the Homestead Act of 1862, which provided Western lands at \$1.25 an acre.

In 1924, the World War Adjusted Compensation Act, also known as the Bonus Act, was enacted. The law provided a bonus that depended upon the number of days the veteran served. All veterans whose service exceeded 50 days were given 20-year paid-up endowment life insurance certificates, payable in 1945. Many veterans, however, wanted to be paid the entire bonus immediately. An estimated 15,000 to 40,000 veterans, known as the Bonus Expeditionary Force, converged on Washington, DC, in May of 1932 to lobby for immediate payment. Failure by Congress to pass this proposal resulted in many veterans and their families building shanties in Southeast Washington. Congress finally passed the measure in 1936 and granted veterans a lump-sum payment.

The Servicemen's Readjustment Act, (GI Bill of Rights), which dramatically transformed the concept of veterans benefits, was signed into law by President Franklin D. Roosevelt on June 22, 1944. This benefit provided veterans with federally guaranteed home, farm and business loans with no down payment. This feature was designed to generate jobs in the housing industry while providing housing and assistance for veterans and their families. Veterans could apply for loans up to \$2,000, with 50 percent guaranteed by the government.

The GI Bill transformed the economy and society of the United States. In 1950, a 1200-acre potato farm in Long Island was transformed into a 17,500 home suburban community known as Levittown. The dream of home ownership became a reality for millions of veterans and their families. The GI Bill contributed more than any other program in history to the welfare of veterans and their families, and to the growth of the nation's economy.

VA's loan guaranty program has benefited more than 18 million veterans and dependents. From 1944, when this program was established as part of the original GI Bill, through September 2006, VA has guaranteed more than 18.1 million home loans valued at \$913 billion. In fiscal year 2006, VA guaranteed 142,726 loans valued at \$24 billion.

The United States leads the world in caring for its military veterans. The Department of Veterans Affairs (VA) administers billions of dollars annually in federal benefits for military veterans and their dependents. With more than 250,00 employees, VA is second in size only to the Defense Department among federal agencies.



"... to care for him who shall have borne the battle and for his widow, and his children."
Abraham Lincoln

GENERAL RULES FOR ELIGIBILITY

A veteran is eligible for VA home loan benefits if he or she has served on active duty and was discharged under conditions other than dishonorable after:

- 90 days or more during wartime, **OR**
- 181 continuous days or more during peacetime prior to 09/08/80.

2-Year Requirement: A greater length of service is required for a veteran who:

- enlisted after September 7, 1980, **OR**
- was an officer **AND** began service after October 16, 1981.

These veterans must have completed either:

- at least 24 continuous months, **OR**
- the full period ordered to active duty, (not less than 90 days during wartime, or 181 days during peacetime).

<u>PERIOD</u>	<u>DATES</u>	<u>TIME REQUIRED</u>
WW II	9/16/40 - 7/25/47	90 Days
Post-WW II	7/26/47 - 6/26/50	181 Days
Korean Conflict	6/27/50 - 1/31/55	90 Days
Post-Korean Conflict	2/01/55 - 8/04/64	181 Days
Vietnam Era	8/05/64 - 5/07/75	90 Days
Post-Vietnam Era	5/08/75 - 9/07/80	181 Days
Persian Gulf War	8/02/90 - present	2 years, or the full period called to active duty (at least 90 days).

RESERVES/NATIONAL GUARD

The veteran must complete a total of 6 years in the Select Reserves or National Guard with an honorable discharge and not be otherwise eligible. Members may also be eligible with less than 6 years if they were called to active duty for at least 90 days during the Persian Gulf Era.

ACTIVE DUTY SERVICE PERSONNEL

A member of the military who is currently serving on active duty is eligible after having served on continuous active duty for at least 181 days (90 days during the Gulf War period) unless discharged or separated from a previous qualifying period of active duty service.

ALL OTHERS

Eligibility may be established for certain other individuals, such as the Unmarried Surviving Spouse of a veteran who died while in service or from a service connected disability, Merchant Marines, Public Health Service, WAC'S and other World War II Services, and Officers of the Coast and Geodetic Survey.

Contact your local VA office for further information regarding the above classifications.

HOW TO OBTAIN A CERTIFICATE OF ELIGIBILITY

- The veteran completes *VA Form 26-1880, Request For A Certificate Of Eligibility For VA Home Loan Benefits*. The application must be signed and dated.
- Attach a copy of DD214 , Certificate of Separation from Active Duty. Active duty personnel will need to furnish a Statement of Service letter issued by, or by direction of, the adjutant, personnel officer, or commander of the unit in place of the DD214.
- Mail the completed application and a copy of Discharge Papers to the Winston-Salem Eligibility Center for processing.

Note: Discharge Papers must be included with application. If not available, the veteran can obtain them by contacting their branch of service. (See next page for contact information.)

VA ELIGIBILITY CENTER

VA Eligibility Center
PO Box 20729
Winston-Salem, NC 27120
888-244-6711 (8:00-4:00 EST)
Email Inquiries: <https://iris.va.gov>

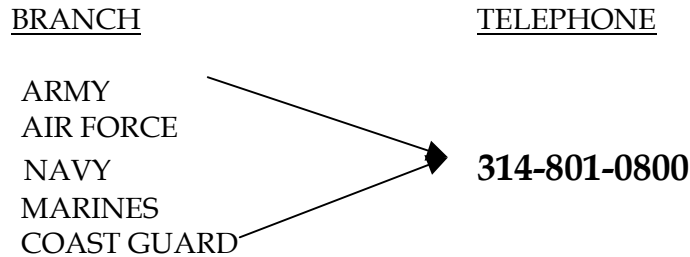
Overnight Delivery
Veterans Affairs Regional Office
251 N. Main Street
Winston-Salem, NC 27155

AUTOMATED CERTIFICATE OF ELIGIBILITY

VA's Automated Certificate of Eligibility (ACE) program was originally launched as a stand-alone web-based program that enabled lenders to request and obtain a Certificate of Eligibility in the lender's office. The functionality of ACE is now a component of the webLGY application that is accessed through the VA Information Portal (VIP). Lenders must register in the Portal to access webLGY. The lender enters basic identifying information for the veteran into the automated certificate program, which searches Department of Defense and VA records for military service information and prior VA loan usage. When sufficient information is available, the system generates a Certificate, which the lender may download and print. When the program is unable to issue a certificate, it does NOT mean the veteran is not eligible, only that the program does not have sufficient information. When the system does not issue a certificate or when entitlement must be restored, the program has a feature that allows the lender to submit an Electronic Application and upload VA Form 26-1880, DD 214, and other pertinent documents to the Eligibility Center. Lenders should use PDF, TIF or JPG format. Lenders may not obtain automated certificates for Guard/Reserve members and people applying as unmarried surviving spouses of deceased veterans. These COEs must be generated by VA staff.

MILITARY RECORDS CENTERS

Lenders should try webLGY first when a veteran does not have a copy of discharge/separation papers, since military service information may be available in the system. If this fails and the veteran needs to obtain copies of discharge/separation papers needed to apply for home loan benefits, contact:



Or go to: <http://www.archives.gov/veterans/evetrecs/index.html>

The SF 180 form to request discharge papers can be found at:

<http://www.homeloans.va.gov/>

PERSONNEL RESERVE CENTERS

If a reservist needs to obtain copies of point statements or other documentation that reflects six years participation with evidence of honorable discharge needed to apply for home loan benefits, contact:

Branch	Type of Form	Telephone
Army/ Air National Guard	NGB 22	Report of Separation and Record of Service (314) 592-0123
Army Reserve	DARP FM 249-2E	Chronological Statement of Retirement Points (314) 592-0123
Navy Reserve	NRPC 1070-124	Annual Retirement Point Record (800) 966-9174
Air Force Reserve	AF 526	Point Summary Sheet (800) 525-0102, ext. 388
USMC Reserve	NAVMC 798	Reserve Retirement Credit Report (314) 538-4200 or 4147
Coast Guard Reserve	CG 4174	USCG Reserve Retirement Points Statement (314) 538-4200 or 4147

RESTORATION OF ENTITLEMENT

(Lender's Handbook, Chapter 2, Topic 6)

To qualify for restoration of entitlement, one of the following requirements must be met:

- The prior VA loan must be paid in full and the property disposed of, **OR**
- The prior VA loan must have been assumed by an eligible veteran who substituted his/her entitlement.

