



Understanding VA Loans

Origination & Processing



Written By

Kathy Lewis

Master Mortgage Trainer Since 1986

www.capstoneinstitute.com

This manual was written by Kathy Lewis
President of Capstone Institute of Mortgage Finance
5784 Lake Forrest Drive, Suite 280, Atlanta, GA., 30328

©Copyright, February 12, 2024

Notice of Rights: Capstone Institute of Mortgage Finance

All rights reserved. No part of this publication may be reproduced or transmitted in any form by means, electronic, mechanical, photocopy, recording or otherwise, without the prior written permission of the author. For information on getting permission for reprints and excerpts, contact Kathy Lewis.

Notice of Liability:

Every effort has been made to ensure the accuracy of this publication. While every precaution has been taken in the preparation of this publication, neither the author nor Capstone Institute of Mortgage Finance, Inc. shall have any liability to any person or entity with respect to any loss or damage caused or alleged to be caused directly or indirectly by the information or instructions contained in this publication. The information in this publication is subject to change without notice

Printed and bound in the United States of America

TABLE OF CONTENTS

SECTION 1

TABLE OF CONTENTS

<u>PAGE</u>	<u>TOPIC</u>
--------------------	---------------------

VA PURCHASE TRANSACTIONS

1-1	Service Eligibility
1-3	Active Duty Service Member
1-5	Eligibility of Reservists and National Guard
1-5	Other Eligible Persons
1-7	Quick Reference Table for VA Eligibility
1-8	Maximum Guaranty
1-10	Restoration of Entitlement
1-11	Example of Computing Loan with Remaining Entitlement
1-12	Release from Liability
1-12	Misuse of Veteran's Entitlement
1-13	Occupancy Requirements
1-15	VA Funding Fee
1-16	VA Funding Fee Chart
1-17	VA Loan Programs - Home Loans
1-19	Adjustable Rate Mortgages
1-19	Hybrid Adjustable Rate Mortgages
1-21	Buydowns
1-22	Construction-Permanent Home Loans
1-23	Energy-Efficient Mortgages
1-26	Cooperative Home Loans
1-26	Joint Home Loans
1-28	Purchase of Unimproved Land
1-28	Combination Residential and Business Property
1-28	Land Sale Contracts
1-29	Alteration and Repair
1-29	Manufactured Housing
1-31	Loan Originator's Responsibilities on a VA Purchase Transaction
1-33	Reviewing the Sales Contract
1-34	VA Exhibit to Loan Agreement
1-35	Preparing the Fees Worksheet/Loan Estimate
1-39	Adequacy of Effective Income and Ratios
1-41	Sample VA Pre-Qualification Worksheet
1-43	Completing the VA Loan Application
1-43	Sources of Down Payment and Settlement Charges
1-50	Sources of Monthly Income
1-65	Relationship to Proposed vs. Current Housing Expense
1-65	Liabilities

PAGE TOPIC**VA PURCHASE TRANSACTIONS (Cont'd)**

1-66	Declarations – Derogatory Credit Issues
1-68	Name, Address & Telephone Number of Nearest Living Relative
1-69	Alternative Documentation Processing
1-70	VA Compensating Factors
1-71	VA Loan Application Checklist
1-72	HUD/VA Addendum
1-73	Federal Collection Policy Notice
1-74	Selling Your GI Home?
1-75	Counseling Checklist for Military Homebuyers
1-77	<i>Request for a Certificate of Eligibility - VA Form 26-1880</i>
1-79	<i>Certificate of Eligibility - VA form 26-8320</i>
1-80	<i>Sample Certificate of Eligibility - VA Form 26-8320</i>
1-81	Sample DD-214
1-82	<i>Request Pertaining to Military Records</i>
1-83	<i>Verification of VA Benefits - VA Form 26-8937</i>
1-85	Child Care Certification for VA Loans
1-86	Loan Processor's Responsibilities on a VA Purchase Transaction
1-90	Documentation Requirements
1-92	Screening Borrowers Through CAIVRS
1-96	Requesting the <i>Certificate of Eligibility</i>
1-100	Requesting a VA Case Number and Appraisal
1-104	<i>Sample Request for Determination of Reasonable Value</i>
1-105	Underwriting the VA Appraisal
1-105	Conversion of FHA Appraisals to VA
1-107	Sample LAPP Case Number Assignment Sheet
1-108	<i>Lender's Notice of Value (NOV)</i>
1-113	Appraisal Checklist
1-115	"Local" Requirements for <i>VA Notice of Value (NOV)</i>
1-123	Credit Report Requirements
1-127	<i>Sample Loan Analysis Worksheet</i>
1-128	<i>Preparing the Loan Analysis Worksheet - VA Form 26-6393</i>
1-129	Underwriting Submission - Stacking Order
1-130	How to Request Loan Guaranty

PAGE TOPIC**VA REFINANCE TRANSACTIONS**

2-1	Cash-Out Refinance
2-5	Regular No Cash-Out Refinances
2-6	Interest Rate Reduction Refinancing Loan (IRRRL)
2-9	Amount of Guaranty and Entitlement Use
2-10	Who Can An IRRRL Be Made To?
2-11	Energy Efficient Mortgages (EEMs)
2-11	Required Documentation
2-13	IRRRL Made to Refinance a Delinquent Loan
2-14	How to Request Loan Closing and Request Guaranty
2-15	Treatment of Late Payments and Late Charges
2-16	Quick Reference Table for IRRRLs Versus Cash-Out Refinances
2-17	VA Refinance Transactions - Loan Originator's Responsibilities
2-19	Sample <i>VA Refinance Worksheet</i>
2-20	Completed Fees Worksheet
2-21	Checklist for VA Refinance Transactions
2-22	VA Refinance Transactions - Loan Processor's Responsibilities
2-23	Sample <i>Interest Rate Reduction Refinancing Loan Worksheet - VA Form 26-8923</i>
2-25	VA Rate Reduction Certification
2-25	HUD/VA Addendum to Uniform Residential Loan Application

VA REQUIREMENTS FOR NEW CONSTRUCTION PROPERTIES

3-1	VA Requirements for New Construction Properties
3-2	Acceptable PUDs and Condominiums
3-3	Checklist of Documents Needed for PUD & Condominium Project Approval
3-4	Acceptable Builders
3-5	<i>Builder Information and Certifications</i>
3-6	<i>Equal Employment Opportunity Certification - VA Form 26-4214-</i>
3-7	<i>VA Affirmative Marketing Certification - VA Form 26-8791</i>
3-8	Acceptable VA New Construction Properties
3-9	Warranty Requirements
3-10	Manufactured Homes Classified as Real Estate
3-11	Veteran May Construct the House
3-14	Reviewing Plans & Specs Provided by the Builder
3-15	New Construction Review Sheet
3-16	Compliance Inspection Reports
3-17	<i>Warranty of Completion of Construction - VA Form 26-1859</i>
3-18	<i>Subterranean Termite Treatment Builder's Certification and Guarantee</i>
3-19	<i>New Construction Subterranean Termite Soil Treatment Record</i>

LISTING OF VA OFFICES

APPENDIX A

Appendix A: Listing of VA Offices

How to Use this Appendix This appendix provides VA office mail, telephone and website (where available) contact points.

 If the contact involves a particular loan, find the location of the property securing the loan in the “Jurisdiction” column and contact the office listed next to it in the “VA Office” column.

Appendix A: Listing of VA Offices, continued

List of VA Offices

The table below lists contact information for VA offices with Loan Guaranty Service functions.

VA Office	Jurisdiction	Address and Website	Phone numbers
Atlanta	Georgia, North Carolina, South Carolina, Tennessee	Department of Veterans Affairs Regional Loan Center 1700 Clairmont Rd. PO Box 100023 Decatur, GA 30031-7023 http://www.vba.va.gov/ro/atlanta/rlc/index.htm	888-768-2132
Cleveland	Delaware, Indiana, Michigan, New Jersey, Ohio, Pennsylvania	Department of Veterans Affairs Cleveland Regional Loan Center 1240 East Ninth Street Cleveland, OH 44199 http://www.vba.va.gov/ro/central/cleve/index1.htm	800-729-5772
Denver	Alaska, Colorado, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Wyoming	Department of Veterans Affairs VA Regional Loan Center Box 25126 Denver, CO 80225 www.vba.va.gov/ro/denver/loan/lgy.htm	888-349-7541
Honolulu	Hawaii, the Pacific Islands of American Samoa, Guam, Wake, and Midway, and the Commonwealth of the Northern Mariana Islands	Spark M. Matsunaga Bldg. VA Medical and Regional Office Center Loan Guaranty Office 459 Patterson Road Honolulu, HI 96819-1522 e-mail address: lgytsero@vba.va.gov	808-433-0480
Houston	Arkansas, Louisiana, Oklahoma, Texas	Department of Veterans Affairs VA Regional Loan Center 6900 Almeda Road Houston, TX 77030 www.vahouston.com	888-232-2571

Appendix A: Listing of VA Offices, continued

VA Office	Jurisdiction	Address and Website	Phone numbers
Manchester	Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, Vermont	Department of Veterans Affairs VA Regional Loan Center 275 Chestnut Street Manchester, NH 03101 http://www.vba.va.gov/ro/manchester/lgy/main/loans.html	800-827-6311
Phoenix	Arizona, California, Nevada	Department of Veterans Affairs Phoenix Regional Loan Center 3333 N. Central Avenue Phoenix, AZ 85012-2402 www.vba.va.gov/ro/phoenixlgy/index.htm	888-869-0194
Roanoke	District of Columbia, Kentucky, Maryland, Virginia, West Virginia	Department of Veterans Affairs Roanoke Regional Loan Center 210 Franklin Road SW Roanoke, VA 24011 www.vba-roanoke.com/rlc	800-933-5499
St. Paul	Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin	Department of Veterans Affairs VA Regional Loan Center Fort Snelling 1 Federal Drive St. Paul, MN 55111-4050 http://www.vba.va.gov/ro/central/stpau/pages/homeloans.html	800-827-0611
St. Petersburg	Alabama, Florida, Mississippi	Department of Veterans Affairs VA Regional Loan Center PO Box 1437 St. Petersburg, FL 33731-1437 http://www.vba.va.gov/ro/south/spete/rlc/cv.htm	888-611-5916 (out of state) 800-827-1000 (in FL)
San Juan	Puerto Rico, US Virgin Islands	VA Regional Office PO Box 364867 San Juan, PR 00936 <u>**See updated information on the next page.</u>	787-772-7312 or 787-772-7314 or 787-772-7311

Appendix A: Listing of VA Offices, continued

****INFORMATION BULLETIN 26-06-03**

**TO: ALL PUERTO RICO AND U.S. VIRGIN ISLANDS PARTICIPATING VA
LENDERS**

**SUBJ: TRANSFER OF THE LOAN PRODUCTION OPERATION TO ST.
PETERSBURG, FLORIDA**

1. The Loan Guaranty Loan Production operation for the Puerto Rico and the U.S. Virgin Islands, US Department of Veterans Affairs (VA) will be transferred to the VA Regional Loan Center (RLC) at St. Petersburg, Florida. This change is effective on February 3, 2006. All mail should be addressed as shown:

U.S. Mail & U.S. Priority Mail Services: **All other Commercial Overnight Services:**

VA Regional Office
Regional Loan Center
Loan Production Section (262)
P.O. Box 1437
St. Petersburg, Florida 33731-1437

VA Regional Office
Regional Loan Center
Loan Production Section (262)
9500 Bay Pines Boulevard
St. Petersburg, Florida 33708

VA PURCHASE TRANSACTIONS

SECTION 1

UNDERSTANDING VA LOANS

The Veterans Administration is an independent agency of the federal government created by the Servicemen's Readjustment Act of 1944 to administer a variety of benefit programs designed to facilitate the adjustment of veterans returning to civilian life. The VA home guaranty program is designed to encourage lenders to offer long-term mortgages to eligible veterans by guaranteeing the lender against loss. The program has offered a very viable type of financing at no cost to the veteran for guaranty of the loan. In rural areas, VA acts as a Direct Lender.

SERVICE ELIGIBILITY

The veteran must have been discharged or released from active duty under other than dishonorable conditions. If the veteran served less than the minimum required period, he or she may be eligible if discharged because of a service-connected disability.

The minimum service required during wartime periods is *90 days of active duty*. Wartime periods are:

- September 16, 1940 to July 25, 1947;
- June 27, 1950 to January 31, 1955; and
- August 5, 1964 to May 7, 1975.

The minimum service required for peacetime periods is *181 days of continuous active duty*. Peacetime periods are:

- July 26, 1947 to June 26, 1950;
- February 1, 1955 to August 4, 1964; and
- May 8, 1975 to September 7, 1980, if enlisted, or to
- October 16, 1981, if an officer.

For service that began after September 7, 1980 (enlisted), or October 16, 1981 (officer), the veteran must have completed *24 months of continuous active duty or the full period (at least 181 days)* for which he or she was called or ordered to active duty, and must have been discharged or released under conditions other than dishonorable.

SERVICE ELIGIBILITY (Cont'd)

For these veterans, eligibility may also be established if the individual was

- discharged for a service-connected disability,
- was discharged for the convenience of the government after completing at least 20 months of a two-year enlistment, or
- completed 181 days of active duty
- and:
- Was discharged because of hardship; or
- Was determined to have a service-connected, compensable disability; or
- Was discharged or released from active duty for a medical condition which pre-existed service and has not been determined to be service connected; or
- Received an involuntary discharge or release from active duty for the convenience of the government as a result of reduction in force; or
- Was discharged or released from active duty for a physical or mental condition not characterized as a disability and not the result of misconduct but which did interfere with the individual's performance of duty.

A veteran who served on active duty during the Persian Gulf War must have:

- completed two years of active duty or the full period (*at least 90 days*) for which ordered to active duty, and
- the individual was discharged for a service-connected disability,
- been discharged for the convenience of the government after completing at least *20 months* of a 2-year enlistment,
- or completed at least *90 days* of active duty and:
- Was discharged because of hardship; or

SERVICE ELIGIBILITY (Cont'd)

- Was determined to have a service-connected, compensable disability; or
- Was discharged or released from active duty for a medical condition which preexisted service and has not been determined to be service connected; or
- Received an involuntary discharge or release from active duty for the convenience of the government as a result of a reduction in force; or
- Was discharged or released from active duty for a physical or mental condition not characterized as a disability and not the result of misconduct but which did interfere with the individual's performance of duty.

The Persian Gulf War period began on August 2, 1990, and will end at a future date to be established by Presidential Proclamation or Congress.

ACTIVE-DUTY SERVICE MEMBER

An active-duty service member is eligible only while on active duty and after having served on continuous active duty for at least *181 days* (*90 days* during the Persian Gulf War period) unless discharged or separated from a previous qualifying period of active duty service.

In the case of an active-duty applicant, a military ***Leave & Earnings Statement (LES)*** is required and will be used instead of an employment verification if the ***LES*** contains essentially all information needed to verify income.

A ***LES*** must be no more than 90 days old and must be the ***original*** or a ***lender-certified copy*** of the original. For loans closed automatically, this requirement is satisfied if the date of the ***LES*** is within 90 days of the date of the borrower's application with the lender.

Service members within twelve months of release from active duty will require certain additional information. Examination of an enlisted service member's ***LES*** or an officer's orders will show the date of expiration of the service member's current contract for active service. When the release is within twelve months from active duty, to be approved, obtain the following:

1. Documentation that the service member has in fact already reenlisted or extended his/her period of active duty to a date beyond the twelve-month period following the projected closing of the loan.

SERVICE ELIGIBILITY (Cont'd)

2. Verification of a valid offer of local civilian employment following release from active duty. All data pertinent to sound underwriting procedures (date employment will begin, earnings, etc.) must be included.
3. A statement from the service member that he/she intends to reenlist or extend his/her period of active duty to a date beyond the twelve-month period following the projected loan closing date **AND** a statement from the service member's commanding officer confirming that the service member is eligible to reenlist or extend his/her active duty as indicated. The commanding officer must also state that he/she has no reason to believe that such re-enlistment or extension of active duty will not be granted.
4. Other unusually strong positive underwriting factors, such as:
 - a. A down payment of at least 10%.
 - b. Significant cash reserves.
 - c. Clear evidence of strong ties to the community coupled with a nonmilitary spouse's income so high that only minimal income from the active-duty service member is needed to qualify.
5. Each active duty member who applies for a loan must be counseled with the **VA Form 26-0592, Counseling Checklist for Military Homebuyers**. Lenders must submit a signed and dated **VA Form 26-0592** with each prior-approval loan application or automatic loan report involving a borrower on active duty.

Because the borrower should have access to this information as early as possible in the transaction, lenders should furnish these forms to real estate brokers and builders with whom they deal and request their assistance in providing counseling to borrowers.

ELIGIBILITY OF RESERVISTS AND NATIONAL GUARD

Members of the Reserves or National Guard who are not otherwise eligible for loan guaranty benefits are eligible upon completion of *six years' service* in the Selected Reserves or upon discharge from the Reserves or National Guard because of a service-connected disability before completing six years.

An individual must have been honorably released from such service unless he or she continues serving in the Selected Reserve. *The Veterans Benefits Act of 2003* provides permanent authority for housing loans for persons qualifying based on service in the Select Reserve. Previously, eligibility for this group was set to expire on September 30, 2009. The Selected Reserve includes the reserve components of the Armed Forces, the Army National Guard, and the Air National Guard.

Borrowers who are within twelve months of completion of their current term of service must comply with the same required documentation for active-duty service people who are within twelve months of release.

VA Circular 26-21-08 announced expanded eligibility for VA home loan benefits for certain members of the National Guard and to provide guidance on the process for obtaining a Certificate of Eligibility (COE).

Certain members of the Army National Guard of the United States or the Air National Guard of the United States are now eligible for VA home loan benefits. To be eligible, the member must have performed not less than 90 cumulative days of full-time National Guard duty, of which, at least 30 of those days must have been consecutive.

Please refer to the Circular for information relating to documentation requirements.

OTHER ELIGIBLE PERSONS

VA Circular 26-22-10 dated June 23, 2022 announced Certificate of Eligibility enhancements to include the United States Space Force (USSF) as a branch of service.

The National Defense Authorization Act of 2020 amended 10 U.S.C., effective December 20, 2019, establishing the USSF as the newest branch of the United States Armed Forces.

Current and discharged members of the USSF or USSF Reserves, otherwise known as Guardians³, may be eligible for VA home loan benefits upon meeting length-of-service (LOS), and character-of-service (COS) requirements.

Because the USSF is a distinct branch of service, lenders requesting COEs for current or discharged Guardians, should select Space Force as the branch of service on the military service section on the electronic COE application. COEs issued for these Veterans will identify Space Force as the branch of service unless the Veteran had a previously qualifying tour in a different branch of service.

OTHER ELIGIBLE PERSONS (Cont'd)

Qualifying Surviving Spouses of Veterans who served in the USSF may also be eligible for the VA home loan benefit.

An unmarried surviving spouse of an eligible person who died due to service or service-connected injuries may also be eligible for a VA-guaranteed loan to ***purchase***. An unmarried surviving spouse of an eligible person is eligible for a VA-guaranteed loan to ***refinance*** regardless of the cause of death of the eligible person.

The spouse of an active duty service member who is missing in action or who is a prisoner of war may be eligible. The eligibility of the spouse of a POW/MIA is limited to one time use only.

Eligibility may also be established for certain other individuals, such as Public Health Service officers, cadets/midshipmen at service academies, officers of National Oceanic and Atmospheric Administration, merchant seamen with World War II service, and others.

The chart on the next page summarizes the above information on minimum qualifying service time for the periods of active duty.

QUICK REFERENCE TABLE FOR VA ELIGIBILITY

ERA	DATES	TIME REQUIRED
WW II	9/16/40-7/25/47	90 days
POST WW II	7/26/47-6/26/50	181 days
KOREAN	6/27/50-1/31/55	90 days
POST KOREAN	2/1/55-8/4/64	181 days
VIETNAM	8/5/64-5/7/75 <i>NOTE:</i> The Vietnam Era began 2/28/61 for those individuals who served in the Republic of Vietnam.	90 days
POST VIETNAM	5/8/75-9/7/80 5/8/75-10/16/81 9/8/80-8/1/90 10/17/81-8/1/90	enlisted - 181 days officers - 181 days enlisted - 2 years** officers - 2 years**
PERSIAN GULF	8/2/90-present	2 years **Note: The veteran must have served 2 years or the full period which called or ordered to active duty (at least 90 days during wartime and 181 during peacetime).

Other Eligible Persons	Time Required
Active Duty Member <i>Note:</i> Certificate only valid while veteran remains on active duty.	90 days (181 during peacetime)
Reserves/Guard	6 years in selected Reserves Also, see VA Circular 26-21-08
UNMARRIED SURVIVING SPOUSE	No time requirement. Veteran must have died on active duty or from a service-connected disability.
POW/MIA Spouses	Veteran must have been POW or MIA 90 days.

MAXIMUM GUARANTY

The maximum guaranty varies depending on the location of the property. While VA does not have a maximum loan amount, there are effective “loan limits” for high-cost counties. The limits are derived by considering both the median home price for a county and the Freddie Mac conforming loan limit.

To aid lenders in determining the maximum guaranty in high-cost counties, VA has created a Loan Limit chart, with instructions. This will be updated yearly. In general, maximum guaranty, assuming the veteran has full entitlement, is as shown in the table below.

Loan Amount	Maximum Potential Guaranty	Special Provisions
Up to \$45,000	50 percent of the loan amount	Minimum guaranty of 25 percent on IRRRLs
\$45,001 to \$56,250	\$22,500	Minimum guaranty of 25 percent on IRRRLs.
\$56,251 to \$144,000	40 percent of the loan amount, with a maximum of \$36,000.	Minimum guaranty of 25 percent on IRRRLs.
\$144,001 to \$766,550	25 percent of the loan amount	Minimum guaranty of 25 percent on IRRRLs.
Greater than \$766,550	The lesser of: *25 percent of the VA county loan limit, or *25 percent of the loan amount	Minimum guaranty of 25 percent on IRRRLs.

Note: The percentage and amount of guaranty is based on the loan amount including the funding fee portion when the fee is paid from loan proceeds.

For the maximum guaranty on loans for manufactured homes that are not permanently affixed (i.e., not considered real estate) see 38 U.S.C. 3712 and/or contact VA.

Previous editions of the “*Certificate of Eligibility*” which reflect lesser amounts of maximum entitlement may be considered to have the full current maximum entitlement available if the lender is not aware of or advised of any prior use. A veteran’s available entitlement may be less because of prior use that has not been restored.