Note: Lenders should request restoration prior to closing the new loan. Lenders are also encouraged to research the veteran's prior loans to confirm those loans using VA entitlement.

DOCUMENTS REQUIRED FOR RESTORATION

- VA Form 26-1880, completed, signed and dated by the veteran.
- Evidence that previous loan is paid in full.
- Proof of Military Service

SPECIAL ONE - TIME RESTORATION

Home loan entitlement may be restored one time only, if the veteran has repaid the prior VA loan in full, but has not disposed of the property securing the loan.

After such a restoration, any future restoration will require the veteran to dispose of all property financed with VA loans, including the property not disposed of under the "one time only" exception.

Documentation requirements are the same as those listed above.

DIVORCE CASES

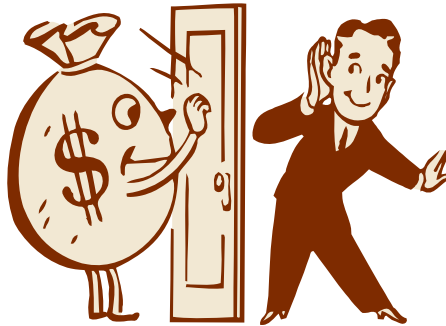
When property is awarded to the veteran's spouse as a result of divorce, entitlement **cannot** be restored **unless** the spouse refinances the property and/or pays the VA loan in full or the ex-spouse is a veteran who substitutes their entitlement.

MAXIMUM LOAN AMOUNT

(Lender's Handbook, Chapter 3, Topic 3)

Unlike other home loan programs, there are no maximum dollar amounts prescribed for VA guaranteed loans. Limitations on VA loan size are primarily attributable to two factors:

1. The reasonable value of the property shown on the Notice of Value (NOV), **AND**
2. The lender's requirements in terms of the secondary market. Based on full entitlement available, VA's guaranty for purchase money mortgages will equal 25% of the Federal Home Loan Mortgage Corporation's (FHLMC) conforming conventional loan limit. For 2008, the FHLMC conforming loan limit is \$417,000, and 50% higher for loans in Alaska, Hawaii, Guam and the U.S. Virgin Islands.
3. The Government National Mortgage Association (GNMA) announced that, effective in September 2007, it would accept VA loans in excess of \$417,000 provided that overall coverage on the loan was at least 25%. For veterans with full VA entitlement, the veteran would generally be required to make a down payment of 25% of the difference between the value of the property and \$417,000. Lenders should contact GNMA for specific requirements.



EXCEPTIONS TO THE "NO DOWN PAYMENT" PROVISION

Yes, there are several exceptions:

- If the purchase price exceeds the reasonable value of the property, a down payment covering the difference must be made in cash from the borrower's own resources.
- VA requires a down payment on all Graduated Payment Mortgages (GPMs).
- If a veteran has less than full entitlement available, a lender may require a down payment in order to meet secondary market requirements.

The general "rule of thumb" in the secondary market is the VA guaranty, or a combination of VA guaranty plus down payment, must cover at least 25% of the loan. Lender should contact their investor directly to determine the exact secondary market requirements for their loans.

ELIGIBLE LOAN PURPOSES

(Lender's Handbook, Chapter 3, Topic 2)

Eligible veterans may obtain loans to:

- Buy an existing home.
- Build a home.
- Simultaneously purchase and improve a home.
- Refinance an existing mortgage loan.
 - Cash-out refinance.
 - Interest rate reduction refinance.
 - Convert an adjustable rate mortgage to a fixed rate.
- Improve a home by installing energy-related features.



Did you know?????

When first issued, the interest rate on VA loans could not exceed 4% and entitlement was limited to \$2000.

INTEREST RATE REDUCTION REFINANCING LOANS (IRRRL)

(Lender's Handbook, Chapter 6, Topic 1)

A veteran who obtained a VA loan may refinance it with a VA guaranteed loan at a lesser interest rate without using additional entitlement.

Note: *IRRRLs can only be used to refinance existing VA guaranteed loans.*

- The new loan must be at a lesser interest rate than the old VA loan **except** when refinancing an existing adjustable rate mortgage with a new fixed rate mortgage.
- The dollar amount of guaranty applicable to the prior VA loan is transferred to the new loan.
- The minimum guaranty on an IRRRL is 25%.
- If the existing loan is delinquent, the IRRRL must be submitted to VA for prior approval.
- Although no underwriting is required, approval of new credit may be required by the trustee in a Chapter 13 bankruptcy.
- No appraisal is required.
- The veteran may not obtain cash proceeds, except in the case of energy efficiency improvements included in the loan.
- No portion of the loan proceeds may be used to pay off other debts.
- The new loan is limited to the balance of the old loan, the funding fee, up to \$6,000 of energy efficient improvements, and allowable closing costs including not more than 2 discount points.
- The term of an IRRRL may not exceed the original term of the loan being refinanced by more than 10 years.
- The veteran, including active-duty service members stationed elsewhere, is able to satisfy the occupancy requirement by certifying prior occupancy.
- If the veteran whose entitlement was previously used has died, and the surviving spouse was a co-obligor, that spouse is considered a veteran for the purpose of the IRRRL.

Note: Lenders may use the Prior Loan Validation function in WebLGY in the VA Portal site: <https://vip.vba.va.gov> to verify current VA loans in lieu of obtaining a COE for IRRRLs.

Did you know????

Interest Rate Reduction Refinancing Loans (IRRRL's) were authorized in 1980.

CASH OUT REFINANCING LOANS

(Lender's Handbook, Chapter 6, Topic 3)

Public Law 110-389, enacted on October 10, 2008, provides that veterans may obtain a regular (Cash-out) refinancing for 100% of the VA value of the property, plus the funding fee and the cost of qualified energy efficient improvements up to \$6,000.

- A cash-out loan may be made to refinance the outstanding balance of an existing mortgage lien, but can also include other debts and cash proceeds.
- The veteran can receive cash proceeds from the loan for any purpose acceptable to the lender.
- Existing mortgage loans or other liens of record may be refinanced whether they are in a current or delinquent status, but refinancing loans are subject to the same income and credit requirements as regular home loans.

PL 110-389 also provides that VA guaranty on a Cash-out Refinance will be at least 25% of the loan with a maximum guaranty of \$104,250 on loans up to \$417,000 (assuming the veteran has full entitlement available). Refinancing loans above \$417,000 may be guaranteed subject to the appraised value of the property and any equity requirements the lender/investor may impose.

**Due to State law, the maximum loan amount may be limited to 80% in the state of Texas if the borrower receives cash proceeds.*

OTHER REFINANCING LOANS

(Lender's Handbook, Chapter 6, Topic 5)

These consist of loans to refinance:

- Construction loans.
- Installment land sale contracts in conjunction with the construction of a new home.
- Loans assumed by veterans at interest rates higher than the proposed refinance.

These loans are similar to cash-out refinances in all aspects, **except the loan amount may not exceed the lesser of:**

- the VA reasonable value, or
- the sum of the outstanding loan balance plus allowable closing costs and discounts.

NOTE: VA guaranty on these loans is still limited to a maximum of **\$36,000**.

REFINANCE COMPARISON

	Regular Cash-Out	IRRRL Rate Reduction
Statutory Authority	38 USC 3710(a)(5)	38 USC 3710(a)(8)
Entitlement Required	Yes	No
Cash to Veteran	Yes	No
Loan Limit	100% of NOV plus funding fee (with certain exceptions) (80% in Texas)	VA loan balance plus allowable closing costs and funding fee (plus up to \$6,000 for energy efficient improvements)
Must Veteran Own Property	Yes	Yes
Must Veteran Occupy Property	Yes	No, (must have once occupied)
Maximum Loan Term	30 years + 32 days	Existing VA loan term plus 10 years not to exceed 30 years and 32 days
Maximum Interest	Negotiated Rate	Rate must be lower than rate on present VA loan (unless refinancing ARM to fixed rate)
Lien of Record Required	Yes	Yes
OK to Refinance Other Liens	Yes	No
Appraisal Required	Yes	No
Credit Package Required	Yes	No, (Unless delinquent)
OK for Automatic Processing	Yes, Automatic lenders	Yes, all lenders unless existing VA loan is delinquent

ENERGY EFFICIENT MORTGAGES

(Lender's Handbook, Chapter 7, Topic 3)

Energy Efficient Mortgages are loans for:

- The acquisition of an existing dwelling, and the cost of making energy efficiency improvements to the dwelling,
- Refinancing an existing VA loan with an IRRRL and including efficiency improvements,
- Energy efficiency improvements to a dwelling already owned and occupied by a veteran.

The mortgage may be increased by:

- up to \$3,000 based solely on the documented costs of the energy improvements; **OR**
- up to \$6,000 provided the increase in the monthly mortgage payment does not exceed the likely reduction in monthly utility costs; **OR**
- more than \$6,000 subject to a value determination by VA.

VA will guarantee an energy efficient mortgage in the same proportion as a loan not including energy efficiency improvements. However, the charge to the veteran's entitlement will be based upon the loan amount before adding the cost of energy efficiency improvements.

The funding fee **must be** calculated on the full loan amount, including the cost of the energy efficiency improvements.

JOINT LOANS

(Lender's Handbook, Chapter 7, Topic 1)

A joint loan refers to a loan made to a veteran and another person(s). All parties will be liable, and all will own the property.

A joint loan is a loan made to:

- **A veteran and one or more non-veterans (other than the spouse).
- **A veteran and one or more veterans (not including a spouse) who will not be using entitlement.
- A veteran and the veteran's spouse, who is also a veteran, where both entitlements will be used.
- **A veteran and one or more other veterans (not including a spouse), all of whom will use their entitlement.

*(** Must be submitted to VA for prior approval)*

Guaranty is limited to that portion of the loan allocable to the veteran's interest in the property. Potential maximum guaranty is calculated based on the total loan amount and cannot exceed \$104,250 for 2008, even if the available entitlement of the veterans involved adds up to a greater amount.

Note: For veteran/nonveteran joint loans, the LGC will contain the statement, "the amount of guaranty on this loan is limited to the veteran's portion of the loan."

Any person using VA entitlement on a joint loan must certify the intent to personally occupy the property as his/her home.



FARM RESIDENCE LOANS

(Lender's Handbook, Chapter 7, Topic 9)

Loans for the purchase of a farm residence to be occupied by the veteran are eligible for guaranty.

- If the veteran currently owns farmland secured by a mortgage, the veteran may obtain a VA guaranteed mortgage to build a farm residence and use a portion of the proceeds of the new (VA) loan to payoff the original land mortgage.
- Loans may also be guaranteed for the repair, alteration, or improvement of a farm residence owned and occupied by the Veteran as his or her home.

Contact the nearest VA Regional Loan Center for details regarding this program.

Adjustable Rate Mortgages (ARMS)

(Reference VA website: www.homeloans.va.gov for VA Circular 26-08-19, October 16, 2008)

TRADITIONAL ARM

- VA can guarantee loans made with the one-year ARM feature. The interest rate may be increased or decreased a maximum of one percent on an annual basis. The maximum increase in the interest rate over the life of the loan is 5 percent.

HYBRID ADJUSTABLE RATE MORTGAGE

- VA may also guarantee loans with the Hybrid ARM feature. The interest rate on a Hybrid ARM remains fixed for a period of at least 3 years, after which the rate can be adjusted annually. If the initial interest rate remains fixed for less than 5 years, the first rate adjustment is limited to a maximum increase or decrease of one percent and the maximum increase in the interest rate over the life of the loan is 5 percent. If the initial interest rate remains fixed for 5 years or more, the first rate adjustment is limited to a maximum increase or decrease of two percent and the maximum increase in the interest rate over the life of the loan is 6 percent. After the first rate adjustment, subsequent annual adjustments are limited to a maximum of two percent.

OCCUPANCY

The veteran must certify that he or she intends to personally occupy the property as his or her primary residence.

For an IRRRL, the veteran may certify that he or she previously occupied the property.

GEOGRAPHICAL LIMITS

A VA guaranteed loan may be used to secure real property located in the United States, its territories, or possessions (Puerto Rico, Guam, Virgin Islands, and American Samoa).

LOANS THAT REQUIRE PRIOR APPROVAL

(Lender's Handbook, Chapter 5, Topic 4)

All lenders, whether or not they have automatic authority, **must submit** the following types of loans to VA for prior approval:

- Any joint loan where title to the property will be held by the veteran and any person other than the veteran's spouse.
- Loans to veterans in receipt of VA non-service-connected pension.
- Loans to veterans rated incompetent by VA.
- Interest Rate Reduction Refinancing Loans (IRRRLS) made to refinance delinquent VA loans.
- Cooperative loans.
- Unsecured loans, or loans secured by less than a first lien.



GUARANTY

(Lender's Handbook, Chapter 3, Topic 3)

AMOUNT OF GUARANTY

The maximum guaranty on a VA Loan is the *lesser* of:

- The veteran's available entitlement indicated on the COE, **OR**
- The maximum potential guaranty amount from the table below:

LOAN AMOUNT	LOAN TYPES	MAXIMUM POTENTIAL GUARANTY	SPECIAL PROVISIONS
Up to \$45,000	All	50% of the loan amount	Minimum guaranty of 25% on IRRRLs
\$45,001 to \$56,250	All	\$22,500	Minimum guaranty of 25% on IRRRLs
\$56,251 to \$144,000	All	40% of the loan amount, with a Maximum of \$36,000	Minimum guaranty of 25% on IRRRLs
Greater than \$144,000	All, except: <ul style="list-style-type: none">• refinance of a construction loan• refinance of a land sale installment contract, OR• Refinance of loans assumed at a higher interest rate than the VA loan	25% of the loan amount, with a maximum of \$104,250 for 2009 **For the 3 exception cases, 25% of the loan amount, with a maximum of \$36,000	<ul style="list-style-type: none">• Maximum guaranty of \$104,250.• Minimum guaranty of 25% on IRRRLs

REAL ESTATE APPRAISAL ASSIGNMENTS

VA regional offices will assign appraisals only to fee appraisers whose professional ability and past performance warrant retention on the current roster of designated fee appraisers and who have been designated to appraise for VA in the area in which the property is situated.

Favoritism or unfair discrimination in appraisal assignments is prohibited by Federal statute, which requires that assignments be made on a rotational basis. Lenders who request appraisals from VA may not circumvent this requirement.

Requests for assignment of a particular appraiser cannot be honored.

All requests for appraisal assignments must be ordered through VA's Information Portal on the Internet at <https://vip.vba.va.gov>. Lenders encountering problems with appraisal assignments should contact us at 888-232-2571, ext 1736 or by email. Requesters should become familiar with Chapter 10 of the Lenders Handbook prior to requesting an assignment.

Automatic lenders may be approved for the Lender Appraisal Processing Procedure (LAPP). With LAPP, the lender's VA-approved Staff Appraisal Reviewer (SAR) may review the appraisal report and issue the Notice of Value. VA's new E-appraisal process allows the fee appraiser to upload appraisal reports to our Central Appraisal Management System where the SAR can view the appraisal. E-appraisal saves mailing time, paper, and eliminates the risk of lost reports.



SPECIALLY ADAPTED HOUSING PROGRAM

Which veterans are eligible for the grant?

Veterans who have service-connected disability due to military service, entitling them to compensation for permanent and total disability due to:

- The loss, or loss of use, of both lower extremities, such as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair, or
- The loss, or loss of use, of both upper extremities so as to preclude use of the arms at or above the elbows.
- Disability which includes blindness in both eyes, having only light perception, plus loss or loss of use of one lower extremity, or
- The loss or loss of use of one lower extremity together with (1) residuals of organic disease or injury, or (2) the loss or loss of use of one upper extremity, which so affects the functions of balance or propulsion as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair.