MAXIMUM GUARANTY (Cont'd)

- For joint loans involving the use of two or more veterans' entitlement, VA's guaranty may not exceed the dollar or percentage limits established above. For joint loans involving a veteran and a non veteran who is not the veteran's spouse, VA guaranty will be limited to that portion of the loan allocable to the veteran's interest in the property.
- For loans to refinance existing VA loans in which entitlement used on existing loans will be restored for reuse in refinancing loans secured by the same properties, the provisions outlined above will apply, regardless of the amount of guaranty on the existing loan.

However, a minimum of 25% of the loan amount will be guaranteed for interest rate reduction refinancing loans.

The maximum guaranty for "cash-out" refinancing of an existing VA loan is 100 percent of the appraised value, plus the cost of any energy efficiency improvements, plus the VA funding fee.

- For Energy-Efficient Mortgages, the portion of the loan attributable to the energy-efficiency improvements will be guaranteed, without charge to the veteran's guaranty entitlement, to the same extent as would apply to a loan which did not include energy-related improvements.

PLEASE NOTE: Fannie Mae Loan Limits change each year. For 2024 the loan limit for a one-unit property is \$766,550.

Also, VA will no longer require a down payment on jumbo loans exceeding this limit. In certain high-cost counties, VA loan limits can exceed \$1,149,825.

The veteran can finance 100% of the appraised value, regardless of the loan amount. Be sure to check the available chart for maximum loan limits per county. Be sure to check the county loan limit.

RESTORATION OF ENTITLEMENT

Restoration of previously-used entitlement may be applied for if the following conditions are met:

- A. The property has been sold ***and*** the loan has been paid in full, or a qualified veteran-transferee has agreed to assume the outstanding balance on the loan and ***agrees to substitute his or her entitlement for the same amount of entitlement originally used for the loan.*** The assuming veteran must also meet the occupancy, income, and credit requirements of the law.
- B. Also, a veteran's prior use of entitlement may be excluded if the prior loan has been paid in full and the veteran has made application for a loan to be secured by the ***same*** property which secured the prior loan obtained by the veteran. This includes the payoff of an existing VA loan by way of a VA refinancing loan on the same property.
- C. **ONE TIME ONLY**, if a veteran has repaid his or her loan in full but has not disposed of the property securing the loan, the veteran's entitlement used in connection with that loan may be restored. Once such a restoration of entitlement has been done, the veteran's Certificate of Eligibility will bear an annotation that states:

"Entitlement previously used in connection with _____ (Loan #) _____ has been restored without disposal of the property, under provision of 38 U.S.C. 3702b(4). Future restoration requires disposal of the property financed with that loan." VA records will also be annotated that the veteran has used the one-time opportunity to restore entitlement without disposing of the property.

If a veteran has used a portion of his or her entitlement for a prior home and the loan is still outstanding (it was assumed by another borrower), as long as the loan remains unpaid, it ties up a portion of the veteran's entitlement. However, the veteran may still have sufficient remaining entitlement that would permit the veteran to obtain a second VA-guaranteed loan.

The veteran may go to the local VA office and ask for an updated *Certificate of Eligibility* reflecting the amount of entitlement remaining, or the lender may send the veteran's original *Certificate of Eligibility* to VA and request that it be updated to reflect remaining entitlement.

The example on the next page shows how to compute the maximum allowable VA-guaranteed loan using remaining entitlement.

EXAMPLE OF COMPUTING LOAN WITH REMAINING ENTITLEMENT

The veteran wishes to purchase a home selling for \$100,000. To determine the maximum mortgage, use the following formula:

\$36,000	Maximum entitlement for loans up to \$144,000.
- <u>20,000</u>	Previous entitlement used.
\$16,000	Remaining entitlement determined by VA.
x <u>4</u>	Veteran can borrow up to four times the available entitlement.
\$64,000	Maximum loan available with no money down.
\$100,000	Sales price of property veteran wishes to purchase.
- <u>64,000</u>	Less maximum loan with no money down.
\$36,000	Difference between sales price and allowable loan.
x <u>25%</u>	The veteran can provide 25% of the difference between the sales price of the property and the maximum VA loan - that is the only required investment.
\$9,000	Required down payment.
\$91,000	Maximum loan available to veteran.

RELEASE FROM LIABILITY

A veteran is personally liable for repayment of the loan unless he or she obtains a release from liability from VA. For loans that were committed to be made after March 1, 1988, the approval of the loan holder or VA must be obtained before a VA-guaranteed loan can be transferred or assumed.

A VA credit package must be submitted for approval and an application for a release from liability must be requested from the VA office that guaranteed the loan. If the buyer assumes all of the veteran's liabilities on the VA loan and meets VA income and credit standards, the veteran may be released from liability.

A release from liability does not restore a veteran's entitlement because both veterans and non-veterans are permitted to assume a VA-guaranteed loan. In order for the original veteran to obtain restoration of entitlement, the individual assuming the loan must also be a veteran and a request for substitution of entitlement must be specifically made.

The veteran assuming the loan will be required to submit a current *Certificate of Eligibility* reflecting sufficient entitlement for the loan he or she is assuming.

MISUSE OF VETERAN'S ENTITLEMENT

Veterans who use their entitlement to purchase a home must certify that they intend to occupy the property as their primary residence. An entitlement is not being used properly if the veteran arranges to sell or convey the property to a third party prior to or shortly after the closing of the loan.

When VA learns that a veteran-purchaser transferred title to a home within 90 days after loan closing, VA will determine the circumstances involved in the transfer. If it is found that a sale of the veteran's entitlement was involved, the matter will be referred to the Office of the Inspector General for investigation.

OCCUPANCY REQUIREMENTS

1. As stated above, veterans must certify that they intend to occupy the property as their primary residence. This requirement states *“...that the veteran as of the date of the veteran’s certification actually lives in the property personally as the veteran’s residence or actually intends upon completion of the loan and acquisition of the dwelling unit to move into the property personally within a reasonable time and to utilize such property as the veteran’s residence.”*

In most cases, a “reasonable time” means within 60 days after the loan closing. Occupancy within a longer period following the date of closing may be considered reasonable if both of the following conditions are met:

- a. The veteran certifies that he or she will personally occupy the property as his or her residence at a certain specific date after the date of loan closing; and
- b. There is a particular future event that will make it possible for the veteran personally to occupy the property as his or her home on the specific future date.

“As the veteran’s home” means that the property to be secured by the VA loan is the primary residence of the veteran, is or will be occupied by the veteran, and is within reasonable proximity to the veteran’s place of employment. If the veteran’s employment requires his or her absence from home a substantial amount of time, the occupancy requirement may be satisfied if the veteran has a history of continuous residence in the community and there is no indication that the veteran has established, intends to establish, or may be required to establish a principal residence elsewhere.

2. In the case of an active duty service member, occupancy by the spouse is acceptable with the certification shown below. Occupancy at a date beyond twelve months after loan closing cannot generally be considered reasonable by VA. The following requirements must be met:
 - a. Active-duty military personnel may meet the occupancy requirement, even if assigned to an overseas or other remote duty station, provided the spouse completes the following certification:

“My spouse is on active duty and in his or her absence I occupy or intend to occupy the property securing this loan as my home.”

OCCUPANCY REQUIREMENTS (Cont'd)

- b. If the veteran cannot immediately occupy the property because of distant employment other than military service, occupancy of the property by the veteran's spouse may be sufficient to meet the occupancy requirement. It must be clear that the veteran is using VA home loan entitlement to purchase a home and not to purchase or refinance an investment property. The cost of maintaining separate living arrangements should be given careful consideration in loan underwriting.
 - c. **VA Circular 26-12-9** stated that if the veteran is unable to occupy the property due to active service, either the spouse *or a dependent child* may certify that they intend to occupy the property, and the veteran's attorney-in-fact or the dependent child's legal guardian makes the occupancy certification. VA has amended VA Form 26-1820, Report and Certification of Loan Disbursement, to accommodate this change, and the veteran will sign it at loan closing.
3. When veterans state they will retire within twelve months and are planning to buy a home in the retirement location, the lender must verify the applicant's eligibility for retirement on the specified date. The lender must submit a copy of a valid application for retirement to the employer along with the veteran's written certification that he or she will personally occupy the property at retirement.

Plans to retire "*within the next few years*" or "*in the near future*" are not sufficient. Income determination for applicants with plans to retire must be carefully considered. Unless the retirement income alone is sufficient to support the loan, firm commitments from an employer that meet the usual stability of income requirements must be obtained.

4. Loans for repair, alteration, improvement, or refinancing of residential property require the veteran's certification that the veteran occupies the property as his or her home. Guaranty will not be issued on any loan for the alteration, improvement, or repair of any residential property or on a Regular Refinance Loan unless the veteran certifies that he or she presently occupies the property.

Home improvements or a refinancing loan for extensive changes to the property which will prevent the veteran from occupying the property while the work is being completed are excepted. In these cases, the veteran must certify that he or she intends to reoccupy the property as his or her home upon completion of the substantial improvements or repairs.

5. In an Interest Rate Reduction Refinancing Loan, the veteran or surviving spouse needs to certify only that he or she previously occupied the property as follows:

OCCUPANCY REQUIREMENTS (Cont'd)

“I have previously occupied the property securing this loan as my home”

or

“While my spouse was on active duty and unable to occupy the property securing this loan, I occupied the property securing this loan as my home.”

VA FUNDING FEE

Veterans are required to pay a funding fee for all VA-guaranteed loans, unless they are exempt because of disability. Widows of veterans are also exempt. The funding fee is **NOT** insurance, but rather a “pay-back” for all veterans who have defaulted on VA-guaranteed loans, resulting in heavy claims paid by VA. If the loan is paid off, no portion of the funding fee is refunded.

The funding fee may be paid by either the veteran or the seller. If it is paid by the veteran, it may either be financed into the loan or paid as an out-of-pocket expense at closing.

The following do **NOT** pay the VA funding fee:

- Veteran receiving VA compensation for a service-connected disability;
- Veteran entitled to receive VA compensation for a service-connected disability, but receives military retirement pay in lieu of compensation or active duty pay;
- Surviving spouse of one who died in service, from a service-connected cause, or totally disabled; and receiving Dependency and Indemnity Compensation (DIC);
- Servicemember with a proposed or memorandum rating from VA, prior to loan closing, as eligible to receive compensation as a result of a pre-discharge claim;
- Servicemember on active duty who provides, on or before the date of loan closing, evidence of having been awarded the Purple Heart.

The Blue Water Navy Vietnam Act of 2019 resulted in changes to the VA Funding Fee Chart. Starting January 1, 2020, all military types pay the same.

Shown below is the VA Funding Fee Chart:

VA FUNDING FEE CHART 2024 (Effective April 7, 2023)

Type of Veteran	Down Payment	% First Time Use	% Subsequent Use
Regular Military	Under 5%	2.15%	3.30%
	5%-9.99%	1.50%	1.50%
	10% or greater	1.25%	1.25%
National Guard/Reservists	Under 5%	2.40%	3.30%
	5%-9.99%	1.75%	1.75%
	10% or greater	1.50%	1.50%
Qualifying Disabled Veterans	0%	0%	0%

Interest Rate Reduction Refinance Loans (IRRRLs)		0.50%
Cash-Out Refinance Loans		2.15%
First Use		2.15%
After First Use		3.30%
Manufactured Home Loans (NOT permanently affixed)		1.0%
Loan Assumptions		0.5%

* If the Veteran's only prior use of entitlement was for a manufactured home loan, the higher subsequent use fee does not apply.

** Active duty includes Reserves and National Guard ordered to active service that meets the eligibility requirements for their era of service (https://www.benefits.va.gov/homeloans/purchaseco_eligibility.asp). Active duty does NOT include active duty for training or Active Guard Reserve.

VA LOAN PROGRAMS

HOME LOANS

- A. VA is authorized to guarantee loans made to eligible veterans under the conditions described below for any of the following purposes:
1. To purchase or construct a dwelling to be owned and occupied by the veteran as a home; or
 2. To purchase a farm on which there is a farm residence which the veteran will occupy as a home; or
 3. To construct on land owned by the veteran a farm residence to be occupied as a home; or
 4. To repair, alter, or improve a farm residence or other dwelling owned by the veteran and occupied as a home; or
 5. To refinance an existing mortgage loan or other indebtedness secured by a lien of record on a dwelling or farm residence owned and occupied by the veteran as a home. There **must** be a **recorded lien** against the property in order to do any VA refinance, including cash-out; or
 6. To purchase a one-family residential unit in a condominium housing development approved by VA or FHA. **NOTE:** Condominium developments must be approved by either VA or FHA to be eligible for VA financing. There is no provision for a “*spot loan approval*” in condominium developments; or
 7. To improve a dwelling or farm residence owned and occupied by the veteran as the veteran’s home through the installation of a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system, or through the application of a residential energy-conservation measure; or
 8. To refinance an existing VA-guaranteed or direct loan for the purpose of a lower interest rate.

HOME LOANS (Cont'd)

- B. A loan for the purchase of a dwelling for investment purposes is not eligible for guaranty as a home loan. Loans to purchase more than one separate residential unit or lot are not eligible except if one of the units is to be occupied by the veteran and there is evidence that the residential units are unavailable separately, have a common owner, have been treated as one unit in the past, and are assessed as one unit, or that partition is not practical, as when one unit serves the other(s) in some respect; e.g., common approaches or driveways.
- C. A loan to an eligible veteran for the purchase or construction of residential property consisting of not more than four family units and not more than one business unit is eligible for guaranty. If the property is to be owned by two or more eligible veterans, it may consist of four family units and one business unit, plus one additional unit for each veteran participating in the ownership.

Thus, two veterans may purchase or construct residential property consisting of up to six family units - the basic four units plus one unit for each of the two veterans - and one business unit. Loans for this purpose may be processed as home loans.

These loans will require prior approval by VA when a person other than the veteran's spouse will participate in the ownership of the property consisting of four or more family units. If the property contains more units than allowed (four family units plus one family unit for each veteran participating in the ownership and one business unit), the loan is not eligible for guaranty as a home loan.

- D. A loan made to a veteran for any of the purposes outlined above is automatically guaranteed if made by an authorized lender on the "automatic" basis in compliance with applicable requirements of the law and regulations.
- E. The cost of necessary repairs, alterations, or improvements to existing properties may be included in the loan amount and, if the cost meets reasonable value requirements, the total loan may be guaranteed. Also, a loan which is solely for the repair, alterations, or improvements of a home may be guaranteed.

GRADUATED PAYMENT MORTGAGES (GPMs)

This loan program is not currently available through VA as of the date of this printing.

ADJUSTABLE RATE MORTGAGES

The law gives VA authority to guarantee “traditional” Adjustable Rate Mortgages (ARMs) in a manner similar to that by which HUD insures ARMs under Section 251 of the National Housing Act. VA previously had this authority but it expired September 30, 1995. The legislation provides authority through September 30, 2008. Key features of this program are:

1. Interest rate adjustments on an annual basis;
2. Annual interest rate adjustments limited to a maximum increase or decrease of 1 percentage point;
3. Interest rate increases limited to a maximum of 5 percentage points over the life of the loan;
4. This type of ARM loan ***MUST*** be underwritten at 1 percentage point above the initial rate.

HYBRID ADJUSTABLE RATE MORTGAGES

The terms of the loan are as follows:

- A. **Interest Rate.** The initial interest rate of a Hybrid ARM will be fixed for a period of at least 3 years. After the initial fixed period of the loan the terms may adjust annually. Annual adjustments are limited to 1 percent, and the lifetime cap is 5 percent above the initial start rate. Where the initial interest rate is fixed for 5 years or more, the initial adjustment will be limited to an increase or decrease of 2 points and the lifetime increase will be limited to 6 points.
 1. **Interest Rate Index.** The index for VA Hybrid ARMs will be the same as that used by HUD, which is the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 1 year. (This information is found in the Federal Reserve Bulletin and made available by the Federal Reserve Board in Statistical Release H.15.)
 2. **Margins.** VA has chosen not to dictate what margin lenders must use when processing Hybrid ARM loans. VA has chosen instead to let current market forces determine what the appropriate margin should be.
 3. **Frequency of Interest Rate Changes.** Interest rate adjustments must occur on an annual basis after the initial fixed rate period. This period is defined as the first 36 months from the date of the borrower’s *first* mortgage payment.

HYBRID ARMs (Cont'd)

VA Circular 26-04-12 dated December 10, 2004, stated that VA's authority to guarantee Hybrid ARM loans was extended to September 20, 2008, and per VA Circular 26-12-9, dated November 9, 2012, this authority has been made permanent. The modification of interest rate adjustment requirement is as follows:

1. If the initial contract interest rate remains fixed for less than 5 years, the initial adjustment is limited to a maximum increase or decrease of 1 percentage point and the interest rate increase over the life of the loan is limited to 5 percentage points.
2. If the initial contract interest rate remains fixed for 5 years or more, the initial adjustment will be limited to a maximum increase or decrease of 2 percentage points.
3. In cases where the initial interest rate remains fixed for 5 year or more, the interest rate increase over the life of the loan will be limited to 6 percentage points.
4. After the initial interest rate adjustment, annual adjustments thereafter remain limited to 1 percentage point.

Effect on hybrid ARMs guaranteed prior to enactment of the Act. The provisions of this Act will not affect existing hybrid ARMs. VA hybrid ARM loans made prior to this Act will be subject to the terms in effect at the time they were made. For example, a hybrid ARM with an initial fixed rate for 5 years or more made prior to this Act is limited to a 1 percentage point initial adjustment and a 5 percent limit over the life of the loan.

- B. Pre-Loan Disclosure.** The lender is required to explain the nature of the obligation to the borrower in writing at the time of loan application. The borrower must certify that he or she fully understands the obligation. A copy of the signed certification should be retained as part of the original loan package. The lenders disclosure must include:
1. The fact that the mortgage interest may change, and an explanation of how the changes correspond to changes in the interest rate index.
 2. The lender must identify the interest rate index and its source of publication and availability.
 3. The frequency (i.e. annually) with which interest rate levels and monthly payments will be adjusted, and the length of the interval (36 months) that will precede the initial adjustment.

HYBRID ARMs (Cont'd)

4. A hypothetical monthly payment schedule that displays the maximum potential increases in monthly payments to the borrower(s) over the *first 5 years* of the mortgage, subject to the provisions of the mortgage instrument.
- C. **Underwriting.** Hybrid ARMs will be underwritten at the note rate. Because the interest rate on VA's Hybrid ARM loan will remain fixed for at least 3 years, there is no need to underwrite at a higher rate in anticipation of a possible rate increase within 12 months, which would be possible under the traditional 1 year ARM.
- D. **Temporary Buydowns.** Lenders may not use temporary buydowns in connection with Hybrid ARMs.
- E. **Loan Assumptions.** For VA Hybrid ARM loans that are later assumed, the lender/holder must provide the transferee with the same disclosure noted in paragraph B above.
- F. **VA Form 26-0286, VA Loan Summary Sheet.** This form has been revised to accommodate the new Hybrid ARM loan. It can be downloaded at the form (www.vba.va.gov/pubs/homeloanforms.htm).

BUYDOWNS

For a loan application to be underwritten on the *first* year's payment amount, there must be strong indications that income used to support the application will increase to cover the yearly increases in loan payments. Routine cost-of-living increases cannot be used for this purpose. On the other hand, increases resulting from confirmed future promotions or wage percentage increases guaranteed by labor contracts (e.g., teachers, auto workers) may be given favorable consideration.

The lender must exercise sound judgment when using this guideline. Buydown cases where both the veteran's present income is marginal and some doubt exists as to whether or not income will keep pace with the payment increase schedule will not be approved. The criteria for temporary interest rate buydowns for loans underwritten on the *first* year's payments are:

- A. The assistance payments will run for a minimum of one year. Scheduled reductions in the assistance payments must occur annually on the anniversary of the first mortgage payment. The annual payment increases must be in equal or approximately equal amounts. Alternately, when the subsidy is calculated by setting the veteran's initial payments to a lower interest rate, the reduction in the assistance payments may be accomplished through equal annual increases in that interest rate.

BUYDOWNS (Cont'd)

- B. Payments will be made directly to the mortgagee or servicer by the escrow agent. Funds must be escrowed with an independent third-party escrow agent safely beyond the reach of prospective creditors of the builder/seller, lender, and the borrower. A copy of the escrow agreement must accompany the loan submission.
- C. Escrowed funds may not revert to the builder/seller. If the property is sold subject to or on an assumption of the loan, the escrow must continue to pay out on behalf of the new owner.
- D. The funds may be used only for payments due on the note.
- E. The funds may not be used to pay past-due monthly loan payments. If the loan is foreclosed or prepaid, the funds must be credited against the veteran's indebtedness.

Buydown plans not meeting the above criteria may be accepted. However, in credit underwriting loans with plans not conforming to these criteria, the loan analysis will be based on the full mortgage payment, and the buydown arrangement may be considered as an additional factor.

CONSTRUCTION-PERMANENT HOME LOANS

- A. Loans made for the construction of a residence in which proceeds of the loan are paid out during construction are eligible for guaranty. The loan is closed prior to the start of construction with the proceeds disbursed to cover the cost of or balance owed on the land and the balance into escrow for further disbursement as construction progresses.
- B. The loan may be a fixed-rate mortgage or an ARM (when and if VA reinstates the ARM program). Since a single closing will take place, the permanent interest rate for a fixed-rate mortgage or the first year's interest rate for an ARM is established at closing.
- C. During the construction period, interest payments are the responsibility of the builder. After construction is complete the veteran will begin making monthly payments in an amount sufficient to fully amortize the loan within the remaining term of the loan. For example, if it takes six months to complete construction, the payment schedule for the veteran obtaining a 30-year mortgage must provide for full repayment of the loan in 29 years and 6 months.
- D. Closing costs to be paid by the veteran-borrower are as allowed by VA. All fees normally paid by the builder who obtains an interim construction loan including, but not limited to, inspection fees, commitment fees, title update fees and hazard insurance, are the responsibility of the builder.

CONSTRUCTION-PERMANENT HOME LOANS (Cont'd)

- E. If loan proceeds are not fully disbursed, guaranty will apply to the proper pro rata part of the loan. The proper pro rata part of the loan consists of the proceeds disbursed for the land, if any, together with loan disbursements which, when combined with other payments made to the builder, do not exceed 80% of the value of the construction actually completed.
- F. The funding fee is due and payable within 15 days of the loan closing, and timely reporting of the loan closing is required. Although the loan will normally be considered to be guaranteed upon closing, the Loan Guaranty Certificate will not be issued until a clear final compliance inspection report has been received by VA.
- G. The lender must obtain written approval from the borrower before each draw payment is provided to the builder.