What is the nature of the benefit?

An eligible veteran may receive a VA grant of not more than 50 percent of the cost of a specially adapted housing unit up to a maximum of \$50,000.

How may the grant be used?

- The veteran may elect to construct a home on land to be acquired for that purpose.
- The veteran may build a home on land already owned if it is suitable for specially adapted housing.
- The veteran may remodel the existing home if it can be made suitable for specially adapted housing.
- When the veteran has already acquired a specially adapted home (without the assistance of a VA grant), the grant may be applied against any unpaid balance of the cost of the home.
- Veterans who have obtained a grant of less than \$50,000, may obtain subsequent grants for the difference (\$50,000 minus the amount of the previous grant).

WHAT SHOULD A LENDER DO?

Any veteran who believes he/she may be eligible for a specially adapted housing grant, should be referred to any VA office, preferably the VA office where the veteran's claim records are located. VA claims examiners will determine whether the veteran is eligible and whether it is medically feasible for the veteran to reside in a specially adapted home. The referral should be done prior to completing the loan application, ordering the appraisal, or the credit report. The determination process, if it has not been previously completed, can take several weeks to complete.

VA ACQUIRED PROPERTIES

Properties owned by the Department of Veterans Affairs (VA) can be financed using the veteran's entitlement. If the veteran is applying for a VA-guaranteed loan, VA will issue a Notice of Value (NOV) upon request at VA expense. Since July 2008, the management and sale of VA-owned properties has been contracted to Countrywide Home Loans. When the lender determines that the property is a VA REO (Real Estate Owned), they should contact Countrywide at 1-800-669-6607 or www.reotrans.com for further information.



UNDERWRITING VA LOANS

(Lender's Handbook, Chapter 4)

INCOME VERIFICATION

- Verify a minimum of two years of employment (including previous jobs, if needed).
- Only verified income can be considered in qualifying for a VA loan.
- Income of a spouse who will be obligated on the loan must also be verified, if needed.

Acceptable verification of employment consists of the following:

- VA Form 26-8497, Request for Verification Of Employment (VOE), or any format that obtains the same information.
- All Verifications of Employment must be originals.

Note: It is acceptable for Department of Defense civilian employees to provide computer generated pay stubs accessed through E/MSS (Employee Member Self Service).

- An original or certified copy of the applicant's pay stub, when furnished by the employer, must be provided.
- The employment verification should be compared with the pay stub for consistency.

Note: The VOE and pay stub must not be more than 120 days old (180 days for new construction) for loans closed on the automatic basis.

ALTERNATIVE DOCUMENTATION

(Lender's Handbook, Chapter 4)

- Telephone verifications should be obtained and be similar in content to the employment verification form. Phone verification should show the person contacted, their position, phone number, and date contacted.
- Furnish the original pay stub(s) covering the most recent 30-day period together with W-2 forms for the previous 2 years.
- Two verification companies, **VIE** and **TALX Corporation**, have been approved for use on VA loans.

Alternative Documentation, Continued

Note: If documents are questionable in authenticity or consistency, or if the employer is unwilling to provide a verbal verification, then a standard verification of employment is required.

Alternative documentation can be used in conjunction with verification of employment forms to meet the two-year coverage.

ADDITIONAL SOURCES OF INCOME

(Lender's Handbook, Chapter 4, Topics 2p,q,r)

- Receipt of child support, alimony, or separate maintenance must be disclosed and verified to be considered when qualifying for the loan.
- In accordance with the Equal Credit Opportunity Act (ECOA), do not ask questions about the income of a spouse unless the spouse will be contractually liable or the applicant is relying on the spouse's income to qualify.
- **In community property states**, information concerning a non-purchasing spouse may be requested and considered in the same manner as for the applicant, even if the spouse will not be contractually obligated on the loan.
- Generally, income from a 2nd job should only be used after the applicant has 24 months experience of working two jobs.
- Generally, income from overtime or part-time work is not considered reliable unless the applicant has received this income for 2 years.
- Overtime and part-time earnings that have been received for at least 1 year can be used to off-set intermediate term debts with less than 24 months remaining.
- Seasonal income may be used under special circumstances. It is important to document the past history and the likelihood it will continue.
- Income from Worker's Compensation, Foster Care, Public Assistance, Social Security, Alimony, and Child Support may be considered if they have been verified as consistently paid and are likely to continue. Public assistance programs and Social Security must continue for a minimum of 3 years from the date of closing to be counted.

Note: Temporary income such as VA educational allowances and unemployment compensation do not represent stable and reliable income and as a general rule, are not to be considered as income.

INCOME FROM SELF-EMPLOYMENT

(Lender's Handbook, Chapter 4, Topic 2j)

Generally, income from self-employment may be used when the applicant has been self-employed for at least 2 years.

- Copies of the past two years' business or individual tax returns must be provided.
- The current year-to-date profit & loss statement, and balance sheets are required. These exhibits can be prepared by the business or the veteran, if adequate information is provided.
- Normal business expenses that can be "added-back" to the net profit or bottom-line figures include depreciation, business interest, and amortization of organizational fees (corporations).
- Business debts listing the name of a Sole Proprietor on a Schedule C must be counted against the veteran on the loan analysis. The same applies to partnerships filed on IRS Form 1065. **Only corporate debts are exempt from the veteran's loan analysis.**
- For partnerships and corporations, furnish a list of the primary owners and their percentage in the business. This can usually be found on the K-1 Forms for partnership and sub-chapter S corporations, or on the 1120 Form, Schedule E for standard corporations.
- Taxable Income listed on the bottom of a corporate tax return (IRS Form 1120) may be divided by the veteran's percentage of ownership and then used as additional income (subject to tax).

INCOME FROM COMMISSIONS

(Lender's Handbook, Chapter 4, Topic 2i)

When all or a major portion of an applicant's income is from commissions, a verification exhibit is needed. It must show the year-to-date commissions, the basis for computing commissions, and how frequently commissions are paid to the applicant.

- Commission income can be considered stable after the applicant has received it for two years.
- The prior two years' income tax returns must be provided with W-2s and 1099-MISC Forms. These individual returns must be complete with all schedules, signatures and dates included.

RENTAL INCOME

(Lender's Handbook, Chapter 4, Topic 2o)

Rental of an existing present residence is generally used to off-set the mortgage payment if there is a positive cash flow. A copy of the lease should be furnished. The debt should still be listed on the loan analysis, but shown as a "rental offset."

Rental Income from Property To Be Secured by VA Loan

- If the veteran is purchasing multi-family housing, the lender should obtain (1) documentation (education, prior experience, professional management contract, etc) supporting the likelihood of the veteran's success as a landlord, (2) copies of leases (if available), and (3) evidence of cash reserves equaling 6 months of mortgage payments.
- 75 percent of the anticipated rental income can be considered as qualifying income.

All of the conditions must be met to include rental income as qualifying income.

ACTIVE MILITARY INCOME VERIFICATION

(Lender's Handbook, Chapter 4, Topic 2k)

- An original or certified copy of the applicant's Leave and Earnings Statement (LES) is required.

Note: The Department of Defense provides service members access to a computer generated LES through the E/MSS (Employee Member Self Service). This type of LES is acceptable.

- Service members who are within 12 months of release from active duty or the end of their contract term require additional information.

Note: The ETS (Expiration of Term of Service) or EAOS (Expiration of Active Obligated Service) date can be found on the LES for enlisted personnel or on an officer's orders.

- If release will be within 12 months of the anticipated closing date, one of the following is required:
 - Evidence that the applicant has already re-enlisted or extended his or her period of active duty to a date 12 months beyond the date of loan closing, **OR**
 - Verification of a valid offer of local civilian employment, **OR**
 - A statement from the service member that he/she intends to reenlist or extend his or her active duty to a date beyond the 12-month period.

PLUS

- A statement from the applicant's commanding officer confirming that the applicant is eligible to reenlist or extend his or her active duty and has no reason to believe that such reenlistment or extension of active duty will not be granted.

Active Military Income Verification, Continued

Note: Continuation of Military Allowances (flight pay, hazardous duty pay, etc.) must be determined to count as income. If continuation cannot be determined, these allowances may be used to offset short term debts (24 months or less).

Can Employment of Less Than 12 Months Be Considered As Qualifying Income?

(VA Lender's Handbook, Chapter 4, Topic 2)

Generally, employment of less than 12 months' duration is not considered stable and reliable. However, it may be considered stable and reliable if the individual facts warrant such a conclusion. Carefully consider:

- The employer's evaluation of the probability of continued employment (If provided).
- Whether the applicant's training and/or education equipped him or her with particular skills, which relate directly to the duties of his or her current position. Examples include nurse, medical technician, lawyer, paralegal, and computer systems analyst.

Note: If the probability of continued employment is high based on these factors, then the lender may give favorable consideration to including the income in total effective income.

ASSETS

WHAT AMOUNT OF LIQUID ASSETS ARE REQUIRED FOR A VA LOAN?

(Lender's Handbook, Chapter 4, Topic 4a)

The lender should verify all liquid assets claimed by the applicant required for:

- Closing costs or points, which are the applicant's responsibility and are not financed in the loan.
- The difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA.

Note: VA does not require the applicant to have additional cash to cover a certain number of mortgage payments, unplanned expenses, or other contingencies.

DEBTS AND OBLIGATIONS

- All significant debts and obligations of the applicant(s) **must be verified and rated**.
- The lender must obtain a credit report.

Credit reports used in analyzing VA loans must be either:

- Three file Merged Credit Reports (*MCR*), **OR**
- Residential Mortgage Credit Reports (*RMCR*).
- For automatically closed loans, the date of the credit report must be within 120 days of the date the note is signed (180 days for new construction)
- For prior approval loans, the date of the credit report must be within 120 days of the date the application is received by VA (180 days for new construction).

What If Debts And Obligations Listed On The Loan Application Do Not Appear On The Credit Report? (*Lender's Handbook, Chapter 4, Topic 5a*)

For obligations not included on the credit report, which are revealed on the application or through other means, you must obtain a verification of deposit showing the obligation or other written verification directly from the creditor.

- You must also separately verify accounts listed as “will rate by mail only” or “need written authorization.”
- When a pay stub or leave and earnings statement indicates an allotment being withheld, you must investigate the nature of the allotment to determine whether the allotment is related to a debt.

What If There Are Discrepancies Found On The Credit Report?

(*Lender's Handbook, Chapter 4, Topic 5a*)

Resolve All Discrepancies. If the credit report or deposit verification reveals significant debts or obligations, which were not divulged by the applicant, obtain clarification as to the status of such debts from the applicant, then verify any remaining discrepancies with the creditor.

Equal Credit Opportunity Act (ECOA)

(Lender's Handbook, Chapter 4, Topic 5a)

The Equal Credit Opportunity Act (ECOA) prohibits requests for, or consideration of, credit information on a spouse who will not be contractually obligated on the loan except:

- If the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), **OR**
- If the property is located in a community property state, VA requires consideration of the spouse's credit information (whether or not the spouse will be personally liable on the note and whether or not the applicant the spouse's income is considered).

How Can The Lender Verify Alimony And Child Support Obligations?

(Lender's Handbook, Chapter 4, Topic 5b)

- The payment amount on any alimony and/or child support obligation of the applicant(s) must be verified. This can usually be verified in the divorce decree. Payment often is noted on applicant's pay stub.
- Do not request documentation of applicant's divorce unless it is necessary to verify the amount of any alimony or child support liability indicated by the applicant.

If, however, in the routine course of processing the loan, the lender encounters direct evidence (e.g., in the credit report) that a child support or alimony obligation exists, make any inquiries necessary to resolve discrepancies and obtain the appropriate verification.

ANALYSIS OF DEBTS AND OBLIGATIONS

(Lender's Handbook, Chapter 4, Topic 5c)

Deduct significant debts and obligations from total effective income when determining ability to meet the mortgage payments. Significant debts and obligations include:

- Debts and obligations with a remaining term of 10 months or more, and
- Accounts with a term less than 10 months that require payments so large as to cause a severe impact on the family's resources for any period of time.

What If A Married Veteran Wants To Obtain The Loan In His Or Her Name Only?

(Lender's Handbook, Chapter 4, Topic 5c)

If a married veteran wants to obtain the loan in his or her name only, the veteran may do so without regard to the spouse's debts and obligations in a non-community property state. However, in community property states the spouse's debts and obligations must be considered even if the veteran wishes to obtain the loan in his or her name only. Also, if debts are assigned to an ex-spouse by a divorce decree, they will not be charged against a veteran borrower. This includes debts that are now delinquent. The spouse must still be counted as a family member for residual income purposes unless income to exclude the spouse is documented. See Information Bulletin 2007-05 on the Houston RLC website for more information on loans in community property states.

APPLICANT AS CO-OBLIGOR ON ANOTHER'S LOAN

(Lender's Handbook, Chapter 4, Topic 5d)

The applicant may have a contingent liability based on co-signing a loan. If there is evidence that the loan payments are being made by someone else, and there is no reason to believe that the applicant will have to participate in repayment of the loan, the lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis.

Example: Applicant cosigned for his daughter's car; however, she is making the payments. Request copies of canceled checks. Likewise, if payments are being deducted from her pay, obtain copies of pay stubs. Compare the amount of deduction with the amount of the payment reflected on the credit report.

PENDING SALE OF REAL ESTATE

(Lender's Handbook, Chapter 4, Topic 5e)

Sale proceeds from the applicant's current home may be necessary to:

- Pay off the outstanding mortgage or other obligations.
- Make a down payment.
- Pay closing costs.

Obtain a copy of the sales contract and any applicable information that provides a reasonable basis for concluding the equity that will be realized from the sale will be sufficient. Verification that the sale has closed should be obtained as part of the lender's file documentation.

SECONDARY BORROWING

(Lender's Handbook, Chapter 4, Topic 5f)

If the applicant plans to obtain a second mortgage simultaneously with the VA-guaranteed loan then the second mortgage payment must be included as a significant debt. The terms of the second mortgage payment should not place the veteran in a substantially worse position than if the entire amount borrowed had been guaranteed by VA. The veteran may **not** borrow the difference when the sales price exceeds the reasonable value of the property.

WHAT IS CAIVRS?

(Lender's Handbook, Chapter 4, Topic 6c)

CAIVRS is an acronym for Credit Alert Interactive Voice Response System. It is a HUD-maintained computer information system that enables lenders to learn if an applicant has previously defaulted on a federally-assisted loan from any of the following agencies:

- Department of Agriculture,
- Small Business Administration,
- Department of Education,
- HUD, and
- VA.

The VA default information includes:

- Overpayments on education cases,
- Overpayments on disability benefits income,
- Claims paid due to home foreclosures

CAIVRS screening is required on all applicants, including co-obligors.

WHAT IF CAIVRS SHOWS A DEBT?

(Lender's Handbook, Chapter 4, Topics 6d, e)

An applicant cannot be considered a satisfactory credit risk if he or she is presently delinquent or in default on any debt to the Federal Government until the delinquent account has been brought current or satisfactory arrangements have been made between the applicant and the Federal agency. ***Refinancing of a delinquent VA Loan with an IRRRL satisfies this requirement.***

An applicant cannot be considered a satisfactory credit risk if he or she has a judgment lien against his or her property for a debt owed to the Government until the judgment is paid or otherwise satisfied.



HOW TO ANALYZE CREDIT

(Lender's Handbook, Chapter 4, Topic 7c)

The applicant's past repayment practices on obligations are the best indicator of his or her willingness to repay future obligations. Emphasis should be on the applicant's overall payment patterns rather than isolated occurrences of unsatisfactory repayment.

ABSENCE OF CREDIT HISTORY

(Lender's Handbook, Chapter 4, Topic 7c)

For applicants with no established credit history, base the determination on the applicant's payment record on utilities, rent, automobile insurance, etc.