ENERGY-EFFICIENT MORTGAGES

Energy-Efficient Mortgages refer to loans for the acquisition of an existing dwelling and the cost of making energy-efficiency improvements to the dwelling, or refinancing an existing VA loan with an IRRRL, or for energy-efficiency improvements to a dwelling owned and occupied by a veteran. A veteran who purchases an existing home will be informed of the opportunity to include energy-conservation improvements in the financing. The CRV, VA Form 26-1843 *Certificate of Reasonable Value*, issued for any existing property will include the following notice to the veteran:

“The buyer may wish to contact a qualified person/firm for a home energy audit to identify needed energy-efficiency improvements to the property. In some localities, the utility company may perform this service. The mortgage amount may be increased as a result of making energy-efficiency improvements such as: Solar or conventional heating/cooling systems, water heaters, insulation, weather stripping/caulking, and storm windows/doors. Other energy-related improvements may also be considered.”

The mortgage may be increased by:

- (1) up to \$3,000 based solely on the documented costs; or
- (2) up to \$6,000 provided the increase in the monthly mortgage payment does not exceed the likely reduction in monthly utility costs; or
- (3) more than \$6,000 subject to a valuation determination by VA.”

A loan for existing property may be increased by up to \$6,000 at the option of the lender and veteran at any time up to loan closing without VA's prior approval. If the labor is to be performed by the veteran, the loan increase will be limited to the amount necessary to pay for materials. For energy-efficiency improvements that will increase a loan amount by more than \$6,000, the amount of the increase must be supported by an increased valuation in an equal amount.

ENERGY-EFFICIENT MORTGAGES (Cont'd)

Information about the increased loan amount to cover improvements need be shown only when reporting a closed loan. The loan increase may be supported by a copy of the bid(s) or contract itemizing the improvements and their cost and must be included with the VA Form 26-1820, *Report and Certification of Loan Disbursement*. Evidence of guaranty is based on the higher loan amount even if a certificate of commitment was issued for a lesser amount. Additional funds for improvement purposes are considered part of the total loan which must be secured by a first lien.

UNDERWRITING ENERGY-EFFICIENT MORTGAGES

1. For underwriting purposes, the increase in loan payments resulting from the higher loan amount to cover the cost of energy-conserving improvements up to \$6,000 will normally be offset by a reduction in utility costs.
2. In determining that the increase in monthly mortgage payments for additions of more than \$3,000 up to \$6,000 does not exceed the likely reduction in monthly utility costs, lenders are expected to rely on locally available information provided by utility companies, municipalities, state agencies, or other reliable sources to make the determination. VA will accept the lender's determination that the requirement is met.
3. Any increase in the monthly mortgage payment for loan amount increases over \$6,000 based on energy-efficiency improvements must be considered in the loan analysis. As in 1 and 2 above, increases up to \$6,000 may be offset by the likely reduction in utility costs.

A sizeable increase over \$6,000 should be carefully reviewed to assure that the veteran's income is sufficient to cover the higher payment. Lenders should exercise discretion in this matter. A VA certificate of commitment issued prior to a sizeable increase must be returned to VA for a determination that the applicant still qualifies for the loan.

4. When adding the cost of energy-efficiency improvements to an IRRRL, if the monthly payment (PITI) for the new loan exceeds the PITI of the loan being refinanced by 20% or more, the lender must certify the determination that the veteran qualified for the higher payment.

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.

1. **Example:** If a veteran has full entitlement and applies for a loan of \$80,000 plus \$6,000 in energy-efficiency improvements, VA will guarantee 40% of the full loan amount of \$86,000. Thus, the dollar amount of the guaranty will be \$34,400, even though the charge to the veteran's entitlement is only \$32,000.

UNDERWRITING ENERGY-EFFICIENT MORTGAGES (Cont'd)

2. **Example:** If a veteran with full entitlement applies for a loan of \$144,000 to purchase a home and adds \$6,000 in energy-efficiency improvements, the 25% guaranty on the loan will only require the use of \$36,000 entitlement, but the dollar amount of guaranty will be \$37,500.

NOTE: THE FUNDING FEE MUST BE CALCULATED ON THE FULL LOAN AMOUNT, INCLUDING THE COST OF ENERGY-EFFICIENCY IMPROVEMENTS.

Energy-efficiency improvements completed when the loan is reported to VA should be certified on VA Form 26-1820. However, if circumstances preclude completion of the energy-conserving improvements prior to submitting the loan report, the loan may be closed by establishing an escrow account to assure completion. VA will issue evidence of guaranty upon receipt of VA Form 26-1820 indicating that funds for completion of the energy-conserving improvements are being held by the lender in an escrow or earmarked account.

A formal escrow account will not be required for loans involving energy-conserving improvements processed on either a prior approval or automatic basis. Only the amount necessary to complete the improvements need be withheld, and no additional documentation concerning the escrowed/earmarked funds need be submitted when reporting the closed loan. However, the lender must provide written notification to the VA office of jurisdiction when improvements are completed and the escrow funds are disbursed. A lender should assure that improvements have been made.

If, after a reasonable time, a lender determines that the improvements will not be completed, the balance of the escrowed/earmarked funds will be applied as principal to reduce the loan balance, and the VA office of jurisdiction must be notified. In general, the improvements should be completed within six months of the date of loan closing, and VA will expect to receive the lender's notification that the improvements were completed or that the funds were applied to reduce the loan balance.

The lender is responsible for determining that weatherization and/or energy-conservation improvements are reasonable for a particular property. The types of improvements may include installation of one or more of the following:

UNDERWRITING ENERGY-EFFICIENT MORTGAGES (Cont'd)

1. Solar heating systems, including solar systems for heating water for domestic use;
2. Solar heating and cooling systems;
3. Caulking and weather stripping;
4. Furnace efficiency modification limited to replacement burners, boilers, or furnaces designed to reduce the firing rate or to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency, devices for modifying flue openings which will increase the efficiency of the heating system, and electrical or mechanical furnace ignition systems which replace standing gas pilot lights;
5. Clock thermostats;
6. New or additional ceiling, attic, wall, and floor insulation;
7. Water heater insulation;
8. Storm windows and/or doors, including thermal windows and/or doors;
9. Heat pumps; and
10. Vapor barriers.

Lenders may determine that improvements other than those listed above are energy-efficiency improvements. Additional improvements such as room additions, made in conjunction with energy-efficiency improvements require VA's prior approval concerning the veteran's income and credit, except for a loan to be closed under the automatic procedure by an authorized lender.

Maintenance and utility figures may be reduced by 20% when property has energy-efficiency features such as insulated windows, a heat pump, maintenance free exterior, etc.

COOPERATIVE HOME LOANS

Before a certificate of reasonable value is issued in any case involving a cooperative plan of ownership, the details of the case must be referred by the local VA office to the VA Central Office for specific processing instructions.

JOINT HOME LOANS

- A. **VA Prior Approval Required.** The prior approval of VA is necessary before making a loan to an eligible veteran in which the veteran is to acquire only an undivided interest in the real estate; e.g., when title to the property is to be vested in the names of the veteran and a person other than the veteran's spouse.

JOINT HOME LOANS (Cont'd)

- B. In the case of a “joint” loan involving a veteran and a nonveteran who is not the veteran’s spouse, VA’s guaranty on the loan is limited to the portion of the loan that is allocable to the veteran’s interest in the property. However, if the other person with whom the veteran intends to take title is the veteran’s spouse, the regulation allows the guaranty to be applied to the entire loan. The lender making a joint loan must satisfy itself that the requirements of its investor or the secondary market have been met.
- C. This distinction between the applicability of guaranty to the entire loan as opposed to only a portion of the loan may occasionally result in a lender’s refusal to accept an application for a VA-guaranteed joint loan to a veteran and a nonveteran who is not the veteran’s spouse and may appear to be in conflict with the Equal Credit Opportunity Act prohibition against discrimination based on marital status. However, a limited exemption from the effects of ECOA is provided for certain “special purpose credit programs”.
- D. In an interpretation of its Regulation B (42 CFR 40424), the Federal Reserve Board ruled that the determination of whether a particular program qualifies in this respect is the responsibility of the administering agency and that the agency must assure that its implementing regulations are consistent with the law. The Board also stated that a creditor participating in a loan program expressly authorized by Federal or State law will not violate Regulation B by complying in good faith with the law authorizing a program or with a regulation promulgated by an administering agency to implement a program that the agency has determined is a special purpose credit program under section 202.8(a)(1) of Regulation B.
- E. VA has determined that the Loan Guaranty Program meets the criteria for a special purpose credit program and on this basis has ruled that the joint provisions of 38 CFR 36.4307 do not constitute prohibited marital status discrimination under ECOA.
- F. In determining whether or not the income and credit requirements of the law will be met for joint loans, VA considers the income and credit of both the veteran and the other person joining in title. As in the case of a veteran and spouse, the income and assets of each party will be combined to determine whether there is sufficient income available to repay the loan, if the veteran alone cannot qualify, and adequate liquidity to cover any required down payment.

This policy also applies to loans in which two or more veterans intend to use their entitlement and take title jointly. The only exception is that, in joint loans involving a veteran and a nonveteran who is not the veteran’s spouse, the veteran must have sufficient income to repay at least that portion of the loan allocable to the veteran’s interest in the property, and the nonveteran’s income must be adequate to cover the balance of the payment obligation.

- G. Joint loans must be underwritten by VA on a prior approval basis. The final application and addendum must be signed by the borrowers before submission to VA for underwriting.

JOINT HOME LOANS (Cont'd)

- H. Loans to a married couple who are **BOTH** veterans are not considered joint loans. The entitlement of **EITHER** veteran may be used solely. This leaves the entitlement of the spouse untouched for future use.

VA Circular 26-15-29 dated November 5, 2015 clarified the way that lenders should process and underwrite home loan applications when applicants assert that they are married. VA will process claims and applications involving same-sex marriages in the same manner as claims and applications based on opposite-sex marriage, without any additional scrutiny or development, due to the Supreme Court ruling that the Fourteenth Amendment of the U. S. Constitution requires a state to license a marriage between two people of the same sex and to recognize it when lawfully licensed and performed Out-of-State.

PURCHASE OF UNIMPROVED LAND

Unimproved land purchased with the proceeds of a construction loan is considered eligible for guaranty if the land will be improved by the construction loan. A loan for purchase of unimproved real estate with the intent to improve it at some future date is not eligible for guaranty. However, the balance owing on a deferred purchase money mortgage or a contract for the purchase of unimproved real property is eligible for refinancing in connection with an eligible loan for new construction, subject to reasonable value requirements. Any amount owing on the mortgage or contract may be paid from the proceeds of the construction loan.

COMBINATION RESIDENTIAL AND BUSINESS PROPERTY

A loan for the purchase or construction of a combined residential and business property may be classified as a home loan provided the property is primarily for residential purposes and there is not more than one business unit. The nonresidential area may not exceed 25% of the total floor area.

LAND SALE CONTRACTS

An eligible veteran's obligation for installments payable on a land sale contract for purchase of unimproved residential real property may be guaranteed in the same manner as any obligation secured by a mortgage or deed of trust. Any land sale contract obligation guaranteed **must be recorded**. A loan to refinance the unpaid balance under a land sale contract for the purchase of improved residential real property is also subject to guaranty, provided the veteran will obtain title to the property described in the contract upon closing the loan and the obligation to be guaranteed is in the form of a note or bond secured by a mortgage or other acceptable form of security instrument other than the existing land sale contract. Although option contracts are not eligible for guaranty, a loan made for the unpaid purchase price of residential real property when the option is exercised is subject to guaranty.

ALTERATION AND REPAIR

If any of the proceeds of a loan for the purchase of improved real property will be used for alteration or repair of structures, the cost of such alterations or repairs may be included in the loan to the extent that their value supports the loan amount.

MANUFACTURED HOUSING

A manufactured home may be financed under VA if the home is, or will be, permanently affixed to its lot and the laws of the State where the lot is located provide that the manufactured home is considered real property.

In addition, the loan for the manufactured home and lot must be considered one loan. It is the lender's responsibility to obtain the required lien on the property and to ensure that the loan conforms to applicable VA loan-guaranty regulations.

The following manufactured home loan purposes are authorized by VA:

1. To purchase a manufactured home to be permanently affixed to a lot already owned by the veteran. The maximum loan amount is limited to the lesser of:
 - The sum of the purchase price plus the cost of all other real property improvements, or
 - The total reasonable value of the unit, lot, and real property improvements, plus
 - The VA Funding Fee
2. To purchase a manufactured home and a lot to which the home will be permanently affixed. The maximum loan amount is limited to the lesser of:
 - The total purchase price of the manufactured home and the lot, plus the cost of all other real property improvements, or
 - the purchase price of the manufactured home, plus the cost of all other real property improvements plus the balance owed by the veteran on a deferred purchase money mortgage or contract given for the purchase of the lot, or
 - the total reasonable value of the unit, lot and property improvements, plus
 - the VA Funding Fee
3. To refinance an existing loan on a manufactured home and purchase the lot to which the home will be permanently affixed. The maximum loan amount is limited to the lesser of:
 - The sum of the balance of the loan being refinanced plus the purchase price of the lot, not to exceed its reasonable value plus costs of the necessary site preparation as determined by VA, plus a reasonable discount on that portion of the loan used to refinance the existing loan on the manufactured home plus authorized closing cost, or

MANUFACTURED HOUSING (Cont'd)

- the total reasonable value of the unit, lot and real property improvements, plus
 - the VA Funding Fee
4. An IRRRL to refinance an existing VA guaranteed loan on a manufactured home permanently affixed to a lot. The maximum loan amount is limited to the sum of:
- The balance of the VA loan being refinanced, plus
 - allowable closing costs, plus
 - the VA Funding Fee

Note: This is the only type of permanently affixed manufactured home loan that does not require full underwriting and an appraisal. The provisions applicable to IRRRLs apply except the terms of the loan may be as long as 30 years and 32 days.

Lenders considering making loans for manufactured housing should contact the local VA office for processing instructions.

LOAN ORIGINATOR'S RESPONSIBILITIES ON A VA PURCHASE TRANSACTION

Now that you have received a comprehensive overview of available VA loan programs, let's discuss the responsibilities of the Loan Originator at the time of the loan application.

1. **Review the Sales Contract.** The information contained in the sales contract is vitally important to the loan transaction and should be reviewed carefully.
2. **Prepare the Loan Estimate.** Preparing the Loan Estimate tells the borrowers *how much cash is required to close* as well as the estimated monthly mortgage payment.
3. **Complete a VA Pre-Qualification Worksheet.** After completing the *Loan Estimate*, question the veteran and spouse about their total monthly income and current monthly liabilities **BEFORE** completing the loan application. Then complete a "VA Pre-Qualification Worksheet" to determine if the borrowers will have problems in qualifying.

If there are problems, these need to be discussed now. Will the borrowers need to pay off some debts in order to qualify? Will there be any upcoming salary increases or other factors that could be used as strong compensating factors? Be sure to make notes to the Loan Processor that the borrower will be providing additional documentation to substantiate what you discussed with them.

4. **Complete a Detailed Loan Application.** Once you have established that the borrowers have sufficient funds to close and meet the qualifying guidelines, you can complete the loan application. Be sure to make notes, where appropriate, relating to debts to be paid off or sources of monthly income to be considered, so the Loan Processor has a clear picture of the loan application.
5. **The HUD/VA Addendum to Uniform Residential Loan Application, VA Form 26-1802a.** This form has been discontinued.
6. **Get All Required VA Disclosures Signed.** Make sure that the veteran and spouse are provided all required VA disclosures. A copy of these disclosures is provided in your book.

LOAN ORIGINATOR'S RESPONSIBILITIES (Cont'd)

7. **Alternative Documentation Processing.** VA permits the use of *two months' original bank statements* to document available funds to close, plus *original pay stubs covering the most recent thirty-day period together with W-2 forms for the previous two years.*

It is recommended that bank statements be reviewed for unusually large deposits that might indicate an undisclosed debt, insufficient check charges and a checking line-of-credit. Check overdrafts are considered the same as late payments and require an explanation.

In many cases, a line-of-credit to cover overdrafts on a checking account is not reported to the credit bureau. If they appear on the bank statement and they have an outstanding balance, they are considered the same as revolving credit and must be counted as a debt.

If pay stubs and W-2s are used in lieu of a *Verification of Employment* form, the lender must call the borrower's employer and complete a *Verbal Verification of Employment* form. You must obtain the employer's phone number from the phone book or directory assistance rather than the borrower.

Be sure to review the pay stubs for payments made by payroll deduction that may not appear on the borrower's credit report. An example might be a car salesman who is charged for the use of his demonstrator. This is considered a car payment even though it does not appear on the credit report as a debt.

8. **Collect a Check.** Be sure to collect a check for the cost of the appraisal and credit report, in the amount specified by your lender.

If you will follow this procedure, your application will be processed much quicker!

REVIEWING THE SALES CONTRACT

At the time of the loan application, review the sales contract to ensure that it is properly completed and has all the necessary language required by VA. You can use the following checklist:

1. Does the contract clearly state who is paying closing costs, discount points, and prepaids?
2. Since the VA only allows a 1% loan origination fee that includes such items as a tax service fee, underwriting fee, and document preparation fee, (to be discussed later) to collect for these items, they must be paid by the seller. Does the contract specifically state that the seller will pay for these fees?
3. Does the contract state whether the VA funding fee will be paid by the veteran or by the seller? If paid by the veteran, will it be paid as an out-of-pocket expense or financed into the loan?
4. Does the contract have any personal property items, such as a washer, dryer, refrigerator, riding lawn mower, etc.? Each VA Regional Office has a list of personal property items that are acceptable as part of the sales price. If these items are not acceptable, it will be considered a ***sales concession***. Sellers are permitted to pay all of the veteran's closing costs and normal discount points; however, VA limits the seller to ***4% of the appraised value*** for seller concessions. These seller concessions would include (but are not limited to):

VA funding fee

Prepaids

Buydowns

Gifts such as a television set or microwave oven

Payoff of credit balances on behalf of the buyer, ***including judgments***

5. Does the contract have the current VA Amendatory Clause? (A sample VA Exhibit, which includes the required language, can be found on the next page. You may wish to duplicate this form and provide it to your local Realtors in the event their contracts do not contain the correct language.)
6. Is the property on septic tank and/or well water? Wells always require testing; septic tanks don't. It varies from region to region. In the Atlanta and St. Petersburg VA Offices a septic inspection is only required on existing construction if the appraiser indicates that there might be a problem.

EXHIBIT " _____ "
EXHIBIT TO LOAN AGREEMENT FOR VA LOANS

This Exhibit is part of the Agreement for the purchase and sale of the Property known as:

_____ , _____ , _____ , _____
PROPERTY ADDRESS CITY STATE ZIP CODE
 dated _____, 20____.

The loan contingency set forth in paragraph _____ of this Agreement is further conditioned as being a VA loan with the following stipulations applicable to this Agreement:

A. VA AMENDATORY CLAUSE

It is agreed that, notwithstanding any other provisions of this Agreement, the Purchaser shall not incur any loss of earnest money or otherwise be obligated to complete the purchase of the Property if the contract purchase price or costs exceed the reasonable value of the property established by the Veterans Administration. The Purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of reasonable value established by the Veterans Administration.

B. The VA Funding Fee shall be paid by _____, not to exceed _____ % of the loan amount. If the Funding Fee is paid by the purchaser, it shall be paid as follows:

1. ☐ In full at closing OR 2. ☐ Added to the loan amount and financed.

If Box B is checked, then the term "loan amount" as used herein shall mean the amount set forth in Paragraph _____ of this Agreement, plus the VA Funding Fee so financed and the monthly payments will increase accordingly.

C. Any repairs required by the VA Certificate of Reasonable Value shall be completed and paid for by _____ prior to closing provided said repairs do not exceed \$ _____ in total costs.

D. Seller shall pay the following lender fees: Real Estate Tax Service Fee, Underwriting Fee, Document Preparation Fee and courier fee.

E. Seller shall comply with VA requirements with respect to the wood infestation report described in Paragraph _____ of this Agreement.

F. If the improvements on the property are less than one year old at the time of closing, Seller shall, if required by VA, provide a home warranty certificate acceptable to VA.

G. The following stipulations apply if the property which is the subject of this Agreement is to be built by a Contractor:
 The property will ☐ OR will not ☐ be subject to these stipulations:

1. No special assessments or improvement bonds, if any, shall be chargeable to the Purchaser.
2. Contractor is to build the house in compliance with VA approved plans and specifications.
3. Contractor is to complete the house by _____ save for acts of God or other conditions beyond the control of the Contractor, or _____ days after the Contractor has received:
 - (A) A mortgage commitment
 - (B) A completed selection sheet approved by Purchaser in writing
 - (C) The additional dollars which are due upon Purchaser's being approved for a mortgage, whichever is later.
 Purchaser shall have the option of canceling this contract and obtaining a full refund of deposit if construction is not completed by the date indicated above or within a reasonable time thereafter.

 PURCHASER

 SELLER

 PURCHASER

 SELLER

 DATE

 DATE

PREPARING THE FEES WORKSHEET/LOAN ESTIMATE

ORIGINATION CHARGES

Loan Origination Fee: A lender may charge and the veteran may pay a flat charge *not exceeding 1 percent of the loan amount*, provided that the flat charge is in lieu of all other charges relating to costs of origination not expressly specified and allowed in this schedule. Costs covered by the one percent flat charge include the following:

1. Lender's appraisals. (This is not the VA appraisal)
2. Lender's inspections, except in construction loan cases.
3. Loan closing or settlement fees.
4. Preparing loan papers or conveyancing fees.
5. Attorney's services other than for title work.
6. Photographs.
7. Interest rate lock-in fees
8. Postage and other mailing charges, stationery, telephone calls, and other overhead.
9. Amortization schedules, pass books, and membership or entrance fees.
10. Escrow fees or charges.
11. Notary fees.
12. Commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser.
13. Trustee's fees or charges.
14. Loan application or processing fees.
15. Fees for preparation of truth-in-lending disclosure statement.
16. Fees charged by loan brokers, finders or other third parties whether affiliated with the mortgagee or not.
17. Tax service fees.
18. Any other fees, charges, commissions, or expenses except those enumerated above.

When a lender supervises the progress of construction and/or makes advances to a veteran in excess of 50 percent of the loan during construction, alteration, improvement, or repair, the veteran may be charged a fee up to 1 percent of the loan amount. This charge is in addition to the 1 percent charge outlined above.

In construction, alteration, improvement or repair loans, Including supplemental loans where charges are not permissible under the schedule shown above, the lender may charge, and the veteran may pay a flat sum not exceeding 1 percent of the loan amount. This charge may be in addition to 1 percent allowed above.