Absence of credit history is not generally considered an adverse factor. It may result when:

- Recently discharged veterans have not had an opportunity to develop a credit history.
- Applicants have routinely used cash rather than credit.
- Applicants have not used credit since some disruptive credit event such as bankruptcy or debt pro-ration through consumer credit counseling.

Note: In these cases, develop evidence of timely payment of non-installment obligations such as rent and utilities since the disruptive credit event. For Bankruptcy cases, see "Bankruptcy" heading.

ADVERSE DATA

(Lender's Handbook, Chapter 4, Topic 7c)

In circumstances not involving bankruptcy, satisfactory credit is generally considered to be reestablished after the veteran, or veteran and spouse, have made satisfactory payments for 12 months after the date of the last derogatory credit item.

If the applicant and/or spouse are determined to be satisfactory credit risks in spite of derogatory credit information, include an explanation of the basis for the determination.

For unpaid debts or debts that have not been paid timely:

- Pay-off of these debts after the acceptability of applicant's credit is questioned does not alter the unsatisfactory record of payment. Generally, unpaid collections should be considered as open, recent credit.
- Lenders may consider a veteran's claim of bona fide or legal defenses regarding unpaid debts except when the debt has been reduced to judgment.
- Account balances reduced to a judgment by a court must be either paid in full or subject to repayment plan with a history of timely payments.

Documentation of alternate credit (e.g., utilities, car insurance, etc) should not be used to offset an otherwise unsatisfactory credit history.

BANKRUPTCIES AND PREVIOUS FORECLOSURES

(Lender's Handbook, Chapter 4, Topics 7e, f)

CHAPTER 7 BANKRUPTCY

Generally, bankruptcies discharged more than 2 years ago may be disregarded. Bankruptcies discharged within the last 1 to 2 years require specific development. Obtain the following:

- Complete copies of all pleadings and discharge of the bankruptcy.
- Evidence that the applicant has a recent history of satisfactory consumer credit (after the bankruptcy).
- Evidence that the bankruptcy was caused by circumstances beyond the applicant's control.

CHAPTER 13 BANKRUPTCY

The lender must document that the applicant has satisfactorily paid on the plan for at least 12 months and obtain a letter stating that the Trustee or the Bankruptcy Judge approves of the new credit.

FORECLOSURES

A credit history that reflects a foreclosure (or deed-in-lieu of foreclosure) does not in itself disqualify the loan.

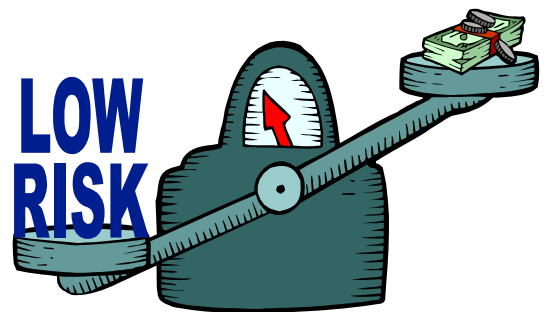
- Develop complete information on the facts and circumstances of the foreclosure.
- Apply the guidelines provided for bankruptcies filed under Chapter 7.

If the foreclosure was on a VA guaranteed loan, determine whether or not the veteran has sufficient entitlement available for the new loan.

COMPENSATING FACTORS

- Excellent credit history
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Significant liquid assets
- Sizable down payment
- The existence of equity in refinancing loans
- Little or no increase in shelter expense
- High residual income
- Low debt-to-income ratio
- Tax credits for child care
- Tax benefits of home ownership

Note: Compensating factors CANNOT be used to offset unsatisfactory credit.



HOW TO COMPLETE VA FORM 26-6393, LOAN ANALYSIS

In order to properly enter information on VA Form 26-6393, the underwriter must understand and apply the guidelines provided.

Self-explanatory items are not discussed in this section.

Section C, Estimated Monthly Shelter Expenses

It is important to estimate these expenses accurately because they will be deducted from monthly income to arrive at the balance available for family support.

Section D, Debts and Obligations

List **all known debts and obligations** of the applicant and spouse, including any alimony and/or child support payments. Place a check mark in the column next to any “significant” debt or obligation.

Note: Debts and obligations with less than 10 months remaining should be listed, but do not have to be counted unless the payment would cause a severe impact on the family’s resources for any period of time.

Item 44, Balance Available for Family Support

Enter the appropriate residual income amount from the table in the “guidelines” box. Residual income is the amount of net income remaining (after deduction of debts, obligations and monthly shelter expenses) to cover family living expenses such as food, health care, clothing, and gasoline.

Item 45, Debt-to-Income Ratio

The ratio is determined by taking the sum of the principal and interest payment, homeowners’ and other assessments, (item 15, 16, 17, 18 and 21) and obligations to be deducted from income (item 41), divided by the total of gross salary or earnings (item 32) and other compensation or net income (item 39).

The ratio should be rounded to the nearest two digits and will be entered in item 45 of VA Form 26-6393.

Residual Income

VA’s minimum residual income (balance available for family support) is a guide, and should not automatically trigger approval or rejection of a loan. Instead, consider residual income in conjunction with all other credit factors. An obviously inadequate residual income alone can be a basis for disapproving a loan.

Note: If residual income is marginal, look to other indicators such as the applicant’s credit history, and in particular, whether and how the applicant has previously handled similar housing expense.

Debt-to-Income Ratio

VA's debt-to-income ratio is a ratio of total monthly debts' payments (housing expense, installment debts, etc.) to gross monthly income. *It is a guide and, as an underwriting factor, it is secondary to the residual income.* It should not automatically trigger approval or rejection of a loan. Instead, consider the ratio in conjunction with all other credit factors.

A ratio greater than 41 percent requires close scrutiny, *unless* the ratio is greater than 41% solely due to the existence of tax-free income, **OR** residual income exceeds the guideline by at least 20 percent.

If a loan is closed on an automatic basis with a ratio greater than 41%, the file must contain a statement justifying the reasons for approval, signed by the underwriter's supervisor, unless residual income exceeds the guideline by at least 20 percent. The statement must list the compensating factors justifying approval of the loan. (See Compensating Factors)

Table of Residual Incomes by Region For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of 7			

For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of 7			

Note: For loan applications in which either the borrower or the spouse is an active-duty service person, the residual income figures above may be reduced by 5 percent, if there is a clear indication that the borrower or spouse will continue to receive the benefits resulting from the use of nearby military-based facilities. This reduction may also be applied to retired military applicants when the property is located reasonably near a military base or installation. (This reduction applies to both of the above tables.)

Key to Geographic Regions Used in the Residual Income Tables

Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington

**MAINTENANCE & UTILITY GUIDELINES
(All States)**

FOR MAINTENANCE AND UTILITY COSTS: multiply the living area of the property (square feet) by \$0.14.

Example: 1500 square feet
 X .14 per square foot per month
 210.00 per month

AUTOMATED UNDERWRITING SYSTEMS (AUS)

(Lender's Handbook, Chapter 4, Topic 8)

VA has approved the use of 5 Automated Underwriting Systems for use with VA loans, including Loan Prospector, Desktop Underwriter, CLUES, ZIPPY, and PMI Aura. Lenders may be guided by an "Accept/Approve" rating from an AUS in deciding whether a loan may be approved. Documentation requirements for loans processed through an AUS may be found in the Lender's Handbook.

Data Integrity

Lenders must exercise care to ensure that data entered into an AUS is accurate and supported by documentation obtained by the lender. An "Approve/Accept" rating is voided if it is based on inaccurate or unverified data. In some cases, it could also result in a finding of material misrepresentation, which could affect the validity of the guaranty.

CLOSING PACKAGE

CLOSING SUMMARY

Objective: To provide quick and correct processing of the Loan Guaranty Certificate. The following directives apply to the verification, documentation and processing of closed VA Loans. All questions and points of clarification should be referred to Chapter 8 of the VA Lender's Handbook or our web site: <http://www.homeloans.va.gov/handbook.htm>

ALLOWABLE FEES AND CHARGES

(Lender's Handbook, Chapter 8)

The following list of allowable items is published in 38 CFR 36.4312 and applies to all VA home loans.

1. VA Appraisal Fee
2. Appraiser Compliance Inspection
3. Recording Fees
4. Credit Report
5. Escrow Account (Taxes & Insurance)
6. Initial Hazard Insurance Policy
7. Survey
8. Title Examination and Title Insurance
9. VA Funding Fee
10. Authorized State and Local Fees
11. MERS Registration
12. Flood Zone Certification

Additionally the lender has the option of charging a flat 1% Origination Fee, or charging actual costs for the items listed below, so long as the total does not exceed 1% of the loan amount.

Assignment Fees
Notary Fees
Warehousing Fees
Commitment Fees
Underwriting Fees
Photo Charges
Amortization Fees

Application Fees
Tax Service Fees
Builder's 10 Year Home Warranty
Closing or Settlement Fees
Document Preparation Fees
Attorney Fees

Note: [Termite Reports and Courier Fees](#) are allowable charges to veterans only on refinances.

SELLER CONCESSIONS

(Lender's Handbook, Chapter 8, Topic 5)

A seller concession is anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide.

Seller concessions include but are not limited to the following:

- payment of the buyer's VA funding fee
- prepayment of buyer's property taxes and insurance
- gifts such as a television set or microwave
- payment of extra points to provide permanent interest rate buy-down
- provision of escrowed funds to provide temporary interest rate buy-downs, and
- payoff of credit balances or judgments on behalf of the buyer.

Seller concessions do not include:

- payment of the buyer's closing costs, or
- payment of points as appropriate to the market.
Example: If the market dictates an interest rate of 7.5% with 2 discount points, the seller's payment of the 2 points would not be a seller concession. If the seller paid 5 points, 3 of these points would be considered a seller concession.

(Seller concessions or combinations may not exceed 4% of the reasonable value.)

VA FUNDING FEE REQUIREMENT

(Lender's Handbook, paragraph 8.08)

The law requires that VA be paid a funding fee on guaranteed loans. The only exceptions are loans made to:

- Veterans receiving VA compensation for service-connected disabilities.
- Veterans who would be entitled to receive compensation if they were not receiving military retirement pay.
- Loans made to surviving spouses of veterans who died in service or from service-connected disabilities.

Veterans whose entitlement is based on active duty will pay a 2.15% fee on their first VA loan and 3.30% on all future loans for the purchase of a home or cash-out refinances.

Veterans whose entitlement is based on Guard/Reserve service will pay 2.40% on their first loan and 3.30% on all future loans for the purchase of a home or cash-out refinances.

A down payment will reduce the amount of the funding fee (see chart).

The funding fee on VA Assumptions and Interest Rate Reduction Refinance Loans is currently 0.5%. This rate remains unchanged regardless of the number of times it is used.

VA funding fee must be paid within 15 days of closing.

The funding fee may be financed into the loan amount (over and above the appraised value of the property).

VA FUNDING FEE SCHEDULE

Loan Type	Required Down Payment	Active Duty Personnel and Veterans	National Guard and Reservists
First Time Use of VA Loan Guaranty Benefits			
Purchase/Construction	0% down	2.15%	2.40%
	5% down	1.50%	1.75%
	10% down	1.25%	1.50%
Regular Cash Out Refinance		2.15%	2.40%
Second or subsequent use of VA Loan Guaranty Benefits			
Purchase/Construction	0%	3.30%	3.30%
	5%	1.50%	1.75%
	10%	1.25%	1.50%
Regular Cash Out Refinance		3.30%	3.30%

VA FUNDING FEE SCHEDULE (CONT'D)

Loan Type	Active Duty Personnel and Veterans	National Guard and Reservists
All Interest Rate Reduction Refinance Loans	0.50%	0.50%
Native American Direct Loans	1.25%	1.25%
Manufactured (Mobile) Home Loans	1.00%	1.00%
Assumptions**	0.50%	0.50%
Vendee Loans	2.25%	2.25%

**This pertains to loans originally closed on or after March 1, 1988. There is no funding fee required for assumption of loans closed prior to March 1, 1988.

Lenders must use the Funding Fee Payment System at www.pay.gov/va to remit funding fee payments and to request refunds of payments made in error.

MODIFIED GUARANTY SUBMISSION PROCEDURE

Lenders must submit the items listed below when requesting issuance of a Loan Guaranty Certificate from VA:

- VA Form 26-0286, **Loan Summary Sheet**.
- **Original VA Certificate of Eligibility**, if not previously submitted in connection with a prior approval loan application.
- Evidence of payment of funding fee.
- Evidence of Value.
 - ❖ **VA or Lender Notice of Value (NOV)**, OR
 - ❖ **Master Certificate of Reasonable Value (MCRV)** with front page and options pages highlighted to pertain to the specific property, OR
- VA Form 26-1820, **Report and Certification of Loan Disbursement**.
- **HUD-1, Settlement Statement**.
- Name and mailing address of lender to be used by VA when requesting file for full review or post audit. (Include email address of lender, if available.)

VA field stations may, at their discretion, terminate a lender's participation in this modified guaranty submission procedure if that lender demonstrates an ongoing inability or unwillingness to be timely in responding to requests from VA.

ELECTRONIC GUARANTY PROCEDURES

Lenders may now submit closed loans for electronic guaranty using VA's webLGY program. WebLGY is found under Applications in the VA Portal. Since electronic guaranty cannot be issued until VA has recorded receipt of the funding fee from the FFPS system, lenders should wait at least 3 days after submitting the funding fee before logging on to webLGY to request electronic guaranty. Data entered in FFPS and the TAS (appraisal) program auto fills many fields in webLGY so lenders must ensure that data in FFPS and TAS is correct before using webLGY to obtain the guaranty. Lenders are advised to note that if there is an **AUDIT: "YES"** on the **Loan Status and History** screen, the full loan package must be submitted to the RLC within 15 days for a full review of the loan.

QUALITY REVIEW PROCEDURES

In addition to loans selected for full review in webLGY, the RLC will notify lenders, usually within 30 days of receipt, of cases submitted for guaranty by hard copy that are selected for full review or other audit. Lenders will be notified by letter and/or e-mail. Lenders must forward the complete original package to the requesting VA office within 15 days of receiving notification.



APPENDIX

FREQUENTLY USED VA FORMS FOR MORTGAGE LOAN ORIGINATION

VA Form	Title of Form or Description
26-0285	VA Transmittal Sheet
26-0286	VA Loan Summary Sheet
26-0500	Notification of Funding Fee Shortage
26-0503	Federal Collection Policy Notice
26-0551	VA Debt Questionnaire
26-0592	Counseling Checklist for Military
26-1802a	Uniform Residential Loan Application & HUD/VA Addendum to URLA
26-1805	VA Request for Determination of Reasonable Value
26-1817	Request for Eligibility - Unmarried Surviving Spouse
26-1820	Report & Certification of Loan Disbursement
26-1880	Request for a Certificate of Eligibility for VA Home Loan Benefits
26-1859	Warranty of Completion of Construction
26-1866	Certificate of Commitment
26-6393	VA Loan Analysis
26-8261a	Request for Certificate of Veteran Status
26-8375	Termite Soil Treatment Guaranty
26-8497	Verification of Employment
26-8497a	Verification of Deposit
26-8736	Non supervised Automatic Lender application
26-8812	Lender Equal Opportunity Certification
26-8850	Wood Destroying Insect Certification
26-8923	IRRRL Lender's Worksheet
26-8937	VA Benefit Related Indebtedness Form
HUD-1	Settlement Statement
Form 1003	Uniform Residential Loan Application