Loan Discount: A veteran may pay a reasonable loan discount.

The balance of those fees listed in the “***Origination Charges***” section of the Fees Worksheet, such as a processing fee, underwriting fee, courier fee, etc., are included in the 1% loan origination fee discussed earlier.

OTHER CHARGES

Appraisal Fee: The fee for a VA appraisal and compliance inspectors is designated by VA except appraisal fees incurred for the predetermination of reasonable value requested by other than the veteran or lender, and except the cost of appraisals requested by the lender or the seller to support requests for reconsideration of value. The veteran may pay for a second appraisal if he or she is requesting reconsideration of value.

Credit Report Fee: The lender is permitted to charge the Veteran for a credit report obtained by the lender. For AUS cases, the Veteran may pay the evaluation fee of \$50 in lieu of the charge for the credit report. For “Refer” cases, the Veteran may also pay the charge for the merged credit report, if required.

VA Funding Fee: Refer to the VA Funding Fee Chart shown earlier to determine this amount, which will be financed into the loan.

Tax Service Fee: Included in the 1% origination fee.

Flood Certification Fee: The Veteran may pay a flood certification fee.

TITLE CHARGES

Title Insurance & Title Examination: The Veteran may pay title examination and title insurance. If the lender determines that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.

Find out if VA is still limiting the combined cost of Title Examination and Title Insurance to 1.25% of the loan amount.

Survey: The veteran can pay a charge for a survey, if required by the lender or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA.

Attorney Fee: The lender *may not* charge the borrower for attorney's fees. However, reasonable fees for title examination work and title insurance can be paid by the borrower.

VA does not intend to prevent the veteran from seeking independent legal representation. Therefore, the veteran can independently retain an attorney and pay a fee for legal services in connection with the purchase of a home. Closing documents should clearly indicate that the attorney's fee is not being charged by the lender, but is being paid by the veteran as part of an independent arrangement with an attorney.

The veteran may pay a fee for MERS. MERS is a one-time fee for the purpose of electronically tracking the ownership of the beneficial interest in a loan and its servicing rights.

GOVERNMENT RECORDING & TRANSFER CHARGES

Recording Fees: Recording fees and recording taxes and other charges incident to recordation are permitted.

PREPAIDS AND RESERVES DEPOSITED WITH LENDER

Prepays and Reserves: The first year hazard insurance premium plus a portion of taxes, assessments and similar items for the current year chargeable to the borrower and the initial deposit (lump-sum payment) for the tax and insurance account are permitted.

ADDITIONAL SETTLEMENT CHARGES

VA Circular 26-22-11, dated June 15, 2022, authorized that Veterans may be charged wood destroying pest inspection fees, where required by the ***Notice of Value (NOV)***. Check the ***Termite Infestation Probability Map*** to determine where the probability of termite infestation is "very heavy" or "moderate to heavy." Veterans may negotiate the cost of a termite pest inspection with the seller.

In refinancing loans, a Federal Express charge, Express Mail, or a similar service is permitted when the saved per diem interest cost to the veteran will exceed the cost of the special handling.

When a lender supervises the progress of construction and/or makes advances to a veteran in excess of 50 percent of the loan during construction, alteration, improvement, or repair, the veteran may be charged a fee up to 2 percent of the loan amount. This charge is in addition to the 1 percent charge outlined above.

In construction, alteration, improvement or repair loans, Including supplemental loans where charges are not permissible under the schedule shown above, the lender may charge and the veteran may pay a flat sum not exceeding 1 percent of the loan amount. This charge may be in addition to 1 percent allowed above.

Non-Allowable Fees: Non-allowable fees include:

1. Prepayment penalties
2. Real estate broker fees, including “buyer” broker fees
3. HUD/FHA application and inspection fees

VA Circular 26-15-6 dated April 13, 2015, clarified the VA requirements regarding the HUD-1 Settlement Statement (now called a Closing Disclosure), and clarified the VA policy regarding:

- a. Itemization of lender/seller credits in the 200 series of the HUD-1/CD.
- b. Itemization of line 801 on the HUD-1/CD.
- c. Clarification that credits reflected on line 803 of the HUD-1/CD cannot offset unallowable fees.
- d. Itemization of line 802 on the HUD-1/CD.

Lenders may either use the blank lines available in the 200 and 800 series of the HUD-1/CD for itemization or may provide any form of itemization that provides VA with a clear breakdown of the credits and charges shown in those series of the HUD-1/CD.

Lender credits should not be confused with the credit or charge for the chosen interest rate, which appears on line 802. All lender/seller credits should be placed in the 200 series of the HUD-1/CD. Lump sum credits require an accurate itemization of the individual credits. Lenders should not display lender/seller credits in the 800 series of the HUD-1/CD.

There were several Examples attached to this Circular which you should review to insure that the credits are shown properly on the Closing Disclosure. I encourage you to review them carefully.

Seller Concessions: Seller concessions, ***not to exceed 4% of the appraised value***, include, but are not limited to, the following:

- VA funding fee
- Prepays
- Gifts such as a television set or microwave oven
- Payment of extra points to provide permanent interest rate buydowns
- Payoff of credit balances on behalf of the buyer, ***including judgments***

Seller concessions do not include payment of the buyer’s closing costs, or payment of points as appropriate to the market.

As stated above, the VA permits the seller to ***pay a veteran’s debts*** (subject to the 4% maximum seller concession). Sellers are permitted to pay all of the veteran’s closing costs and normal discount points; however, VA limits the seller to ***4% of the appraised value*** for seller concessions.

This can be a wonderful marketing tool for Realtors and builders.

ADEQUACY OF EFFECTIVE INCOME AND RATIOS

Once the Loan Estimate has been prepared and you have discussed with the borrower the cash required to close, the next step is to determine if the borrower will meet the qualifying guidelines. Sources of allowable monthly income and what is considered a liability for qualifying will be discussed in more detail later. Review these VA guidelines thoroughly and become familiar with them.

VA qualifying requirements are different from either conventional or FHA guidelines. VA qualifies the veteran based on the “**Balance Available for Family Support**,” referred to as “**Residual Income**.” Here is how this determination is made:

Determine gross monthly income of the spouse and veteran.

Deduct from gross monthly income the following:

- Federal taxes

- State taxes

- Social security

- Proposed monthly housing expense (PITI)

- Estimated maintenance and utilities

- Monthly long-term consumer debts, which include:

 - Installment payments with 10 or more payments remaining

 - Minimum monthly payment on revolving charge cards

- Monthly child care or nursery care expenses

- Alimony or child support

Once these expenses are deducted from combined gross monthly income, the balance remaining determines whether the borrower will qualify. Each VA region establishes the minimum amount necessary for family support, provided at the bottom of your “*VA Pre-Qualification Worksheet*.”

VA uses only a **Back Ratio** for qualifying, but no front ratio. The back ratio is determined as follows:

- Monthly housing expense (PITI) (but **not** maintenance and utilities)

- Monthly payments on installment debts that extend beyond **nine months**

- Minimum monthly payments on revolving charge cards

- Monthly alimony or child support

- Child care expenses - For children up to the age of **12 years**, the lender is responsible for determining if there are any child care expenses for the borrower(s). This expense may not be a requirement in all VA regions. Check with your local VA office.

Divide the total of the proposed monthly obligations identified above by the combined gross monthly income to determine a **BACK RATIO**. VA guidelines permit a back ratio of **41%**; however, this back ratio may be exceeded if the balance available for family support meets the VA guidelines or there are other strong compensating factors to offset the higher back ratio.

ADEQUACY OF EFFECTIVE INCOME (Cont'd)**Residual Income**

In addition to the back ratio requirement of 41%, VA uses residual income, or “***Balance Available for Family Support.***” The *Pre-Qualification Worksheet* shown on the next page includes a “***Table of Residual Income by Region***” at the bottom of the page.

Residual income and Debt-to-Income (DTI) Ratios must meet VA standards. However, the loan may still be eligible if only one standard is met, in which case the following will apply:

- I. If the DTI is less than 41% but residual income ***does not*** meet guidelines, the loan may be approved with justification from the Underwriting Manager.
- II. If the DTI is greater than 41%, loans may be approved with justification from the Underwriting Manager.
- III. If DTI is greater than 41% but residual income exceeds the guidelines by at least 20%, the underwriter may approve the loan. Second level review is not necessary.

The loan decision must be justified and specific compensating factors listed.

Inclusion of Household Members in Residual Income

All members of a household are relevant to the calculation regarding residual income. Exceptions to this would be (a) a spouse, not on the note, but with stable employment. In this case, the spouse's employment must be documented. (b) If there is other regular, sufficient, verified income (such as child support) ***that is not included in the loan analysis***, the number of household members may be reduced when counting for residual income purposes.

Maintenance and Utilities Chart

In determining the “***Balance Remaining for Family Support***” or “***Residual Income***,” estimated monthly maintenance and utilities must be included in the monthly housing expense and ***deducted*** from the borrower's income.

ALSO: ***Please note that maintenance and utilities may be reduced by 20% if the property has energy-efficient features and a maintenance-free exterior. All properties constructed since April of 1994 are considered energy efficient.***

VA PRE-QUALIFICATION WORKSHEET

<u>John & Mary Doe</u> BORROWERS' NAMES		<u>4.5</u> % INTEREST RATE	
\$ <u>120,000.00</u> SALES PRICE	-	\$ <u>-0-</u> DOWN PAYMENT	=
		\$ <u>120,000.00</u> LOAN AMOUNT	+
			\$ <u>2,580</u> (2.15%) VA FUNDING FEE
			\$ <u>122,580.00</u> LOAN INC F.F FIN.

VETERAN'S MONTHLY HOUSING PAYMENT:

PRINCIPAL & INTEREST	\$ 621.09
HAZARD INSURANCE ESCROW	51.08
REAL ESTATE TAX ESCROW	120.00
SPECIAL ASSESSMENTS	
TOTAL MONTHLY PAYMENT	\$ 792.17

BALANCE AVAILABLE FOR FAMILY SUPPORT:

	<u>SPOUSE</u>	<u>VETERAN</u>	<u>TOTAL</u>
TOTAL GROSS MONTHLY INCOME	\$ 2,000.00	\$ 2,500.00	\$ 4,500.00

LESS DEDUCTIONS:

FEDERAL TAX (FROM PAY STUBS OR CHARTS)	193.00	234.00
--	--------	--------

STATE TAX	97.17	119.67
-----------	-------	--------

SOCIAL SECURITY	(7.65%)	<u>153.00</u>	<u>191.25</u>
-----------------	---------	---------------	---------------

TOTAL DEDUCTIONS	\$ 446.17	549.92	\$ 996.09
------------------	-----------	--------	-----------

NET TAKE-HOME PAY	\$ 1,553.83	1,950.08	3,503.91
-------------------	-------------	----------	----------

NON-TAXABLE MONTHLY INCOME \$ _____ \$ _____ \$ _____

TOTAL MONTHLY INCOME	\$ 1,553.83	\$ 1,950.08	\$ 3,503.91
----------------------	-------------	-------------	-------------

LESS MONTHLY HOUSING EXPENSE:

TOTAL MONTHLY PAYMENT (FROM ABOVE)	\$	793.16
------------------------------------	----	--------

ESTIMATED MAINTENANCE & UTILITIES @ SQUARE FOOTAGE (2,300) X \$.14	322.00
--	--------

LESS OTHER MONTHLY LONG-TERM DEBTS:

MO. INSTALLMENT DEBTS WITH 10 OR MORE PAYMENTS REMAINING	600.00
--	--------

MO. REVOLVING CHARGE CARD PAYMENTS

CHILD CARE, CHILD SUPPORT, ALIMONY, ETC.

BALANCE AVAILABLE FOR FAMILY SUPPORT (SEE CHART BELOW)					<u><u>\$ 889.00</u></u>	<u><u>\$ 1,788.75</u></u>			
<u>\$ 792.17</u>	+	<u>\$ 600.00</u>	=	<u>\$ 1,392.17</u>	÷	<u>\$ 4,500.00</u>	=	<u>30.94</u>	<u>%</u>
MO. MTG. PMT.		LONG-TERM DEBT		TOTAL		GROSS INCOME		RATIO (41%)	

Maintenance & Utilities	Square Footage X \$.14
Swimming Pools	Add \$60 per month for in-ground pools.
Multi-Units	Add \$45 to maintenance charge for each unit not occupied by the Veteran.
Note: Maintenance and utility costs may be reduced by up to 20% when the property has energy savings features such as a heat pump, insulated windows, maintenance free exterior, etc.	

TABLE OF RESIDUAL INCOME BY REGION (LOANS OF \$79,999 AND BELOW)

<u>Family Size</u>	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
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.

TABLE OF RESIDUAL INCOME BY REGION (LOANS OF \$80,000 AND ABOVE)

<u>Family Size</u>	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
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.

GEOGRAPHIC REGIONS

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin

South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia and West Virginia

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming

**You can access Federal and State Income Tax Charts
by visiting the IRS Website or your local State Income Tax Unit.**

COMPLETING THE VA LOAN APPLICATION

- The loan amount indicated on the application includes the amount with the VA Funding Fee financed into the loan.
- **Co-Borrower.** On a VA loan, the co-borrower must either be the spouse of the veteran or be a veteran also, with a Certificate of Eligibility, in which case a portion of the co-borrower's entitlement could be used, along with the veteran borrower, for guaranty purposes.

If the co-borrower is neither the spouse of the veteran nor a veteran with available entitlement, VA will guarantee only the portion of the loan relating to the veteran. This could result in less than a 25% guaranty and may prevent the sale of the loan in the secondary market.

- **SOURCES OF DOWN PAYMENT AND SETTLEMENT CHARGES**

This information is taken from the VA Pamphlet 26-7 Lender's Handbook

- a. **Assets and Amount of Cash Required for Closing** The borrower(s) must have sufficient cash assets to cover: · any closing costs, pre-pays, or discount points which are the borrower's responsibility and are not financed into the loan, and · the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA (i.e. negative equity).

VA does not require the borrower(s) to have additional cash to cover a certain number of mortgage payments, unplanned expenses or other contingencies on the residence, or refinance of the Veteran's residence.

However, the borrower's ability to accumulate liquid assets and the current availability of liquid assets for unplanned expenses should be considered in the overall credit analysis. Reserves are required for borrowers using rental income to qualify.

Reserves are required for borrowers using rental income to qualify. **Topic 2, subsection n of Chapter 4 of the VA Lenders Handbook M26-7** A rental offset does not require additional assets to cover PITI. See Topic 2, subsection n of this chapter for more information.

The assets securing a loan(s) against deposited funds (signature loans, cash value life insurance policies, 401(k) loans, other) may not be included as an asset on the VA Form 266393, Loan Analysis. See Topic 5 of this chapter for more information.

- **SOURCES OF DOWN PAYMENT AND SETTLEMENT CHARGES (Cont'd)**

The assets securing a loan(s) against deposited funds (signature loans, cash value life insurance policies, 401(k) loans, other) may not be included as an asset on the **VA Form 266393, *Loan Analysis***. See Topic 5 of this chapter for more information.

- b. **Verification of Assets and Cash to Close Requirements.** Verify all liquid assets owned by the borrower(s) to the extent they are needed to close the loan. In addition, verify any liquid assets that may have a bearing on the overall credit analysis (significant assets).

Use **VA Form 26-8497a, *Request for Verification of Deposit***, or electronic, or certified copies of the borrower's last two bank statements. Verifications must be no more 120 days old (180 days for new construction). For automatically closed loans, this means the date of the deposit verification is within 120 days of the date the note is signed (180 days for new construction).

For automatically closed loans, this means the date of the deposit verification is within 120 days of the date the note is signed (180 days for new construction).

For prior approval loans, this means the date of the deposit verification is within 120 days of the date the application is received by VA (180 days for new construction).

- c. **Pending Sale of Real Estate Income.** The determination that the income and/or assets of borrowers are needed to qualify for the loan depends upon the sale of presently the borrower's owned real property.

The sale proceeds may be necessary to:

- clear the outstanding mortgage(s) against the property,
- pay outstanding consumer obligations,
- make a down payment or pay closing costs on the VA loan, and/or
- restore previously used VA entitlement.

Evidence the sale has been completed should be included in the closing package to verify proceeds from the sale. As an alternative, the Veteran may sell the property with the buyer assuming the outstanding mortgage obligation.

See Chapter 6 of this handbook for assumptions (Release of Liability) with a Substitution of Entitlement to restore previously used entitlement.

See Chapter 5 of this handbook for prior approval loans, which depend upon the sale of property for the borrower to qualify. See Chapter 5 of this handbook for all required loan closing documents.

- **SOURCES OF DOWN PAYMENT AND SETTLEMENT CHARGES (Cont'd)**

- d. **Gift Funds**. A gift can be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction.

A gift letter must: · specify the dollar amount of the gift, · include the donor's statement that no repayment is expected, and · indicate the donor's name, address, telephone number, and relationship to the borrower.

The lender must verify that sufficient funds to cover the gift have been transferred to the borrower's account, or will be documented as received by the closing agent at the time of closing. Acceptable documentation includes the following: · evidence of the borrower's deposit, · a copy of the donor's funds by check/electronic transfer to the closing agent, or · the CD showing receipt of the donor's funds.

The assets securing a loan(s) against deposited funds (signature loans, cash value life insurance policies, 401(k) loans, other) may not be included as an asset on the **VA Form 266393, *Loan Analysis***. See Topic 5 of this chapter for more information.

VA does not provide additional guidelines for ***Sources of Down Payment and Settlement Costs***. You may wish to review the FHA guidelines for additional information.

FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE

- **Collateralized Loans** - Funds may be borrowed for the required investment as long as satisfactory evidence is provided that they are fully secured by existing marketable assets. Such assets may include stocks, bonds, automobiles, real estate (other than the property being purchased), etc.

In addition, certain types of loans secured against deposited funds, such as signature loans, the cash value of life insurance policies, loans secured by 401(k)s, etc., in which the repayment may be obtained through extinguishing the asset, do not require consideration for repayment for qualifying purposes. However, in such circumstances the asset securing the loan may not be included as assets to close or otherwise considered as available to the borrower.

The borrowed funds must be provided by an independent third party. The seller, real estate agent or broker, lender, etc., may not provide such funds. Unacceptable borrowed funds include signature loans, cash advances on credit cards, and similar unsecured loans.

- **Trade Equity** - The borrower may agree to trade his or her real property to the seller as part of the cash investment. The amount of the borrower's equity contribution is determined by subtracting all liens against the property being traded (along with any real estate commission) from the lesser of that property's appraised value or sales/trade price.

- **FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE (Cont'd)**

Value must be determined by a residential appraisal not more than six months old. Evidence of ownership is also required. Additionally, if the property being traded has an FHA- or VA-insured mortgage, assumption processing requirements and restrictions apply.

Any item of value may also be used as trade equity to the seller. A written appraisal from an independent certified third party appraiser is required.

- **Sale of Personal Property** - If the borrower intends to sell personal property items (cars, recreational vehicles, stamp, coin, or baseball card collections, etc.) to obtain funds required for closing, in addition to conclusive evidence the items have been sold, the borrower must provide a satisfactory estimate of their worth.

The estimated worth of the items being sold may be in the form of published value estimates, such as those issued by automobile dealers, philatelic or numismatic associations, or a separate written appraisal by a qualified appraiser with no financial interest in the loan transaction. Only the lesser of this estimate of value or the actual sales price is considered as assets to close.

- **Employer's Guarantee Plans** - If the employer guarantees to purchase the borrower's previous residence as the result of a relocation, the borrower must submit evidence of the agreement and the net proceeds guaranteed.
- **Employer Assistance Plans** - If the employer, to attract or retain valuable employees, pays the employee's closing costs, mortgage insurance premium, or any portion of the cash investment, this is considered employee compensation and no adjustment to the maximum mortgage amount is required.

If the employer provides this benefit after loan settlement, the borrower must provide evidence of sufficient cash for closing. A salary advance, however, cannot be considered as assets to close since it represents an unsecured loan.

- **Savings Bonds, Etc.** - Government-issued bonds are counted at original purchase price unless eligibility for redemption and redemption value are determined. Actual receipt of funds at redemption must be verified.
- **IRAs & Keogh Accounts** - Only the net amount after subtracting federal income tax and withdrawal penalties may be considered as assets to close. Evidence of redemption is required.
- **Cash Saved at Home** - Borrowers who have saved cash at home and are able to adequately demonstrate the ability to do so are permitted to have this money included as an acceptable source of funds to close. To include such funds, the money must be verified, whether deposited in a financial institution or held by the escrow/title company, and the borrower must provide satisfactory evidence of the ability to accumulate such savings.

- **FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE (Cont'd)**

The asset verification process requires the borrower to explain how such funds were accumulated and the amount of time taken to do so. The lender must determine the reasonableness of the accumulation of the funds based on the borrower's income stream, the time period during which the funds were saved, spending habits, and history of using financial institutions.

Those individuals with checking and/or savings accounts are less likely to save money at home than is an individual with no history of such accounts.

- **Rent Credit** - That portion of the rental payment that exceeds the appraiser's estimate of fair market rent may be considered accumulation of the borrower's cash investment. Both the rent with option to purchase agreement and the appraiser's estimate of market rent must be included in the endorsement package.

If the sales agreement reveals that the renter has been living in the property (or one owned by the seller) rent-free, or that an agreement was made allowing the renter to occupy at a rental amount considerably below fair market in anticipation of eventual purchase of the property, this is treated as an inducement to purchase with an appropriate reduction to the mortgage.

Exceptions may be granted in situations such as where a builder fails to deliver the property at an agreed-to time and then permits the borrower to occupy that or another unit for less than market rent temporarily until construction is complete.

- **Sweat Equity** - Labor performed or materials furnished by the borrower before closing, on the property being purchased, may be considered as the equivalent of a cash investment to the extent of the estimated cost of the work or materials. (Sweat equity may be "*gifted*" subject to both the gift requirements and additional requirements shown below). Also:
 - (1) On existing construction, only the repairs or improvements listed on the appraisal or conditional commitment are eligible for sweat equity. Any work completed or materials provided before the appraisal is made are not eligible. On proposed construction, the sales contract must indicate the tasks to be performed by the home buyer during construction.
 - (2) The borrower's labor may be considered as the equivalent of cash if the borrower can demonstrate his or her ability to complete the work in a satisfactory manner. The lender must document the contributory value of the labor through either the appraiser's estimate or through a cost estimating service.
 - (3) Delayed work (on-site escrow), clean-up, debris removal, and other general maintenance cannot be included as sweat equity.
 - (4) There can be no cash back to the borrower in these transactions.