ACRONYMS

ARM	Adjustable Rate Mortgage
BAH	Basic Allowance for Housing
BAQ	Basic Allowance for Quarters
BAS	Basic Allowance for Subsistence
CAIVRS	Credit Alert Interactive Voice Response System
C&V	Construction and Valuation Section (Appraisals)
COE	Certificate of Eligibility
CVS	Certificate of Veteran Status
ETS	Expiration of Term of Service
GPM	Graduated Payment Mortgage
IRRRL	Interest Rate Reduction Refinance Loan
LAPP	Lender Appraisal Processing Procedure
LES	Leave and Earnings Statement
LGC	Loan Guaranty Certificate
MCC	Mortgage Credit Certificate
MCRV	Master Certificate of Reasonable Value
NOV	Notice of Value
PITI	Principal, Interest, Taxes, and Insurance
POA	Power of Attorney
PUD	Planned Unit Development
RLC	Regional Loan Center
ROL	Release of Liability
SOE	Substitution of Entitlement
SOS	Statement of Service
TAS	The Appraisal System
URLA	Uniform Residential Loan Application
VA	Department of Veterans Affairs
VHA	Variable Housing Allowance
VIP	Veterans Information Portal
VOD	Verification of Deposit
VOE	Verification of Employment

VA TRAINING BROADCASTS

VA Loan Guaranty Service conducts periodic interactive televised training broadcasts that provide program information for Lenders, Mortgage Brokers, and Real Estate Sales Personnel. The topics covered in these sessions include processing, underwriting, closing, and appraisal issues. These free broadcasts may be viewed at any VA Regional Loan Center or over the Internet (www.homeloans.va.gov) via streaming video. The broadcast schedule may be found on the Loan Guaranty website (www.homeloans.va.gov). Program participants interested in attending a session at a Regional Loan Center should make reservations by calling the contact person at that office. Since these seminars are interactive, all attendees will have the opportunity to ask questions.

The Loan Guaranty website also has information on buying previous broadcasts on videotape, purchasing any of the informational videos VA produced, and taking VA loan program training courses over the PC.

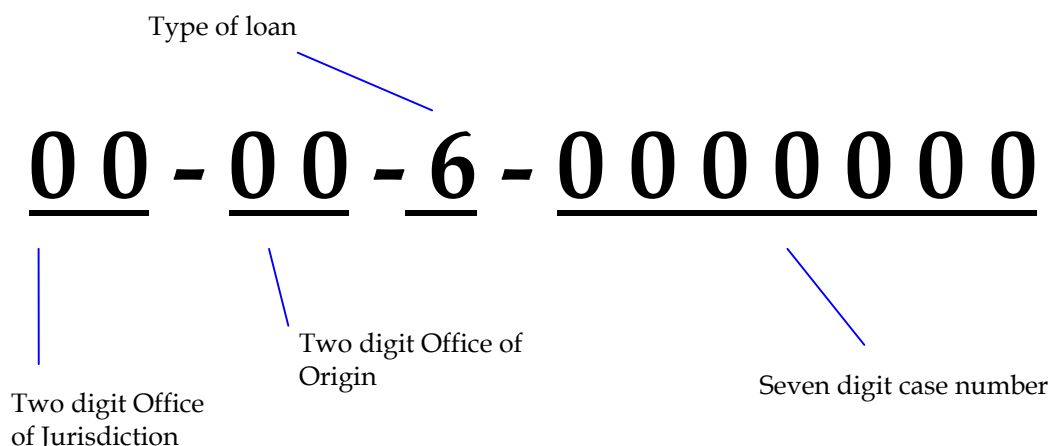
Office of Jurisdiction Codes

State	Number	State	Number
AK	63	NC	18
AL	22	ND	35
AR	50	NE	34
AZ	45	NH	73
CA	43	NJ	09
CA	44	NV	45
CA	77	NM	40
CO	39	NY	06
CT	73	NY	07
DE	10	OH	25
DC	72	OK	51
FL	17	OR	48
GA	16	PA	10
HI	59	PA	11
IA	33	PR	55
ID	47	RI	73
IL	28	SC	19
IN	26	SD	35
KS	52	TN	20
KY	27	TX	49
LA	21	TX	62
MA	73	UT	41
ME	73	VA	14
MD	13	VT	73
MI	29	WA	46
MN	35	WI	30
MO	31	WV	14
MS	23	WY	39
MT	39		

REGIONAL LOAN CENTERS

REGIONAL LOAN CENTER	JURISDICTION	MAILING ADDRESS	TELEPHONE NUMBER
MANCHESTER	CT, MA, ME, NH, NY, & VT	VA REGIONAL LOAN CENTER 275 CHESTNUT STREET MANCHESTER, NH 03101	1-800-827-6311
CLEVELAND	DE, IN, MI, NJ, OH, & PA	CLEVELAND REGIONAL LOAN CENTER 1240 EAST NINTH STREET CLEVELAND, OH 24011	1-800-729-5772
ROANOKE	DC, KY, MD, VA, & WV	ROANOKE REGIONAL LOAN CENTER 210 FRANKLIN ROAD SW ROANOKE, VA 24011	1-800-933-5499
ATLANTA	GA, NC, SC, & TN	VA REGIONAL LOAN CENTER 1700 CLAIRMONT ROAD DECATUR, GA 30033	1-888-768-2132
ST. PETERSBURG	AL, FL, & MS	VA REGIONAL CENTER P. O. BOX 1437 ST. PETERSBURG, FL 33731-1437	1-888-611-5916
ST. PAUL	IL, IA, KS, MN, MO, NE, ND, SD, & WI	VA REGIONAL LOAN CENTER 1 FEDERAL DRIVE FORT SNELLING ST. PAUL, MN 55111-0450	1-800-827-0611
HOUSTON	AR, LA, OK, & TX	VA REGIONAL LOAN CENTER 6900 ALMEDA ROAD HOUSTON, TX 77030	1-888-232-2571
DENVER	AK, CO, ID, MT, OR, UT, WA, & WY	VA REGIONAL LOAN CENTER BOX 25126 DENVER, CO 80225	1-888-349-7541
PHOENIX	AZ, CA, NM, & NV	VA REGIONAL LOAN CENTER 3333 N. CENTRAL AVE PHOENIX, AZ 85012	1-888-869-0194

THE VA LOAN NUMBER



VA loan numbers contain 12 digits with three hyphens to separate the 4 categories of the 12 digits. The first 2 digits of the VA loan number refers to the VA “Office of Jurisdiction” or “OJ” and indicates the number of the VA office which has (or had) jurisdiction over the subject property’s location. After the “OJ” digits, there is a hyphen followed by a second set of 2 digits. These digits refer to the VA “Office of Origin” or “OO”. Although VA has consolidated its loan guaranty operations from 46 Regional Offices to 9 Regional Loan Centers, the loan numbering system still reflects the former Regional Office alignment. Therefore, loans that would have previously been under the jurisdiction of our Waco Regional Office still retain the 49-49 prefix even though they are submitted to and serviced by the VA Regional Loan Center in Houston (which is 62-62). The VA loan number for a property in Dallas starts with “49-49-n-nnnnnnn” because the Waco Regional Office previously had loan guaranty jurisdiction over Northern Texas.

After the ‘OJ-OO’ digits, the number contains a hyphen followed by a single digit to indicate type of loan. The 6 that is currently used applies to most guaranteed loans made after January 1, 1990.

After the single digit for the loan type, VA loan numbers contain a hyphen and a 7-digit serial number assigned at the time of appraisal request. Lenders must use the leading zero if the number assigned contains only six positions.

VA uses automated systems to assign loan numbers, record funding fee payments, process guaranty requests, and service closed loans. Therefore, it is imperative that lenders carefully record the number when it is assigned and report it accurately on all correspondence with VA.

CONTACTING VA

**HOUSTON VA REGIONAL LOAN CENTER
6900 ALMEDA ROAD
HOUSTON, TX 77030**

Houston Loan Guaranty Website - www.vba.va.gov/ro/houston/lgy/home.html

Houston Loan Production Phone - 1-888-232-2571, Option 6

Houston Loan Production Email - houstonlgy@vba.va.gov

Winston-Salem Eligibility Center - 1-888-244-6711

VA Portal - <https://vip.vba.va.gov>

Enables access to: The Appraisal System (TAS)
 Web-based Loan Guaranty (WebLGY)

National VA Loan Guaranty Service Website - www.homeloans.va.gov

VA Foreclosed Properties for Sale - www.reotrans.com, 1-866-781-0029

Funding Fee Payment System - www.pay.gov/va