- **FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE (Cont'd)**

- (5) Sweat equity on a property other than the property being purchased is not acceptable. Compensation for work performed on other properties must be in cash and be properly documented.
- (6) If materials are furnished by the borrower, evidence of the source of funds used to purchase and the market value of the materials must be provided.
- **Commission from Sale** - If the borrower is entitled to a real estate commission from the sale of the property being purchased, that amount may be used for the cash investment with no adjustment to the maximum mortgage required. A family member entitled to the commission may also gift those funds to the home buyer.
- **Disaster Relief Grants and Loans** - Grants or loans from state and federal agencies (e.g., Federal Emergency Management Agency (FEMA)) that provide immediate housing assistance to individuals displaced by natural disaster may be used for the borrower's cash investment. Secured or unsecured disaster relief loans administered by the Small Business Administration (SBA) may also be used. However, if the SBA loan will be secured against the property being purchased, it must be clearly subordinate to the VA or FHA-insured mortgage. Any monthly payment arising from such a loan must be included in the qualifying ratios.
- **Cash Accumulated with Private Savings Clubs** - FHA (or VA) recognizes that there are certain ethnic groups that use non-traditional methods of saving money by making deposits into private savings clubs. Often, these private savings clubs pool resources for use among the membership. If a home buyer claims that the cash to close an FHA-insured mortgage or VA-guaranteed mortgage is from savings held with a private savings club, the borrower must be able to adequately document the accumulation of those assets with the club.

While FHA and VA acknowledge such clubs are not supervised banking institutions, there nevertheless must exist, at minimum, account ledgers, receipts from the club, a verification from the club treasurer, as well as identification of the club that would permit the lender to re-verify the information provided.

The underwriter must be able to make a determination that it was reasonable for the borrower to have saved the money claimed and that there is no evidence these funds were borrowed with an expectation of repayment.

- **Secondary Financing from Family Members** - FHA or VA will permit family members (“*family members*” defined as a child, parent, or grandparent of the mortgagor or mortgagor’s spouse. Included are legally adopted sons or daughters and a child who is a member of an individual’s household if placed with such individual by an authorized agency for legal adoption by that individual and foster children.

- **FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE (Cont'd)**

- The term “*child*” means a son, stepson, daughter, or stepdaughter) to lend on a secured or unsecured basis 100 percent of the home buyer’s required cash investment which may include the down payment, closing costs, prepaid expenses and discount points. The following conditions apply:
 - (1) The maximum mortgage calculation process remains the same. Closing costs, but not prepaid expenses or discount points, may still be added to the lesser of the appraised value or sales price in determining the maximum mortgage. However, if the lender pays a portion of the closing costs through a premium interest rate, the amount of closing costs paid by the lender in this manner may **not** be included in calculating the mortgage amount.
 - (2) The combined amount of financing may not exceed 100% of the lesser of the property’s value or sales price, plus normal closing costs, prepaid expenses, and discount points. While the family member may lend 100% of the cash investment requirements, cash back to the home buyer (beyond refund of any earnest money deposit) at closing is not acceptable.
 - (3) If periodic payments of the secondary financing are required, the combined payments may not exceed the borrower’s reasonable ability to pay. The secondary financing payments are to be included in the total debt payment-to-income ratio, i.e., the “back end” ratio, for qualifying purposes.
 - (4) The second lien may not provide for a balloon payment within five years of the date of execution.
 - (5) If the family member providing the secondary financing borrows those funds, the source may not be any entity with an identity-of-interest in the sale of the property, including the seller, builder, loan officer, real estate agent, etc. Mortgage companies that have retail banking affiliates may have that entity make a loan to the family member providing the secondary financing for the home purchase.

However, the lending institution may not make such financing available under terms and conditions more favorable than to other borrowers, i.e., there may not be any special considerations provided in connection with the making of the mortgage and lending funds to family members to be used as secondary financing for the purchase of the home.

- (6) An executed copy of the document outlining the terms of the secondary financing must be maintained in the lender’s file.

- **FHA GUIDELINES FOR SOURCES OF CASH TO CLOSE (Cont'd)**

- **Homeownership Bridal Registry Accounts** - FHA (or VA) is encouraging couples planning to get married to establish a bridal registry savings account in order to help them accumulate the down payment necessary for purchasing their first home.
- This new initiative formalizes the use of cash for the down payment by allowing couples to open up a bridal registry account where family and friends can deposit directly their gifts into that account. The engaged couple are advised to contact a mortgage lender and request it to establish a bridal registry account in their name.
- Participating lenders would set up the interest bearing account with a financial institution. The lender should provide the friends and family of the couple information concerning the bridal registry account and how it works. Lenders will be given flexibility to set up the details of this program.

Because the funds are regarded as gifts, a copy of the bank statement verifying deposits and a letter from the participating lender in which the lender and borrowers certify to the best of their knowledge that these deposits 1) were from friends that ***do not*** have a financial interest in the transaction and 2) were not from participants (seller, builder, real estate agent, etc.) with a financial interest in the transaction, should be included in the submission package.

- **SOURCES OF MONTHLY INCOME (Taken from the VA 26-7 Pamphlet)**

Income analysis is not an exact science. It requires the lender to underwrite each loan on a case-by-case basis, using:

- judgment,
- common sense, and
- flexibility, when warranted.

Analyze the probability of continued employment (that is, whether income is stable and reliable) by examining the:

- applicant's past employment record,
- applicant's training, education, and qualifications for his/her position,
- type of employment, and
- employer's confirmation of continued employment, if provided.

In the applicant's current position, 2 years of employment is a positive indicator of continued employment. It is **not** a required minimum and **not** always sufficient by itself to reach a conclusion on the probability of continued employment.

- **SOURCES OF MONTHLY INCOME** (Cont'd)

Generally, employment less than 12 months 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.

Assess whether the applicant's training and/or education equipped him or her with particular skills that relate directly to the duties of his/her current position. This generally applies to skilled positions. Examples include nurse, medical technician, lawyer, paralegal, and computer systems analyst.

If the probability of continued employment is high based on these factors, then the lender may give favorable consideration to including the income in the total effective income. An explanation of why income of less than 12 months duration was used must accompany the loan submission.

If the probability of continued employment is good, but not as well supported, the lender may still consider the income if the applicant has been employed at least 6 months to partially offset debts of 10 to 24 months duration.

Determine the amount which can be used, based on such factors as:

- the employer's evaluation of the probability of continued employment, if provided, and
- the length of employment (for example, 10 months versus 6 months).

Note: Include an explanation with the loan submission.

Short-term employment in a present position combined with frequent changes of employment in the recent past requires special consideration to determine stability of income. Analyze the reasons for the changes in employment.

Reference: See section 4 of "Current Issues" for a discussion of frequent job changes by individuals with low-to-moderate incomes.

Give favorable consideration to changes for the purpose of career advancement in the same or related field.

Favorable consideration may not be possible for changes:

- with no apparent betterment to the applicant, and
- from one line of work to another.

If the lender includes applicant's income in effective income, an explanation must accompany the loan submission.

- **SOURCES OF MONTHLY INCOME** (Cont'd)

Low- to Moderate-Income Borrowers

A borrower's employment and income stability are vital to the underwriting of a loan. There are characteristics that should be considered when underwriting loans for low- to moderate-income borrowers when evaluating acceptable employment and income.

- **Income from Overtime Work, Part-time Jobs, Second Jobs, and Bonuses.**

Generally, such income cannot be considered stable and reliable unless it has continued (and is verified) for 2 years.

To include income from these sources in effective income:

- the income must be regular and predictable, and
- there must be a reasonable likelihood that it will continue in the foreseeable future based on
- its compatibility with the hours of duty and other work conditions of the applicant's primary job, and
- how long the applicant has been employed under such arrangement.

The lender may use this income, if it is not eligible for inclusion in effective income, but is verified for at least 12 months, to offset debts of 10 to 24 months duration. Include an explanation.

- **Part-Time or Second-Job Income.** Part-time income is acceptable if it has continued for the last *two years* and there is a likelihood that the income will continue in the future. Part-time income that has been verified for *at least twelve months* may be used to offset the payments due on debts and obligations of an intermediate term, i.e., ten to twenty-four months. Such income is described in the "Remarks" section of the *Loan Analysis Worksheet*.
- **Income from Commissions.** When all or a major portion of the applicant's income is derived from commissions, obtain the following documentation:
 - VOE or other written verification which provides the following:
 - the actual amount of commissions paid year-to-date.
 - the basis for payment (that is, salary plus commission, straight commission, or draws against commission).
 - when commissions are paid (that is, monthly, quarterly, semiannually, or annually).
 - Individual income tax returns, signed and dated, plus all applicable schedules for the previous 2 years (or additional periods if needed to demonstrate a satisfactory earnings record).

- **SOURCES OF MONTHLY INCOME (Cont'd)**

Generally, income from commissions is considered stable when the applicant has obtained such income for at least 2 years.

- Less than 2 years cannot usually be considered stable unless the applicant has had previous related employment and/or extensive specialized training.
- Less than 2 year can rarely qualify. In-depth development is required for a conclusion of stable income on less than 1 year cases.
- **Active Military Applicant's Income.** A military Leave and Earnings Statement (LES) is required instead of a VOE.
 - The LES must furnish the same information as a VOE.
 - The LES must be no more than 120 days old (180 days for new construction).
 - For loans closed automatically, the date of the LES 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 LES must be within 120 days of the date the application is received by VA (180 days for new construction).

The LES must be an original or a copy certified by the lender to be a true copy of the original.

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

In addition, identify service members who are within 12 months of release from active duty or end of contract term. Find the date of expiration of the applicant's current contract for active service on the LES (for an enlisted servicemember). For a National Guard or Reserve member, find the expiration date of the applicant's current contract.

If the date is within 12 months of the anticipated date that the loan will close, the loan package must also include one of the following four items, or combinations of items, to be acceptable:

- documentation that the servicemember has already re-enlisted or extended his/her period of active duty to a date beyond the 12-month period following the projected closing of the loan, or
- verification of a valid offer of local civilian employment following the release from active duty. All data pertinent to sound underwriting procedures (date employment will begin, earnings, and so on) must be included, or

- **SOURCES OF MONTHLY INCOME** (Cont'd)

- a statement from the servicemember that he/she intends to reenlist or extend his/her period of active duty to a date beyond the 12 month period, plus
- a statement from the servicemember's commanding officer confirming that:
 - the servicemember is eligible to reenlist or extend his/her active duty as indicated, and
 - the commanding officer has no reason to believe that such reenlistment or extension of active duty will not be granted, or
 - documentation of other unusually strong positive underwriting factors, such as:
 - a downpayment of at least 10 percent (not a gift)
 - a minimum of 6 months PITI, in cash, after the downpayment from the borrower's own assets (not a gift)
 - clear evidence of strong ties to the community coupled with a nonmilitary spouse's income so high that only minimal income from the active duty servicemember is needed to qualify.

Analysis: Base Pay

Consider the applicant's base pay as stable and reliable except if the applicant is within 12 months of release from active duty.

- Analyze the additional documentation submitted.
- If the applicant will not be reenlisting, determine whether:
- the applicant's anticipated source of income is stable and reliable, and/or unusually strong underwriting factors compensate for any unknowns regarding future sources of income.

Analysis: Military Quarters Allowance

The lender may include a military quarters allowance in effective income if properly verified. In most areas there will be an additional variable housing allowance, which can also be included.

The military quarters and variable housing allowances are **not** taxable income.

Ensure that the applicant meets the occupancy requirements set forth in section 5 of chapter 3.

Verification: Subsistence and Clothing Allowances

Any subsistence (rations) and clothing allowances are indicated on the LES.

Analysis: Subsistence and Clothing Allowances

The lender may include verified allowances in effective income. These allowances are **not** taxable income.

- **SOURCES OF MONTHLY INCOME (Cont'd)**

Note: The clothing allowance generally appears on the LES as an annual amount. Convert it to a monthly amount for the loan analysis.

Verification: Other Military Allowances

To consider a military allowance in the underwriting analysis, obtain verification of the type and amount of the military allowance, and how long the applicant has received it.

Analysis: Other Military Allowances

Examples include propay, flight or hazard pay, overseas pay, and combat pay.

All of these are subject to periodic review and/or testing of the recipient to determine continued eligibility. These types of allowances are considered taxable income by the IRS, unlike housing, clothing, and subsistence allowances.

Military allowances may be included in effective income only if such income can be expected to continue because of the nature of the recipient's assigned duties.

Example: Flight pay verified for a pilot. If duration of the military allowance cannot be determined, this source of income may still be used to offset obligations of 10 to 24 months duration.

- **Income from Service in the Reserves or National Guard.** Income derived from service in the Reserves or National Guard may be included in effective income if the length of the applicant's total active and Reserve/Guard service indicates a strong probability that the Reserve/Guard income will continue.

Otherwise, this income may be used to offset obligations of 10 to 24 months duration.

- **Recently Activated Members of the Reserve or National Guard.** Lenders must consider if an applicant, whose income is being used to qualify for a loan, may have a change in income due to participation in a Reserves/ National Guard unit subject to activation.

If so, lenders must determine what the applicant's income may be if activated:

- **Reduced**, carefully evaluate the impact the reduction may have on the borrower's ability to repay the loan.
- **Increased**, consider the likelihood the income will continue beyond a 12-month period.

- **SOURCES OF MONTHLY INCOME (Cont'd)**

Example: If an activated reserve/guard member applies for a loan, they may present orders indicating their tour of duty is not to exceed 12 months. Under these circumstances lenders need to carefully evaluate both the present income (current employment) and expected income (reservist income) in terms of income stability and reliability.

There are no clear-cut procedures that can be applied to all cases. Evaluate all aspects of each individual case, including credit history, accumulation of assets, overall employment history, etc., and make the best decision for each loan regarding the use of income in qualifying for the loan.

It is very important that loan files be carefully and thoroughly **DOCUMENTED**, including any reasons for using or not using reservist income in these situations.

Weigh the desire to provide a veteran their benefit with the responsibility to ensure the veteran will not be placed in a position of financial hardship.

Lenders should contact the appropriate VA office if any questions arise in reference to unusual circumstances regarding a mobilized servicemember's income.

- **Income of Recently Discharged Veterans.** Obtain verification of any of the following which apply:

- employment income

Reference: See "Income from Non-Military Employment" in this section for verification requirements.

- retirement income, and/or
- VA disability income. VA disability income is considered a benefit and does not need to be documented for the likelihood of continuance.
- military separation payments.

For guidelines on disability income, please refer to ***m. Verification and Analysis of Income of Recently Discharged Veterans or Veterans to be Discharged from the Military*** in the ***VA Lenders Handbook M26-7, Chapter 4: Credit Underwriting***

If the applicant has been employed in a position for only a short time, obtain a statement from the employer that the applicant is performing the duties of the job satisfactorily and the probability of continued employment is favorable.

- **SOURCES OF MONTHLY INCOME** (Cont'd)

- ***Analysis of Prospects for Continued Employment.*** Cases involving recently discharged Veterans often require the underwriter to exercise a great deal of judgment and flexibility in determining whether the employment income will continue in the foreseeable future.
- This is because some Veterans may have little or no employment experience other than their military occupation. Continuity of employment is essential for a Veteran with no retirement income, or insufficient retirement income, to support the loan obligation.
- If the duties the borrower performed in the military are similar or directly related to the duties of the present position, use this as one indicator that the employment is likely to continue.
- Most cases fall somewhere between these extremes. Fully develop the facts of each case to make a determination. The guidelines under Self-Employment Income in Topic 2, subsection j of this chapter provide guidance for a recently discharged Veteran who is self-employed.
- For recently discharged veterans who have been in their new jobs only a very short time, analyze prospects for continued employment as follows:
 - If the duties the applicant performed in the military are similar or directly related to the duties of the present position, use this as one indicator that the employment is likely to continue.
 - If the applicant's current job requires skills for which the applicant has had no training or experience, greater time in the current job may be needed to establish stability.
 - If the applicant's retirement income, compared to total estimated shelter expense, long-term debts, and family living expense is such that only minimal income from employment is necessary to qualify from the income standpoint, resolve doubt in favor of the applicant.

Examples:

Qualifying short-term employment - An applicant who was an airplane mechanic in the military is now employed as an auto mechanic or machinist.

Nonqualifying short-term employment - An applicant who was an Air Force pilot is now employed as an insurance salesperson on commission.

Most cases fall somewhere between these extremes. Fully develop the facts of each case in order to make a determination.

- **SOURCES OF MONTHLY INCOME (Cont'd)**

Apply the guidelines under “Self-Employment Income” in this section to a recently discharged veteran who is self-employed.

Analysis: Voluntary Separation Payments

Two types of voluntary separation payments are used to facilitate military downsizing:

(1) *Special Separation Benefit (SSB)*

- A one-time lump sum,
- Taxable in the year received, and
- Treat the same as any substantial cash reserve.

(2) *Voluntary Separation Incentive (VSI)*

- Annual payments
- Taxable in the year received
- Include in effective income
- Calculated by multiplying the veteran's years of service times two
- Requires a minimum of 6 years service (equates to a minimum of 12 years annual payments)

If the veteran receives both VSI and VA disability compensation payments, the VSI is reduced by the amount of disability compensation. However, if the disability compensation is related to an earlier period of service and the VSI a later period of service, the VSI is **not** reduced by the amount of disability compensation.

VSI is reduced by the amount of any base pay or compensation a member receives for active or reserve service, including inactive duty training. The veteran can designate a beneficiary for VSI payments in the event of death.

- **Rental Income**

Multi-Unit Subject Property

If the veteran intends to occupy one unit of a multi-unit property and rent out the other units, the veteran must have previous experience as a landlord in order to count the rental income received from the units. This could be documented by obtaining two years' income tax returns to verify prior landlord experience or any other documentation that would substantiate the veteran's ability to perform the duties of a landlord. Monthly rents received will be reduced by a 25% maintenance and vacancy factor. The veteran must have evidence of cash reserves equaling **six months' PITI**.

- **SOURCES OF MONTHLY INCOME (Cont'd)**

When the loan pertains to a structure with more than a one-family dwelling unit, the prospective rental income will not be considered unless the veteran can demonstrate a reasonable likelihood of success as a landlord and sufficient cash reserves are verified to enable the veteran to carry the mortgage loan payments (PITI) without assistance from the rental income for a period of at least six months. The determination of the veteran's likelihood of success as a landlord will be based on documentation of any prior experience in managing rental units, or other background involving both property maintenance and rental.

The amount of rental income to be used in the loan analysis is to be based on prior rental history of the units ***as verified by the seller's financial records*** (e.g., prior years' tax returns) for existing structures or, for proposed construction, the appraiser's opinion of the property's fair monthly rental. Reduce estimated gross rental income by allowances for operating expenses and vacancy losses (25% of gross monthly rental income).

Rental of Existing Home

Proposed rental of a veteran's existing property may be used to offset the mortgage payment on that property, if there is no indication that the property will be difficult to rent. A copy of the rental agreement should be obtained, if available. It is the responsibility of the loan underwriter to know the local rental market. In areas where the rental market is very strong, absence of a lease should not preclude offset of the mortgage by the proposed rental income.

Other Rental Property

If income from other rental property will be used to qualify for the new loan, federal income tax returns for the two most recent years should be obtained. Review Schedule E and add back depreciation on Line 39 of the VA Form 26-6393. ***Three months' PITI on each rental property is also required as a reserve.*** If a veteran has no experience as a landlord, it is unlikely that rental income may be used to qualify for the new loan.

VA does not address other sources of income. The lender may consider FHA guidelines on the following:

- **Alimony or Child Support.** If the borrower is receiving alimony or child support, obtain a copy of the Final Divorce Decree to establish how much longer the income is likely to continue. You must verify that the last twelve payments have been received regularly, which can be done by obtaining copies of the borrower's bank statements for the past twelve months, or by obtaining a letter from the court stating that the funds are paid directly to the court.
- *You must obtain proof that the payments have been made!* The income also must continue for at least *three more years* in order to be counted as effective income for qualifying purposes.

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

- **Pension/Retirement Income.** Pension/retirement income must be verified by letter from the organizations providing the income, copies of the retirement award letters (with photocopies of canceled checks attached), tax returns, or W-2 forms. Underwriting guidelines qualify borrowers based on income that will continue for *at least three years* into the future. When an applicant's age may indicate that retirement will occur within three years of the loan application, it is acceptable to question the borrower about his or her intentions for retirement and obtain information about the amount of anticipated retirement income. This should be included with the underwriting package and should be considered when making a determination to approve the loan.
- **Note Receivable Income.** A copy of the note is required to establish the amount and length of payment. Payments must continue for at least *three years* beyond the date of the mortgage application. Borrowers must provide evidence that they have received the funds for the last twelve months. Acceptable evidence includes deposit slips, canceled checks, tax returns, or copies of the borrower's bank statements.
- **Dividend/Interest Income.** A two-year history of receipt of dividend and interest income must be documented to qualify the income as effective income. The borrower must provide two years' federal income tax returns, along with year-to-date account statements, to establish an average monthly income.

Interest or dividend income received on newly-obtained assets may be used only when substantial compensating factors are present, such as a large down payment and demonstrated ability to handle finances.

Determine that the assets will not be used for down payment and closing costs, which would result in the loss of interest or dividend earnings. In those cases, the portion of interest or dividend earnings that will cease should be deducted from the other earnings before averaging.

- **Mortgage Credit Certificates.** If a government entity subsidizes the mortgage payments, either through direct payments or through tax rebates, these payments may be considered as acceptable income if verified in writing. Either type of subsidy may be added to gross income or may be used to offset the mortgage payment directly before calculating the qualifying ratios.
 - (1) The Internal Revenue Code allows states and other political subdivision to issue MCCs. Veterans who receive MCCs may realize a significant reduction in their income tax liability or by receiving a federal tax credit for a percentage of their mortgage interest payment.
 - (2) Lenders must provide a copy of the MCC to VA with the home loan application. The MCC will specify the rate of credit allowed and the amount of certified indebtedness, i.e., the indebtedness incurred by the veteran to acquire a principal residence or for a qualified home improvement or rehabilitation loan.

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

- (3) For credit underwriting, the tax credit allowed to a veteran under an MCC is treated as a reduction in the monthly income tax to be entered in item 33 of the Loan Analysis Worksheet. For example, a veteran having a \$600 monthly interest payment and an MCC providing a 30% tax credit would receive a \$180 tax credit each month (30% x \$600).

However, because the annual tax credit, which amounts to \$2,160 (12 x \$180), exceeds \$2,000 and is based on a 30% credit rate, the maximum tax credit the veteran may receive is \$2,000 per year or \$167 per month (\$2,000/12). As a consequence of the tax credit, the interest on which a deduction may be taken will be reduced by the amount of the tax credit to \$433 (\$600 - \$167). This reduction should also be reflected in Item 33.

- (4) For underwriting purposes, the tax credit is limited to the amount of the veteran's maximum tax liability. If, in the above example, the veteran's tax liability for the year was only \$1,500, the monthly tax credit is limited to \$125 (\$1,500/12).

- **Employer Differential Payments.** An employer may subsidize an employee's mortgage payments by paying all or part of the interest differential between the employee's present and proposed mortgage payments. These payments may be considered as acceptable income if they are verified in writing by the borrower's employer. The employer must state the amount and duration of the payments. The payments must continue for at least three years from the date of the mortgage application. The differential payments should be added to gross income when income ratios are calculated. They cannot be used to offset the mortgage payment directly, even if the employer pays them directly to the mortgage lender.

If the employer subsidizes the mortgage payments through direct payments, the amount of the payments is to be considered as gross income; it may not be used to offset the mortgage payment directly even if the employer pays the mortgage payment directly.

Not specifically addressed by VA. Check with the VA regional office.

- **VA Benefits.** Most VA benefits are acceptable income if they are documented by a letter or distribution forms from the Department of Veterans Affairs and will continue for at least three years from the date of the mortgage.

Retirement - VA retirement income may be counted as stable income and verified with a VA awards letter or annual statement, copies of W-2s, tax returns, or evidence of direct deposit into a bank account. FannieMae requires a twelve-month history of receipt; FHA and Freddie Mac require a six-month history. VA requires no evidence of 6 months receipt.

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

Disability - Income received from a VA service-related disability is considered stable if either it is determined to be permanent disability or can be verified as continuing at least three more years. Verify with a VA awards letter or VA statement. For VA loans, it may be verified on the VA "Benefit-Related Indebtedness" form for the monthly amount.

Education Benefits - Not acceptable

- **Government Assistance Programs.** For low- to moderate-income borrowers, in parts of the country, it is not unusual for some individuals to work for certain times of the year and draw unemployment for the remainder of the year (e.g., field workers).

A period or periods of unemployment will not automatically be considered unfavorably, provided the unemployment is regular and seasonal or is a limited occurrence between jobs and unemployment compensation has been received during those periods. If the applicant has a history of such an income pattern, unemployment compensation as well as income received during periods of employment should be used when calculating an individual's income for loan approval purposes.

Income from public assistance programs may be used to qualify for a loan if it can be determined that the income will probably continue for at least *three years*.

- **Automobile Allowance and Expense Account Payments.**

Automobile allowance may be used to offset car payments by determining the amount the payments exceed actual expenditures. Obtain two years' federal income tax returns to determine actual expenditures claimed. Average over two years and deduct average expenditures from monthly automobile allowance. The balance remaining may be used to offset car payments, with any excess included in gross income. However, if a loss is determined, the loss should be deducted from the applicant's gross monthly income.

If the borrower uses the standard per mile rate in calculating automobile expenses, as opposed to the "*actual cost*" method, that portion that the IRS considers depreciation may be added back to income.

The borrower's monthly car payment must be treated as a recurring debt; it may not be offset by the car allowance.

Handle expense account payments the same way.

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

- **Trust Income.** Income from a trust is acceptable if guaranteed, constant payments will continue for approximately three years and are adequately documented, i.e., by a copy of the Trust Agreement or other Trustee's statement confirming amount, frequency of distribution, and duration of payments. Funds from the trust account may also be used for the required cash investment with adequate documentation.
- **Non-Taxable Income.** If a particular source of income is not subject to federal taxes (e.g., certain types of disability payments, military allowances, Social Security benefits, etc.), the amount of tax savings attributable to the nontaxable income source may be added to the borrower's gross income.
- The percentage of income that may be added may not exceed the appropriate tax rate for that income amount, and no additional allowance for dependents is acceptable. The lender must document and support the adjustments made (i.e., the amount the income is "grossed-up") for any nontaxable income source. *Usually a figure of 15% is used for "grossing up" purposes.*
- **Projected Income.** Except for those situations described below, projected or hypothetical income is not acceptable for qualifying purposes. Exceptions are permitted for income from cost-of-living adjustments, performance raises, bonuses, etc., verified by the employer and scheduled to begin within 60 days of loan closing. For those borrowers about to start a new job, if the borrower has a guaranteed, non-revocable contract for the new employment that will begin within 60 days of loan closing, the income is acceptable for qualifying purposes.
- The lender must also verify the borrower will have sufficient income or cash reserves to support the mortgage payments and any other obligations during the interim between loan closing and the start of employment. (This may be appropriate for situations such as a teacher whose contract begins with the new school year or a physician beginning residency after the loan is scheduled to close.) However, if the loan will close *more* than 60 days before the employment begins, the loan is ***not acceptable*** until the lender provides a pay stub or other acceptable evidence the borrower has actually begun the new job.
- **Employment by Relatives.** In addition to the standard Verification of Employment, the lender will require two years' signed federal income tax returns and W-2s, forms to verify income actually received, plus a year-to-date pay stub. If the year-to-date pay stub indicates higher income than reported on the previous year's W-2, the employer will be required to provide actual copies of the canceled payroll check, front and back, at least 30 days' worth, to confirm the borrower actually received the income. It is also necessary to establish if the borrower has any ownership interest in the business, in which case he or she is considered self-employed, and federal business income tax returns will be required to verify the stability of the business.

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

Borrowers employed by businesses owned by family members are required to provide additional income documentation. These borrowers must provide the normal Verification of Employment and pay stubs and evidence that he or she is not an owner of the business. These may include copies of the borrower's signed personal tax returns or a signed copy of the corporate tax return showing ownership interest. A borrower with a 25% or greater ownership interest in a business is considered to be self-employed.

- **Income from Room and Board.** FHA guidelines state that income from roommates, etc., in a single-family property to be occupied as the borrower's primary residence is not acceptable. Rental income from "boarders" is acceptable when provided by a relative. The rental income may be considered as effective income if shown on the borrower's tax returns. Otherwise, the income may only be considered as a compensating factor and must be adequately documented by the lender.

VA has no specific guidelines for room and board income. It is suggested that FHA guidelines be used.

- **Temporary Income** may be used to qualify if it will be received for *at least three years*.
- **Income from Workers' Compensation or Foster Care** may be considered if it is determined to be stable and reliable.
- **Self-Employed Borrowers.** Generally, income from self-employment is considered stable when the applicant has been in business for at least two years. Less than two years of income from self-employment cannot usually be considered stable unless the applicant has had previous related employment and/or extensive specialized training. When an applicant has been self-employed less than one year, it will rarely be possible to demonstrate that the income is stable for qualifying purposes; such cases will require in-depth evaluation.

(1) The following documentation is required for all self-employed borrowers:

- (a) A current financial statement, including a year-to-date profit and loss statement and current balance sheet. The profit and loss statement and balance sheet will be prepared in a generally recognized format by an accountant based on the applicant's financial records. In some cases, the nature of the business or the content of the financial statement may necessitate an independent audit certified as accurate by the accountant. Depending on the situation, this data may be on the veteran and/or on the business. ***VA no longer requires that the P & L be prepared by an accountant. However, the underwriter is still responsible for determining the adequacy of the information.***

- **FHA SOURCES OF MONTHLY INCOME (Cont'd)**

(b) Signed and dated individual tax returns, plus all applicable schedules, for the previous two years, or for whatever additional period is deemed necessary to properly demonstrate a satisfactory earnings record.

(c) If the business is a corporation or partnership, copies of signed federal business income tax returns for the previous two years plus all applicable schedules. A list of all stockholders or partners showing the interest each holds in the business is also required. Some cases may justify a written credit report on the business as well as on the applicant. When the business is unusual and it is difficult to determine the probability of continued operation, the applicant and/or other qualified party with the acknowledged expertise to express a valid opinion may need to explain the function and purpose of the business.

(2) Depreciation claimed as a deduction on the business tax returns and financial records may be added back as net income on line **39** of VA Form 26-6393.

- **RELATIONSHIP TO PROPOSED VS. CURRENT HOUSING EXPENSE**

VA is also concerned with the potential problems that a substantial increase in monthly housing expense can cause for the veteran. Make sure that the veteran is able to handle the substantial increase (50% or more over current housing expense).

Homebuyer counseling is a good way to help borrowers who will be experiencing “payment shock”. Counseling programs approved by FannieMae and Freddie Mac would provide borrowers with information vital to maintaining a satisfactory payment history. These programs discuss how to deal with payment shock, how to budget money, how to avoid foreclosure.

When a borrower’s proposed monthly housing expense is increasing substantially, and there are no strong compensating factors to offset this negative factor, the lender could require proof that the borrower has completed a homebuyer counseling program.

- **LIABILITIES**

Installment debts with ***nine or fewer payments remaining*** will not be counted for qualifying unless the monthly payment is excessive; i.e., a \$300 monthly car payment. Analyze to determine if it will cause a severe impact on resources, and if so, count the debt.

For revolving charge cards, the minimum payment reflected on the credit report will be used for qualifying purposes. In the absence of a minimum monthly payment reflected on the credit report, use 5% of the unpaid balance.

- **LIABILITIES (Cont'd)**

- **Job-related Expenses** - This would include items such as monthly child care/nursery care expenses. If both spouses work full time and they have small children up to **age 12**, you must obtain information relating to child care and include this as a monthly liability. If a relative cares for the children, obtain a letter from that relative so stating.

Debts assigned by a divorce decree will not be considered as an obligation. Obtain a copy of the final divorce decree and identify those debts assigned to the ex-spouse.

When a pay stub or LES statement indicates an allotment, the lender must investigate the nature of the allotment to determine whether the allotment is related to a debt.

DECLARATIONS

In most cases, the VA guidelines will agree with FHA. VA has specific guidelines relating to the following:

Bankruptcy. Credit information that shows the borrower or spouse has been adjudicated bankrupt under the straight liquidation and discharge provisions of bankruptcy law does not in itself disqualify the loan. However, in such cases it is necessary to develop complete information on the facts and circumstances of the bankruptcy.

Generally, if the borrower or spouse has been regularly employed (not self-employed) and has been discharged in bankruptcy within the last two years, it is probably not possible to determine that the borrower or spouse is a satisfactory credit risk unless both of the following requirements are met:

1. The borrower or spouse has obtained consumer items on credit subsequent to the bankruptcy and has satisfactorily made the payments over a continued period (***twelve months from the date of the last derogatory credit item***); and
2. The bankruptcy was caused by circumstances beyond control of the borrower or spouse (e.g., unemployment, prolonged strikes, medical bills not covered by insurance). If the borrower or spouse is self-employed, has been adjudicated bankrupt, and subsequently obtains a permanent position, a satisfactory finding of credit risk may be made provided there is no derogatory credit information prior to self-employment and the failure of the business was not due to misconduct.

A bankruptcy discharged more than two years ago may be disregarded. A bankruptcy discharged between three and five years ago may also be disregarded, depending upon the circumstances of the bankruptcy and submission of evidence that the veteran's obligations have been met in a timely manner.

Wage Earner's Petition - Chapter 13 of Bankruptcy Law. A wage earner's petition under Chapter 13 of the Bankruptcy Law filed by the borrower or spouse indicates an effort to pay creditors. Some plans may provide for full payment of debts while others arrange for payment of scaled down debts. Regular payments are made to a court-appointed trustee over a two- to three-year period or, in some cases, for up to five years.

If the borrowers have made all payments satisfactorily, they may be considered to have reestablished satisfactory credit. If they apply for a home loan before completion of the payout period, favorable consideration may be given if at least *twelve months* of the payments have been made satisfactorily and the Trustee and Bankruptcy Judge (Referee) approve of the new credit.

Foreclosure. When the credit information shows that the veteran or spouse has had a foreclosure on a prior mortgage, either VA-guaranteed or HUD-insured, this will not in itself disqualify the borrower from obtaining the loan. Lenders and field station personnel should refer to the preceding guidelines on bankruptcies for cases involving foreclosures.

As with a borrower who has been adjudicated bankrupt, it is necessary to develop complete information as to the facts and circumstances of the foreclosure.

When VA pays a claim on a VA-guaranteed loan as a result of a foreclosure, the original veteran may be required to repay any loss to the government. In some instances, VA may waive the veteran's debt, in part or totally, based on the facts and circumstances of the case.

However, guaranty entitlement cannot be restored unless the government's loss has been repaid in full, regardless of whether or not the debt has been waived, compromised, or discharged in bankruptcy. Therefore, a veteran who is seeking a new VA loan after having experienced a foreclosure on a prior VA loan will in most cases have only the remaining entitlement available to be applied to the new loan.

The lender should ensure that the veteran has sufficient entitlement for its secondary marketing purposes.

Collection Accounts. On a case-by-case basis, collection accounts do not have to be paid off as a condition of loan approval. If the account is in a judgment status via court involvement, then the obligation must be paid in full. Federal debts, such as student loans, must be current or have a satisfactory repayment arrangement established for at least twelve months.

Consumer Credit Counseling Plan. Borrowers who are involved in a CCCP will be treated the same as borrowers under a Chapter 13 bankruptcy.

Once the application has been completed, have the veteran, and spouse if there is one, sign and date it. After interviewing the applicants, you should be aware of any potential problems and discuss them with the applicants.

Review the list of compensating factors shown two pages over to see if any potential problems could be offset with some of these factors.

NAME, ADDRESS & TELEPHONE NUMBER

Under “*Additional Information*,” write in the ***name, address, and telephone number of the veteran’s nearest living relative.***

Provide the necessary VA disclosures and forms to the applicants, having them sign and complete the forms where appropriate. Then review the “***Loan Application Checklist***” to ensure that everything has been covered and that all documentation is completed before turning the application in to be processed.

ALTERNATIVE DOCUMENTATION PROCESSING

VA will allow loans to be processed using alternative documentation, including verifying employment, income, and assets to close.

1. Verification of Employment

As an alternative to obtaining a *Verification of Employment*, the lender may choose to obtain from the borrower **original pay stubs** covering the most recent 30-day period, along with **original W-2s** for the previous two years. At a minimum, the pay stub must clearly show the borrower's name, social security number, and year-to-date earnings. The original of the W-2 may be any of the copies of the forms not submitted with the borrower's income tax returns. These original documents may be photocopied and returned to the borrower.

The Loan Processor must certify that the copies are true and correct copies of the originals. The lender must also verify by telephone all employment for the past two years. The loan file must include a certification from the lender of the name, title, and telephone number of the person with whom employment was verified.

The lender must also obtain a signed copy of form *IRS 4506, Request for Copy of Tax Form*, or form *IRS 8821*, or whatever form is appropriate for obtaining tax returns directly from IRS, for all loans processed in this manner.

If the employer will not give telephone confirmation of employment, or if the W-2 indicates inconsistencies (i.e., FICA payments not reflecting earnings), standard employment documentation must be used.

If a *Verification of Employment* form is completed by an employer who identifies “N/A” or declines comment under “*probability of continued employment*”, no further action is necessary.

2. Verification of Deposit

As an alternative to obtaining a *Verification of Deposit*, the lender may choose to obtain from the borrower **original bank statements** covering the most recent **two-month** period. The lender may photocopy the original bank statements and return the originals to the borrower, but the Loan Processor must provide certification that original documents were examined.

VA COMPENSATING FACTORS

Each applicant should be judged on an individual basis. In addition to factors previously outlined, other compensating factors may affect approval or disapproval of a loan. These factors become especially important when reviewing marginal loans with respect to residual income or the debt-to-income ratios. The following are examples of compensating factors:

1. Excellent long-term credit
2. Conservative use of consumer credit
3. Minimum consumer debt
4. Long-term employment
5. Significant liquid assets
6. Down payment or the existence of equity in refinances
7. Little or no increase in shelter expense
8. Military benefits
9. Satisfactory home ownership experience
10. High residual income
11. Low debt-to-income ratio
12. Tax credit for child care and tax benefits of home ownership

This list is not all-inclusive, and the items are not in any priority order. Valid compensating factors should represent unusual strengths rather than mere satisfaction of basic program requirements. For example, the fact that an applicant has sufficient assets for closing purposes, or meets the residual income guideline, is not a compensating factor.

Additionally, compensating factors should be relevant to the perceived marginality or weakness; e.g., significant liquid assets may compensate for a residual income shortfall whereas long-term employment would not. It would not be appropriate to apply these factors on cases involving unsatisfactory credit. It is important that the loan underwriters understand that residual income and ratio guidelines are never intended to be absolute determinants in deciding whether a VA loan should be approved, but must be used only with discretion in conjunction with all other factors discussed.

A compensating factor that is not discussed in the VA Handbook but has come into play quite recently is the numerous financial and home ownership counseling programs being provided by a variety of sources including banks, mortgage lenders, and community groups. These counseling programs are designed to help applicants work out payment plans for old debts, design savings plans, and teach basic budgeting skills. Programs often include home buyer education lessons and post-closing counseling to assist the new homeowners once the loan is made. VA believes that participation by an applicant in such a counseling program may be viewed as a strong compensating factor for a case in which it is otherwise difficult to conclude that a borrower is qualified under a traditional interpretation of the credit standards.

VA LOAN APPLICATION CHECKLIST

- _____ Street address and legal description - contract and application agree?
- _____ Borrowers' names - contract and application agree?
- _____ Is co-borrower spouse of veteran or a veteran also?
- _____ Month and year built indicates property less than twelve months old?
- _____ Did builder build with county inspections and receive a Certificate of Occupancy?
- _____ Child support income shown? Check ages of children (income must continue **three years**).
- _____ Children of preschool age? Determine monthly child care expenses.
- _____ Is property on septic tank or well? Get inspection and check availability of public water/sewer.
- _____ Is property condominium? If so, is project VA-approved?
- _____ **Original** year-to-date pay stub and **two years' original** W-2s received?
- _____ **Two months' original** current bank statements received?
- _____ *Interest Rate & Discount Disclosure Statement* signed by borrowers?
- _____ *Federal Collection Policy Notice* signed by borrowers?
- _____ *Release of Liability Notice* given to borrowers?
- _____ *Counseling Checklist* signed by borrowers if full-time military or reserves?
- _____ *VA Form 26-1880, Request for a Certificate of Eligibility* completed and signed?
- * _____ *VA Form 26-1802a HUD/VA Addendum to URLA* completed and signed?
- _____ Original *Certificate of Eligibility* and copy of *DD-214* (if applicable) received?
- _____ *VA Form 26-8937, Verification of VA Benefits* (if applicable) completed and signed?
- _____ Name, address, and telephone number of nearest living relative received?

***VA Form 26-1802a HUD/VA Addendum to URLA
shown on the next page has been discontinued**

HUD/VA Addendum to Uniform Residential Loan Application

OMB Approval No. VA: 2900-0144
HUD: 2502-0059 (exp 04/30/2017)

Part I - Identifying Information (mark the type of application)		2. Agency Case No. (include any suffix)	3. Lender's Case No.	4. Section of the Act (for HUD cases)
1. <input type="checkbox"/> VA Application for Home Loan Guaranty	<input type="checkbox"/> HUD/FHA Application for insurance under the National Housing Act			
5. Borrower's Name & Present Address (include zip code)		7. Loan Amount (include the UFMP if for HUD or Funding Fee if for VA)	8. Interest Rate	9. Proposed Maturity
		10. Discount Amount (only if borrower is permitted to pay)	11. Amount of Up Front Premium	12a. Amount of Monthly Premium
				12b. Term of Monthly Premium
6. Property Address (including name of subdivision, lot & block no. & zip code)		13. Lender's I.D. Code	14. Sponsor / Agent I.D. Code	
15. Lender's Name & Address (include zip code)		16. Name & Address of Sponsor / Agent		
		17. Lender's Telephone Number		

Type or Print all entries clearly

VA: The veteran and the lender hereby apply to the Secretary of Veterans Affairs for Guaranty of the loan described here under Section 3710, Chapter 37, Title 38, United States Code, to the full extent permitted by the veteran's entitlement and severally agree that the Regulations promulgated pursuant to Chapter 37, and in effect on the date of the loan shall govern the rights, duties, and liabilities of the parties.

18. First Time Homebuyer?	19. VA Only Title will be Vested in:	20. Purpose of Loan (blocks 9 - 12 are for VA loans only)	
a. <input type="checkbox"/> Yes	<input type="checkbox"/> Veteran	1) <input type="checkbox"/> Purchase Existing Home Previously Occupied	7) <input type="checkbox"/> Construct Home (proceeds to be paid out during construction)
b. <input type="checkbox"/> No	<input type="checkbox"/> Veteran & Spouse	2) <input type="checkbox"/> Finance Improvements to Existing Property	8) <input type="checkbox"/> Finance Co-op Purchase
	<input type="checkbox"/> Other (specify)	3) <input type="checkbox"/> Refinance (Refi.)	9) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home
		4) <input type="checkbox"/> Purchase New Condo. Unit	10) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home & Lot
		5) <input type="checkbox"/> Purchase Existing Condo. Unit	11) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home to Buy Lot
		6) <input type="checkbox"/> Purchase Existing Home Not Previously Occupied	12) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home/Lot Loan

Part II - Lender's Certification

21. The undersigned lender makes the following certifications to induce the Department of Veterans Affairs to issue a certificate of commitment to guarantee the subject loan or a Loan Guaranty Certificate under Title 38, U.S. Code, or to induce the Department of Housing and Urban Development - Federal Housing Commissioner to issue a firm commitment for mortgage insurance or a Mortgage Insurance Certificate under the National Housing Act.

A. The loan terms furnished in the Uniform Residential Loan Application and this Addendum are true, accurate and complete.

B. The information contained in the Uniform Residential Loan Application and this Addendum was obtained directly from the borrower by an employee of the undersigned lender or its duly authorized agent and is true to the best of the lender's knowledge and belief.

C. The credit report submitted on the subject borrower (and co-borrower, if any) was ordered by the undersigned lender or its duly authorized agent directly from the credit bureau which prepared the report and was received directly from said credit bureau.

D. The verification of employment and verification of deposits were requested and received by the lender or its duly authorized agent without passing through the hands of any third persons and are true to the best of the lender's knowledge and belief.

Items "H" through "J" are to be completed as applicable for VA loans only.

H. The names and functions of any duly authorized agents who developed on behalf of the lender any of the information or supporting credit data submitted are as follows:

Name & Address	Function (e.g., obtained information on the Uniform Residential Loan Application, ordered credit report, verifications of employment, deposits, etc.)

I. If no agent is shown above, the undersigned lender affirmatively certifies that all information and supporting credit data were obtained directly by the lender. The undersigned lender understands and agrees that it is responsible for the omissions, errors, or acts of agents identified in item H as to the functions with which they are identified.

J. The proposed loan conforms otherwise with the applicable provisions of Title 38, U.S. Code, and of the regulations concerning guaranty or insurance of loans to veterans.

Signature of Officer of Lender	Title of Officer of Lender	Date (mm/dd/yyyy)

Part III - Notices to Borrowers. Public reporting burden for this collection of information is estimated to average 6 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. A valid OMB control number can be located on the OMB Internet page at <http://www.whitehouse.gov/omb/library/OMB/IN/1135-0047>. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Service, Paperwork Project, (09) 295-1414. The information requested on the Uniform Residential Loan Application and this Addendum is authorized by 38 U.S.C. 3710 (for DVA) and 12 U.S.C. 1701 et seq. (for HUD/FHA). The Debt Collection Act of 1982, Pub. Law 97-365, and HUD's Housing and Community Development Act of 1987, 42 U.S.C. 3543, require persons applying for a federally insured or guaranteed loan to furnish his/her social security number (SSN). You must provide all the requested information, including your SSN. HUD and/or VA may conduct a computer match to verify the information you provide. HUD and/or VA may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD or VA, except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Any disclosure of information outside VA or HUD/FHA will be made only as permitted by law. Failure to provide any of the requested information, including SSN, may

FEDERAL COLLECTION POLICY NOTICE

The Federal Government is authorized by law to take any or all of the following actions in the event your VA-guaranteed or VA-financed loan payments become delinquent or you default on your VA-guaranteed or VA-financed loan:

- Your name and account information may be reported to a credit bureau.
- Additional interest and penalty charges may be assessed for the period of time that payment is not made.
- Charges to cover additional administrative costs incurred by the Government to service your account may be assessed.
- Amounts owed to you under other Federal programs may be offset.
- Your account may be referred to a private collection agency to collect the amount due.
- Your account may be referred to the Department of Justice for litigation in the courts.
- If you are a current or retired Federal employee, your salary or civil service retirement benefits may be offset.
- Your debt may be referred to the Internal Revenue Service for offset against any amount owed to you as an income tax refund.
- Any written-off debt may be reported to the Internal Revenue Service as taxable income.

All of these actions can and will be used to recover any debts owed the Veterans Administration when it is determined to be in the best interest of the Government to do so.

Certification

I have read and I understand the actions the Federal Government can take in the event that I fail to meet my scheduled payments in accordance with the terms and conditions of my agreement to purchase property with a VA-guaranteed or VA-financed loan.

Signed: _____ Date: _____



Selling Your GI Home?

Read this-and get your GI loan liability released or, with an eligible veteran buyer, get your entitlement restored



VA Pamphlet
26-68-1
Revised
April 1989

Veterans Benefits
Administration

How to get your GI loan liability released when you sell your GI home

1. If you sell the property which secures your GI loan, remember that you will still be legally liable to the Government on that loan, *even though you no longer will be the owner of the property, unless (a) your loan is paid in full in connection with the sale, or (b) the VA releases you in writing from liability on the loan, or (c) you sell the property to an eligible veteran with sufficient loan entitlement who agrees to assume your loan and substitute his or her loan entitlement for yours.* Please keep in mind that being released from liability does not enable you to have your loan guaranty entitlement restored unless a substitution of entitlement has been completed.

2. If your loan is not paid in full, *and you are not released from liability by the VA, or granted a substitution of entitlement, and the person to whom you sell your home or any later owner defaults on your GI loan, any amount which the VA is required to pay to the holder of your loan under the loan guaranty contract will represent an amount which you will owe to the Government. This is so even though your purchaser assumes personal liability for the repayment of your loan!*

3. Therefore, if you are thinking of selling your property and allowing your GI loan to continue on the property, you should write, or call, the VA office that guaranteed your loan before you sign a sales contract and ask for the necessary forms and instructions on how to obtain a substitution of entitlement, or how you can be released from personal liability to the Government. Be sure you do this and protect yourself from continuing liability.

4. CAUTION. If your GI loan closed on or after March 1, 1988, and the GI loan will not be paid in full as part of the sale, then the approval of the VA or your lender is required *prior* to selling your home. Should you fail to obtain this approval, your lender has the right to declare your entire loan balance due and payable at once and may foreclose the mortgage and file a claim with the VA. You would be liable to the VA for the amount of any claim paid in such a situation. You can avoid future liability by obtaining a release from liability from the VA or your lender prior to the purchaser assuming your VA loan.



COUNSELING CHECKLIST FOR MILITARY HOMEBUYERS

1. Failure on the part of a borrower on active duty to disclose that he/she expects to leave the area within 12 months due to transfer orders or completion of his/her enlistment period may constitute "bad faith." If your loan is foreclosed under circumstances which include such bad faith, you may be required to repay VA for any loss suffered by the Government under the guaranty. (In ANY case in which VA suffers a loss under the guaranty, the loss may require repayment before your loan benefits can be restored to use in obtaining another VA loan.)
2. Although real estate values have historically risen in most areas, there is no assurance that the property for which you are seeking financing will increase in value or even retain its present value. As a result, it is possible that you may encounter difficulty in selling your house, recovering your investment, or making any profit, particularly if there is an active new home market in your area. In general, proper maintenance is the best way to protect your home and improve the chance that its value will increase.
3. Submitting a pre-discharge claim for VA disability compensation benefits does not guarantee that you will be exempt from the VA funding fee. You must obtain a proposed or memorandum rating from VA prior to the date your loan closes. Please notify your lender if you have submitted a pre-discharge disability claim. If a proposed or memorandum rating is not obtained and a closing takes place, a funding fee exemption does not apply, and you will not be entitled to a refund.
4. If you're serving on active duty and have been awarded the Purple Heart, you may be exempt from the VA funding fee if you notify your lender and provided documentation prior to loan closing.
5. Receiving military orders for a permanent change of duty station or an unexpected early discharge due to a reduction in force will not relieve you of your obligation to make your mortgage payments on the first of each month.
6. "Letting the house go back" is **NOT** an acceptable option. A decision to "walk away" from the house and mortgage without seeking assistance from your loan servicer may be considered "bad faith." The subsequent foreclosure will result in a bad credit record, a possible debt you will owe the Government, a loss of VA loan entitlement, and difficulty in securing credit in the future. If unexpected circumstances lead to difficulty in making your payments, contact your loan servicer promptly. It will be easier to resolve any problems if you act quickly and are open and honest with your loan servicer.
7. **YOUR VA LOAN MAY NOT BE ASSUMED WITHOUT THE PRIOR APPROVAL OF VA OR YOUR LOAN SERVICER.** If an assumption is approved, your VA entitlement will not be restored unless the transferee (person assuming the loan) is an eligible Veteran AND substitutes your VA entitlement with their own.
8. **DO NOT BE MISLED!** VA does not guarantee the **CONDITION** of the house which you are buying, whether it is new or previously occupied. VA guarantees only the **LOAN**. Although a home may appear to be in excellent condition, hidden defects could exist. While not required by VA, it is highly recommended that you hire a qualified home inspector to carefully inspect the home before you purchase. In every case, ultimately, it is **your responsibility** to be an informed buyer and to assure yourself that what you are buying is satisfactory to you in all respects. Most sellers and agents are willing to negotiate with you concerning what repairs are to be included in the purchase agreement. Please note that a VA appraisal **IS NOT** the same as a home inspection. The VA appraiser's role is to provide an opinion of market value, while a professional home inspector is trained to identify real or potential defects in the property.
9. If you are buying a previously-owned house, you might consider making energy efficient improvements. You can add up to \$6,000 to your VA loan to have energy efficient improvements installed. Consult your lender or the local VA office.

I HEREBY CERTIFY THAT the lender has counseled me, and I fully understand the items set forth above.

(Borrower's Signature)

(Date)

I HEREBY CERTIFY THAT the borrower has been counseled regarding the items set forth above.

(Lender's Signature)

(Date)

VA FORM
DEC 2021 **26-0592**

SUPERSEDES VA FORM 26-0592, JUN 1995,
WHICH WILL NOT BE USED.

REQUEST FOR CERTIFICATE OF ELIGIBILITY VA FORM 26-1880

At the time of loan application, the Loan Officer asks the Veteran to complete the *VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits*. The veteran supplies his or her original *Certificate of Eligibility* along with this form, which will be turned in with the application.

It's always a good idea to request a copy of the veteran's *DD-214 Certificate of Release or Discharge from Active Duty* as well. (This form will be discussed later.)

The Loan Processor will request an updated *Certificate* through VA's **WebLGY** system, which will be discussed in *The Loan Processor's Responsibilities* section.

This form will not be needed unless the Loan Processor is unable to receive an updated *Certificate*. This could be due to the veteran having previously used entitlement or the veteran may have other outstanding debt, such as education benefits.

A sample of this form is shown on the next page.

Respondent Burden: 15 minutes
Expiration Date: 10/31/2025

Department of Veterans Affairs		FOR VA USE ONLY	MAIL COMPLETED APPLICATION TO THE REGIONAL LOAN CENTER OF JURISDICTION. SEE PAGE 4 FOR REGIONAL LOAN CENTER ADDRESSES.	
REQUEST FOR A CERTIFICATE OF ELIGIBILITY		COE REF. NO.		
IMPORTANT: For faster processing, VA encourages you to visit www.va.gov for your Certificate of Eligibility, or contact the lender of your choice to submit an application electronically. In most cases, an eligibility determination can be made instantly.				
NOTE: Please read Privacy Act Information on page 2 before completing this form. If additional space is required, attach a separate sheet.				
SECTION I: VETERAN'S IDENTIFYING INFORMATION				
1. NAME OF VETERAN TO APPEAR ON COE (First, Middle Initial, Last)		2A. DID YOU SERVE UNDER ANOTHER NAME?		
		<input type="checkbox"/> YES (If "Yes," complete Item 2B) <input type="checkbox"/> NO (If "No," skip to Item 3)		
2B. OTHER NAME(S) USED DURING MILITARY SERVICE (If different from name shown in Item 1)				
3. CURRENT MAILING ADDRESS (Number and street or rural route, P.O. Box, City, State, and ZIP Code)				
4. DATE OF BIRTH (MM/DD/YYYY)	5. SOCIAL SECURITY NUMBER	6. SERVICE NUMBER (If applicable)		
7. TELEPHONE NUMBER (Include Area Code)	8. EMAIL ADDRESS (If applicable)			
9A. WERE YOU DISCHARGED, RETIRED, OR SEPARATED FROM SERVICE BECAUSE OF DISABILITY?		9B. VA CLAIM NUMBER (If known)		
<input type="checkbox"/> YES (If "Yes," complete Item 9B) <input type="checkbox"/> NO				
SECTION II: MILITARY SERVICE INFORMATION (See Instructions For Proof of Service on Page 3)				
10A. ARE YOU CURRENTLY ON ACTIVE DUTY?	10B. ARE YOU A PURPLE HEART RECIPIENT?	10C. DO YOU HAVE A PRE-DISCHARGE CLAIM PENDING WITH VA?		
<input type="checkbox"/> YES <input type="checkbox"/> NO (If "No," skip to Item 11)	<input type="checkbox"/> YES (If "Yes," see instructions, page 3) <input type="checkbox"/> NO	<input type="checkbox"/> YES (If "Yes," see instructions, page 3) <input type="checkbox"/> NO		
IMPORTANT: Please provide your dates of service. In many cases eligibility can be established based on data in VA systems. However, it is recommended that proof of service be provided, if readily available.		BRANCH OF SERVICE	DATE ENTERED	DATE SEPARATED
11A. ACTIVE SERVICE - Do not include any periods of Active Duty for Training or Active Guard Reserve service. Do include any Reserve or Guard Unit activation under Title 10 U.S.C. or full time National Guard Duty under Title 32 U.S.C. Sections 316, 502, 503, 504 or 505.				
11B. RESERVE OR NATIONAL GUARD SERVICE - Include any periods of Active Duty for Training (ADT) or Active Guard Reserve service. Do not include any Reserve or Guard Unit activation under Title 10 U.S.C. or Full Time National Guard Duty under Title 32 U.S.C. Sections 316, 502, 503, 504, or 505.				
SECTION III: INFORMATION REGARDING PREVIOUS VA LOANS (See Instructions on Page 3)				
12. INDICATE HOW YOU WILL USE YOUR CERTIFICATE OF ELIGIBILITY? (Check appropriate box)				
<input type="checkbox"/> ENTITLEMENT INQUIRY ONLY <input type="checkbox"/> PURCHASE A HOME <input type="checkbox"/> CASH-OUT REFINANCE <input type="checkbox"/> INTEREST RATE REDUCTION REFINANCE LOAN				
13A. HAVE YOU USED THE VA HOME LOAN PROGRAM BEFORE?		13B. DO YOU STILL OWN ANY OF THE HOMES YOU USED THE VA HOME LOAN PROGRAM FOR?		
<input type="checkbox"/> YES (If "Yes," complete Item 13B) <input type="checkbox"/> NO (If "No," skip to Item 19A)		<input type="checkbox"/> YES (If "Yes," complete Items 14A thru 16D if applicable) <input type="checkbox"/> NO (If "No," skip to Item 19A)		
PREVIOUS VA LOANS (SEE INSTRUCTIONS ON PAGE 3 - If additional space is needed for all homes use Item 18, Remarks or attach a separate sheet)				
14A. COMPLETE ADDRESS	14B. LOAN NUMBER	14C. DATE OF LOAN (Month and Year)	14D. ARE YOU APPLYING FOR ENTITLEMENT RESTORATION?	
			<input type="checkbox"/> NO, ENTITLEMENT INQUIRY ONLY <input type="checkbox"/> CASH-OUT REFINANCE RESTORATION <input type="checkbox"/> INTEREST RATE REDUCTION REFINANCE <input type="checkbox"/> ONE-TIME RESTORATION (NOTE: See instructions on page 3)	

VA FORM 26-1880
OCT 2022

SUPERSEDES VA FORM 26-1880, APR 2021,
WHICH WILL NOT BE USED.

Page 1

SECTION III: INFORMATION REGARDING PREVIOUS VA LOANS (CONTINUED) (See Instructions on Page 3)			
15A. COMPLETE ADDRESS 	15B. LOAN NUMBER 	15C. DATE OF LOAN (Month and Year) 	15D. ARE YOU APPLYING FOR ENTITLEMENT RESTORATION? <input type="checkbox"/> NO, ENTITLEMENT INQUIRY ONLY <input type="checkbox"/> CASH-OUT REFINANCE RESTORATION <input type="checkbox"/> INTEREST RATE REDUCTION REFINANCE <input type="checkbox"/> ONE-TIME RESTORATION (<i>NOTE: See Instructions on page 3.</i>)
16A. COMPLETE ADDRESS 	16B. LOAN NUMBER 	16C. DATE OF LOAN (Month and Year) 	16D. ARE YOU APPLYING FOR ENTITLEMENT RESTORATION? <input type="checkbox"/> NO, ENTITLEMENT INQUIRY ONLY <input type="checkbox"/> CASH-OUT REFINANCE RESTORATION <input type="checkbox"/> INTEREST RATE REDUCTION REFINANCE <input type="checkbox"/> ONE-TIME RESTORATION (<i>NOTE: See Instructions on page 3.</i>)
17A. DO YOU STILL OWN A PROPERTY THAT WAS FINANCED WITH A VA HOME LOAN THAT HAS BEEN SUBSTANTIALLY DAMAGED OR DESTROYED BY A FEDERALLY DECLARED NATURAL DISASTER?			
<input type="checkbox"/> YES (If "Yes," complete Items 17B thru 17D) <input type="checkbox"/> NO			
17B. DATE OF LOAN (Month and Year) 	17C. DATE OF LOSS (Month and Year) 	17D. ADDRESS OF PROPERTY 	
18. REMARKS (If any) 			

SECTION IV: CERTIFICATION AND SIGNATURE	
I CERTIFY THAT the statements in this document are true and complete to the best of my knowledge.	
19A. SIGNATURE OF VETERAN (Do NOT print)	19B. DATE SIGNED (dd/MM/yyyy)
FEDERAL STATUTES PROVIDE SEVERE PENALTIES FOR FRAUD, INTENTIONAL MISREPRESENTATION, CRIMINAL CONNIVANCE OR CONSPIRACY PURPOSED TO INFLUENCE THE ISSUANCE OF ANY GUARANTY OR INSURANCE BY THE SECRETARY OF VETERANS AFFAIRS (e.g. 18 U.S.C. § 1001, 372 and 287).	
PRIVACY ACT INFORMATION: VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 38, Code of Federal Regulations 1.576 for routine uses (for example: the authorized release of information to Congress when requested for statistical purposes) 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, published in the Federal Register. Your response is required in order to obtain or retain benefits. Giving us your SSN account information is voluntary. Refusal to provide your SSN by itself will not result in the denial of benefits. VA will not deny an individual benefits for refusing to provide his or her SSN unless the disclosure of the SSN is required by Federal Statute of law in effect prior to January 1, 1975, and still in effect.	
RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed home loan. Title 38, U. S. C., section 3702, authorizes collection of this information. We estimate that you will need an average of 15 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at www.reginfo.gov/public/do/PRAMain .	

CERTIFICATE OF ELIGIBILITY
VA FORM 26-8320

When the Loan Processor requests an updated *Certificate* through VA's **WebLGY** online portal, VA will issue a computer-generated *Certificate of Eligibility for Loan Guaranty Benefits, VA Form 26-8320 (cg)* in lieu of the currently utilized *VA Form 26-8320 (green)* and *VA Form 26-8320a (buff)*.

The new certificate will retain the distinctive colors to designate whether the veteran has regular eligibility (green) or Reservist/National Guard (buff), but the preprinted form with the checked boxes format will be dropped in favor of a simplified Certificate which provides only that information applicable to the named veteran.

Exhibit A shown on the next page is an example of the current *VA Form 26-8320*. Note that the new Certificate will also have an electronic facsimile signature.

ALL VERSIONS OF THE CERTIFICATE OF ELIGIBILITY REMAIN VALID AND IT IS NOT NECESSARY THAT A VETERAN OBTAIN A NEW OR UPDATED CERTIFICATE.

VA Department of Veterans Affairs
18279-14

CERTIFICATE OF ELIGIBILITY
FOR LOAN GUARANTY BENEFITS

Reserve / National Guard
INCREASED FUNDING FEE REQUIRED - ELIGIBILITY EXPIRES SEPTEMBER 30, 2009

NAME OF VETERAN John Doe

SERVICE NUMBER
SOCIAL SECURITY NUMBE 123-45-6789

ENTITLEMENT CODE 11

BRANCH OF SERVICE Army

DATE OF BIRTH 12/19/1967

Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required.

Is eligible for the benefits of Chapter 37, Title 38, U.S. Code. Available entitlement indicated below.

Prior Loan	ENTITLEMENT		Date
	Used	\$36,000 Available*	

*The basic \$36,000 available is increased by up to \$24,000 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25 percent.

NOTE: The figure shown as available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For information about maximum loan amounts contact the nearest VA office for further information.

Outstanding Loan	Date	REDUCED ENTITLEMENT		
		Loan	Comments	Date

SAFEGUARD THIS FORM FOR FUTURE USE

SECRETARY OF VETERANS AFFAIRS

Tammy S. Davis (Authorized Agent)
Eligibility Center March 25, 2002

VA Form 26-8320(cg)

DD FORM 214 1 JUL 79		PREVIOUS EDITIONS OF THIS FORM ARE OBSOLETE.		CERTIFICATE OF RELEASE OR DISCHARGE FROM ACTIVE DUTY																															
1. NAME (Last, first, middle) Patricia L. Smiley		2. DEPARTMENT, COMPONENT AND BRANCH ARMY-ARNOUS		3. SOCIAL SECURITY NO. 253 00 0334																															
4A. GRADE, RATE OR RATE SSG	4B. PAY GRADE E6	5. DATE OF BIRTH 570523	6. PLACE OF ENLIST INTO ACTIVE DUTY Atlanta, Georgia 30316																																
7. LAST DUTY ASSIGNMENT AND MAJOR COMMAND 1485 Co, 151st MI Bn, Troop Command			8. STATION WHERE SEPARATED Atlanta, GA 30316																																
9. COMMAND TO WHICH TRANSFERRED Troop Command			10. SGU COVERAGE AMOUNT: 35 000 <input type="checkbox"/> NONE																																
11. PRIMARY SPECIALTY NUMBER, TITLE AND YEARS AND DUTY IN SPECIALTY (Additional specialty numbers and titles including periods of one or more years) (T) 71P30 - Flt Opns Coordinator one (1) month (SY) 75C30 - Pers Actions Spec one (1) month (A) 76Y20 - Unit Sup Spec, 3 months (A) 75B20 - Pers Admin Spec, 1 yr, 10 months (A) 71L20 - Admin Spec, 2 yrs, 11 months (A) 63B20 - WVhec/Power Gen Mech, 2 yrs, 11 months			12. RECORD OF SERVICE																																
			<table border="1"> <thead> <tr> <th>YEAR (Y)</th> <th>MON (M)</th> <th>DAY (D)</th> </tr> </thead> <tbody> <tr> <td>81</td> <td>09</td> <td>29</td> </tr> <tr> <td>84</td> <td>08</td> <td>11</td> </tr> <tr> <td>02</td> <td>10</td> <td>13</td> </tr> <tr> <td>04</td> <td>09</td> <td>00</td> </tr> <tr> <td>00</td> <td>00</td> <td>26</td> </tr> <tr> <td>00</td> <td>05</td> <td>19</td> </tr> <tr> <td>00</td> <td>00</td> <td>00</td> </tr> <tr> <td>84</td> <td>08</td> <td>01</td> </tr> <tr> <td>00</td> <td>00</td> <td>00</td> </tr> </tbody> </table>			YEAR (Y)	MON (M)	DAY (D)	81	09	29	84	08	11	02	10	13	04	09	00	00	00	26	00	05	19	00	00	00	84	08	01	00	00	00
YEAR (Y)	MON (M)	DAY (D)																																	
81	09	29																																	
84	08	11																																	
02	10	13																																	
04	09	00																																	
00	00	26																																	
00	05	19																																	
00	00	00																																	
84	08	01																																	
00	00	00																																	
13. DECORATIONS, MEDALS, BADGES, CREATIONS AND CAMPAIGN ERRORS AWARDED OR AUTHORIZED (All periods of service) GCMDL/ARCOM/ASR/OS Rib (1st Awd)/NCOPDR (3)/Exp Qual Bad, Rifle, M16A1 (840603)																																			
14. MILITARY EDUCATION (Course title, number, grade, and month and year completed) 52B Pwr Gen Opr Crs, Ft Belvoir, VA, 10 wks, Cmpl (76)/Disc Ldrs Crs, Ft Belvoir, VA, 80 hrs Cmpl (79)/Unit Admin Crs, NOPEC, 3 wks, Cmpl (82)/75Z (ACCP) TAIFPD, 152 hrs, Cmpl (84) 76Y (ACCP) TAIFPD, 24 hrs, Cmpl (84)/ANCOES, OMI, Cmpl (84)/Tng NCO Crs, NOPEC, 3 wks, Cmpl (84) 71P (ACCP), TAIFPD, 76 hrs, Cmpl (84) Mil Per Off, TAIFPD, 17 hrs, Cmpl (84)																																			
15. A MEMBER CONTRIBUTED TO POST-VIETNAM ERA VETERAN EDUCATIONAL ASSISTANCE PROGRAM <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			16. HIGH SCHOOL GRADUATE OR EQUIVALENT <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		17. DATE ACCRUED LEAVE PAID 35.5																														
18. ADDRESS AFTER SEPARATION 865 Jones Street Atlanta, Georgia 30328																																			
19. MEMBER REQUESTS COPY 4 BE SENT TO <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			20. MEMBER REQUESTS COPY 4 BE SENT TO <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO																																
21. SIGNATURE OF MEMBER BEING SEPARATED Patricia L. Smiley			22. TYPED NAME, GRADE, TITLE AND SIGNATURE OF OFFICIAL AUTHORIZED TO SIGN JIMMY L. DAVIS, JR., CAPT, OA AND, Mil Pers Mgmt Spec																																
SPECIAL ADDITIONAL INFORMATION (For use by authorized agencies only)																																			
23. TYPE OF SEPARATION Release from Active Duty			24. CHARACTER OF SERVICE (includes upgrades) Honorable																																
25. SEPARATION AUTHORITY NCR 600-5 and Orders 149-5, TAG-GA, dtd 26 Jul 84			26. SEPARATION CODE MCD		27. REENTRY CODE NA																														
28. REASON FOR SEPARATION Early Release of Reserve Component Personnel																																			
29. NAME OF NEW DUTY STATION None			30. MEMBER REQUESTS COPY 4 BE SENT TO <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO																																

If the Loan Processor is unable to obtain an electronic *Certificate of Eligibility* and the veteran has lost his/her original *Certificate*, a copy of the veteran's DD-214, *Certificate of Release or Discharge from Active Duty*, should accompany the *Request for a Certificate of Eligibility*. If the veteran has lost the DD-214, it will be necessary to have the veteran complete the *Request Pertaining to Military Records* and either send the form to VA or have the veteran take the form to his/her local VA office to speed up the process.

Standard Form 180 (Rev. 5/12) (Page 1)
Prescribed by NARA (36 CFR 1228.168(b))

Authorized for local reproduction
Previous edition unusable

OMB No. 3095-0020 Expires 01/31/2015

REQUEST PERTAINING TO MILITARY RECORDS

* Requests from veterans or deceased veteran's next-of-kin may be submitted online by using eVetRecs at <http://www.archives.gov/veterans/military-service-records>.*

(To ensure the best possible service, please thoroughly review the accompanying instructions before filling out this form. Please print clearly or type.)

SECTION I - INFORMATION NEEDED TO LOCATE RECORDS (Furnish as much as possible.)

1. NAME USED DURING SERVICE (last, first, and middle)		2. SOCIAL SECURITY NO.		3. DATE OF BIRTH		4. PLACE OF BIRTH	
5. SERVICE, PAST AND PRESENT (For an effective records search, it is important that all service be shown below.)							
	BRANCH OF SERVICE	DATE ENTERED	DATE RELEASED	OFFICER	ENLISTED	SERVICE NUMBER (If unknown, write "unknown")	
a. ACTIVE COMPONENT							
b. RESERVE COMPONENT							
c. NATIONAL GUARD							
6. IS THIS PERSON DECEASED? If "YES" enter the date of death. <input type="checkbox"/> NO <input type="checkbox"/> YES				7. IS (WAS) THIS PERSON RETIRED FROM MILITARY SERVICE? <input type="checkbox"/> NO <input type="checkbox"/> YES			

SECTION II - INFORMATION AND/OR DOCUMENTS REQUESTED

1. CHECK THE ITEM(S) YOU ARE REQUESTING:

- ☐ **DD Form 214 or equivalent.** When was the DD Form(s) 214 issued? YEAR(S): _____
If more than one period of service was performed, even in the same branch, there may be more than one DD214.
This form contains information normally needed to verify military service. A copy may be sent to the veteran, the deceased veteran's next of kin, or other persons or organizations if authorized in Section III, below. **An UNDELETED DD214 is ordinarily required to determine eligibility for benefits.** Sensitive items, such as, the character of separation, authority for separation, reason for separation, reenlistment eligibility code, separation (SPD/SPN) code, and dates of time lost are usually shown.
An undeleted copy will be sent unless you specify a deleted copy. Indicate here if you want a deleted copy of the DD Form 214. ☐
The following items are deleted: authority for separation, reason for separation, reenlistment eligibility code, separation (SPD/SPN) code, and for separations after June 30, 1979, character of separation and dates of time lost.
- ☐ **All Documents in Official Military Personnel File (OMPF)**
- ☐ **Medical Records** (Includes Service Treatment Records, Health (outpatient) and dental records.) If hospitalized (inpatient), the facility name and date for each admission must be provided: _____
- ☐ **Other (Specify):** _____

2. **PURPOSE:** (An explanation of the purpose of the request is **strictly voluntary**; however, such information may help to provide the best possible response and may result in a faster reply. Information provided will in no way be used to make a decision to deny the request.) Check appropriate box:

- ☐ Benefits ☐ Employment ☐ VA Loan Programs ☐ Medical ☐ Genealogy ☐ Correction ☐ Personal
- ☐ Other, explain: _____

SECTION III - RETURN ADDRESS AND SIGNATURE

1. **REQUESTER IS:** (Signature Required in # 3 below of veteran, next of kin, legal guardian, authorized government agent or "other" authorized representative. If "other" authorized representative, provide copy of authorization letter.) No signature required for Archival records.

- ☐ Military service member or veteran identified in Section I, above ☐ Legal guardian (Must submit copy of court appointment.)
- ☐ Next of kin of deceased veteran: _____ ☐ Other (specify) _____
(Relationship)

MUST HAVE PROOF OF DEATH - See item 2a on instruction sheet.

2. SEND INFORMATION/DOCUMENTS TO:

(Please print or type. See item 4 on accompanying instructions.)

3. **AUTHORIZATION SIGNATURE WHEN REQUIRED** (See items 2a or 3a on accompanying instructions.) I declare (or certify, verify, or state) under penalty of perjury under the laws of the United States of America that the information in this Section III is true and correct. No signature required for Archival records.

Name		Signature Required - Do not print		Date
Street		Daytime phone		Fax Number
City	State	Zip Code	Email address	

This form is available at <http://www.archives.gov/research/order/standard-form-180.pdf> on the National Archives and Records Administration (NARA) web site.

VERIFICATION OF VA BENEFITS

VA FORM 26-8937

VA has eliminated the need for this form as a standard part of a VA application. Lenders will only need to include this form in the following situations:

When the veteran is receiving VA disability benefits;


When the veteran indicates that he/she has received VA disability benefits but for the receipt of retired pay;

When the veteran indicates that he/she has received VA disability benefits in the past; or

When the applicant is a surviving spouse of a veteran who died on active duty or as a result of a service-connected disability.

Lenders are responsible for asking the veteran if he/she falls into one of the above categories and, if necessary, obtaining a completed *VA Form 26-8937* from VA **before** closing a loan. Failure to do so will be considered a basis for sanctions against the lender. It may also result in failure to recognize a borrower's right to exemption from the funding fee.

OMB Control No. 2900-0406
Respondent Burden: 5 Minutes

 Department of Veterans Affairs		VERIFICATION OF VA BENEFITS	
<p>PRIVACY ACT NOTICE: The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.576 for routine uses (i.e., information concerning a veteran's indebtedness to the United States by virtue of a person's participation in a benefits program administered by VA may be disclosed to any third party, except consumer reporting agencies) 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. Your obligation to respond is required to obtain or retain benefits. Giving us your SSN account information is voluntary. Refusal to provide your SSN by itself will not result in the denial of benefits. The VA will not deny an individual benefits for refusing to provide his or her SSN unless the disclosure of the SSN is required by a Federal Statute of law in effect prior to January 1, 1975, and still in effect.</p>			
TO: NAME AND ADDRESS OF LENDER (Complete mailing address including ZIP Code)		INSTRUCTIONS TO LENDER Complete this form ONLY if the veteran/applicant: <ul style="list-style-type: none"> • is receiving VA disability payments; or • has received VA disability payments; or • would receive VA disability payments but for receipt of retired pay; or • is surviving spouse of a veteran and in receipt of DIC payments • has filed a claim for VA disability benefits prior to discharge from active duty service Complete Items 1 through 10. Send the completed form to the appropriate VA Regional Loan Center where it will be processed and returned to the Lender. The completed form must be retained as part of the lender's loan origination package.	
1. NAME OF VETERAN (First, middle, last)		2. CURRENT ADDRESS OF VETERAN	
3. DATE OF BIRTH			
4. VA CLAIM FOLDER NUMBER (C-File No., if known)	5. SOCIAL SECURITY NUMBER	6. SERVICE NUMBER (If different from Social Security Number)	
7. I HEREBY CERTIFY THAT I <input type="checkbox"/> DO <input type="checkbox"/> DO NOT have a VA benefit-related indebtedness to my knowledge. I authorize VA to furnish the information listed below.			
8. I HEREBY CERTIFY THAT I <input type="checkbox"/> HAVE <input type="checkbox"/> HAVE NOT filed a claim for VA disability benefits prior to discharge from active duty service (I am presently still on active duty.)			
9. SIGNATURE OF VETERAN		10. DATE SIGNED	
FOR VA USE ONLY			
<input type="checkbox"/> The above named veteran does not have a VA benefit-related indebtedness			
<input type="checkbox"/> The veteran has the following VA benefit-related indebtedness			
VA BENEFIT-RELATED INDEBTEDNESS (If any)			
TYPE OF DEBT(S)		AMOUNT OF DEBT(S)	
TERM OF REPAYMENT PLAN (If any)			
<input type="checkbox"/> Veteran is exempt from funding fee due to receipt of service-connected disability compensation of \$ _____ monthly. (Unless checked, the funding fee receipt must be remitted to VA with VA Form 26-1820, Report and Certification of Loan Disbursement)			
<input type="checkbox"/> Veteran <u>is</u> exempt from funding fee due to entitlement to VA compensation benefits upon discharge from service.			
<input type="checkbox"/> Veteran <u>is not</u> exempt from funding fee due to receipt of nonservice-connected pension of \$ _____ monthly. LOAN APPLICATION WILL REQUIRE PRIOR APPROVAL PROCESSING BY VA.			
<input type="checkbox"/> Veteran has been rated incompetent by VA. LOAN APPLICATION WILL REQUIRE PRIOR APPROVAL PROCESSING BY VA.			
<input type="checkbox"/> Insufficient information. VA cannot identify the veteran with the information given. Please furnish more complete information, or a copy of a DD Form 214 or discharge papers. If on active duty, furnish a statement of service written on official government letterhead, signed by the adjutant, personnel officer, or commanding officer. The statement should include name, birth date, service number, entry date and time lost.			
SIGNATURE OF AUTHORIZED AGENT		DATE SIGNED	
<p>RESPONDENT BURDEN: We need this information to determine, establish, or verify your eligibility for VA Loan Guaranty Benefits and to determine if you are exempt from paying the VA Funding Fee. Title 38, United States Code, allows us to ask for this information. We estimate that you will need an average of 5 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at www.reginfo.gov/public/do/PRAMainVA. If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.</p>			

VA FORM
DEC 2012 **26-8937**SUPERSEDES VA FORM 26-8937, SEP 2006.
WHICH WILL NOT BE USED.

CHILD CARE CERTIFICATION FOR VA LOANS

The following information is required by the Veterans Administration and will accompany your application for loan approval.

As employed parents of minor children, I/We certify that the following information concerning child care expense is true and correct.

My/Our children are cared for by _____

Whose address is: _____

_____ Telephone: _____

The cost of this care is \$ _____ per week _____ per month _____

SIGNATURE

DATE

SIGNATURE

DATE

Warning: Section 1010 of Title 18 U.S.C. Federal Housing Administration and VA Transactions, states “Whoever, for the purposes of influencing in any way the action of such Administration... makes, passes or publishes any statement, knowing the same to be false, shall be fined not more than \$5,000.00 or imprisoned not more than two years or both.”

LOAN PROCESSOR'S RESPONSIBILITIES ON A VA PURCHASE TRANSACTION

When the loan application is turned in to be processed, the Loan Processor should follow this procedure:

1. **Check Credit Alert.** All applicants must be screened through FHA's **Credit Alert Interactive Voice Response System** to determine if the applicant has defaulted on any Federally-insured loan. Any applicant who has defaulted is not eligible for a VA-guaranteed loan unless circumstances warrant an exception.
2. **Order a VA Case Number and Appraiser.** VA has set up a system through the Internet that will permit the lender to obtain a case number directly. The program is called "**The Appraisal System (TAS)**" and is an automated system that includes a listing of Condominiums and Builders (CPB).

All you will need is your valid VA ID Number. One of the options on the start-up screen of the assignment system is "Set Up Your Account" for first-time users. Complete the information on the screen and receive the password for your company within seconds of hitting "Submit." The password should be printed out and kept in a secure place. Unlike FHA, where separate passwords are assigned to each employee, all employees needing to access the site use this same password. Gaining access to the The Appraisal System is very easy and user-friendly.

Lenders must use the appraiser and inspector, if applicable, that has been assigned by VA, rather than selecting one of their choice.

3. **Request an Updated Certificate of Eligibility.** This procedure will be discussed in detail. The Loan Processor will request an updated Certificate through **WebLGY**.

If the Loan Processor is unable to obtain a computer-generated Certificate through **WebLGY** and the veteran has lost his/her original Certificate of Eligibility, it will be necessary to obtain a duplicate. The veteran will check Box 7C of the Request for Certificate of Eligibility indicating that the original certificate has been lost or stolen. If you include a copy of the veteran's DD214, Certificate of Release or Discharge with the request, VA will issue a duplicate Certificate of Eligibility.

LOAN PROCESSOR'S RESPONSIBILITIES (Cont'd)

4. **VA Request for Determination of Reasonable Value, VA Form 26-1805.** This form is now completed on-line when you order a case number. After receiving your case number assignment, which includes the appraiser's address, phone number, and fax number, you may print out this form and it may be faxed to the appraiser along with a copy of the sales contract.
5. **The Verification of Benefit-Related Indebtedness, VA Form 26-8937** is no longer required unless the veteran is receiving, or has received disability. This form would also be used for a widow of a veteran who died due to service-related injuries or illness.
6. **Make sure the veteran receives a copy of the Uniform Residential Appraisal Report (URAR) and VA Certificate of Reasonable Value (CRV) or Notice of Value (NOV) to the Veteran.** If VA underwrites the appraisal, VA will mail a copy of the CRV to the veteran. If the lender is approved to underwrite the appraisal (called "LAPP Approval") the underwriter underwrites the appraisal and mails the LAPP Notification of Value (NOV) and Uniform Residential Appraisal Report (URAR) to the veteran.

In either case, the veteran borrower must receive the CRV, NOV, and URAR no later than closing so that he or she can execute the certification "I have been advised that the reasonable value of the subject property is \$_____."

7. **Process the Loan.** Order all credit documents, including the credit report and verifications. As often as possible, use Alternative Documentation Processing. VA permits the lender to obtain **two months' original bank statements** to verify income, and **two years' original W-2s, plus a year-to-date pay stub**, with a verbal employment verification.

As mentioned in the section on the Loan Originator's responsibilities, it is recommended that bank statements be reviewed for unusually large deposits that might indicate an undisclosed debt, insufficient check charges and a checking line-of-credit. Check overdrafts are considered the same as late payments and require explanation.

In many cases, a line of credit to cover overdrafts on a checking account is not reported to the credit bureau. If they appear on the bank statement and they have an outstanding balance, they are considered the same as revolving credit and must be counted as a debt.

If pay stubs and W-2s are used in lieu of a Verification of Employment form, the lender must call the borrower's employer and complete a Verbal Verification of Employment form. You must obtain the employer's phone number from the phone book or directory assistance rather than the borrower.

LOAN PROCESSOR'S RESPONSIBILITIES (Cont'd)

Be sure to review the pay stubs for payments made by payroll deduction that may not appear on the borrower's credit report. An example might be a car salesman who is charged for the use of his demonstrator. This is considered a car payment even though it does not appear on the credit report as a debt.

8. **Faxed Copies.** VA will permit lenders to use faxed documents for income/employment or asset verifications. Faxed documents must provide the same information that a standard Verification of Employment or standard Verification of Deposit would provide. They must clearly identify the employer or depository's name and source of information. Lenders are responsible for ensuring the authenticity of the document. This can be done in several ways, including by examining the banner information provided at the top of each page of the fax. The documents should also be reviewed for errors such as incorrect area codes, unreadable names, income, assets or debts not adequately completed on the form, etc. A name and telephone number of a person who can verify the faxed information must be on the form.
9. **Internet Downloads.** The document must show the employer or depository's name and source of information. Lenders are responsible for ensuring the document is valid. This can usually be done by reviewing the information contained on any header/footers and the banner portion of the downloaded webpage(s). The downloaded pages should show the uniform resource locator (URL) and the date and time printed.
10. **Allotments and payroll deductions shown on the pay stub** require further investigation. Review the pay stub carefully.
11. **If a Verification of Employment is sent to an employer,** and the employer identifies "N/A" or declines comment under "Probability of Continued Employment", no further action is necessary.
12. **A three-repository merged credit report** is now permitted by VA. However, if the borrower has had credit problems, it is advisable to obtain a Full Residential Mortgage Credit Report **with correct information** prior to submitting the loan to underwriting.
13. **The age of all credit documents** has been extended from 90 days to 120 days on existing construction, and to 180 days on new construction.

LOAN PROCESSOR'S RESPONSIBILITIES (Cont'd)

14. **Work Up the Loan Package for Underwriting**. When all required documentation has been received, the loan package will be worked up for submission to underwriting, including:

- Updated Uniform Residential Loan Application
- Loan Analysis Worksheet, VA Form 26-6393
- HUD/VA Addendum to Uniform Residential Loan Application, VA Form 26-1802
- Borrowers may sign and date the application and HUD/VA Addendum at closing*
- Place documents in correct order for submission

* For loans that require submission directly to VA for **prior approval**, the final application and HUD/VA Addendum must be signed prior to submission.

VA does not require a special Case Binder for submission. You may submit the package using the guidelines prescribed by your lender.

DOCUMENTATION REQUIREMENTS

The application package should contain sufficient documentation to support the lender's decision to approve the mortgage. When standard documentation does not provide enough information to support this decision, the lender must provide additional explanatory statements, consistent with other information in the application, to clarify or supplement the documentation submitted by the borrower.

Credit documents may be up to **120 days old** at the time the loan closes (180 days for proposed construction). Updated, written verifications must be obtained when the age of the documents exceeds these limits. Verification forms must pass directly between lender and provider without being handled by any third party. The following documents are required for mortgage credit analysis in all transactions except certain streamline refinances:

1. **Uniform Residential Loan Application (URLA)**, signed and dated by all borrowers and the lender, and the Addendum to the URLA (Form HUD-92900-A, VA Form 26-1802a).
2. **Loan Analysis Worksheet, VA Form 26-6393**
3. **Social Security Number Evidence** for each borrower, co-borrower, or co-signer.
4. **Credit Report** on all borrowers who will be obligated on the mortgage note.
5. **Verification of Employment (VOE)** and most recent pay stub. (By "most recent", VA means at the time the initial loan application is made. Provided the document itself is not more than 120 days old when the loan closes (180 on new construction), there is no need to update.) **Refer to Alternative Documentation guidelines.**
6. **Verification of Deposit (VOD)** and most recent bank statements. (By "most recent", VA means at the time the initial loan application is made. Provided the documentation itself is not more than 120 days old when the loan closes (180 on new construction), there is no need to update.) **Refer to Alternative Documentation guidelines.**
7. **Federal Income Tax Returns** (both individual and business returns) for the past 2 years, with all applicable schedules, for self-employed borrowers. Commissioned individuals must also provide individual federal income tax returns for the past 2 years. The lender must also obtain a signed form IRS 4506, IRS 8821, or whatever form or electronic retrieval service is appropriate for obtaining tax returns directly from the IRS for any loan where the borrower's tax returns are required.

DOCUMENTATION REQUIREMENTS (Cont'd)

8. **Sales Contract** and any amendments or other agreements and certifications. (Either an original or a certified true copy of the sales contract received by the lender is required.)
9. **Verification of Rent or Payment History of Present/Previous Mortgages**. This may be in the form of a direct verification from the landlord or mortgage servicer or through information shown on the credit report.
10. **Uniform Residential Appraisal Report (URAR)** and the VA-issued Certificate of Reasonable Value (VA-CRV) or Notice of Value (NOV) from LAPP-approved lenders.

SCREENING BORROWERS THROUGH HUD'S CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM (CAIVRS)

As in the case of all FHA borrowers, lenders are required to screen VA borrowers through HUD's Credit Alert Interactive Voice Response System (CAIVRS). Lenders who currently process FHA loans may access this information through **The FHA Connection**. If the lender is not an FHA-approved lender, they may call, using a touch tone telephone for instant response of client credit information. The telephone number is 301-344-4400, and its hours of operation are Monday through Saturday from 9:00 A.M. to 9:00 P.M. Eastern Time.

The Loan Processor will supply the borrower's and co-borrower's social security number, and wait for a response. If an applicant's social security number is matched against a default, foreclosure, or claim in CAIVRS and the applicant disputes the accuracy of the information, the lender or borrower should contact the representative from the applicable agency shown on the next page.

If CAIVRS indicates the borrower is presently delinquent or has had a claim paid within the previous three years on a loan insured by HUD or VA on his or her behalf, the borrower is not eligible. Exceptions to this may be granted under the following situations:

1. **Assumptions**. If the borrower sold the property, with or without a release of liability, to a mortgagor who subsequently defaulted and it can be established that the loan was not in default at the time of assumption, the borrower is eligible.
2. **Divorce**. A borrower may be eligible if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse. However, if a claim was paid on a mortgage in default at the time of divorce, the borrower is not eligible.
3. **Bankruptcy**. When the property was included in a bankruptcy that was caused by circumstances beyond the borrower's control (such as the death of the principal wage earner, loss of employment due to factory closings, reductions-in-force, etc., or serious long-term illness), the borrower may be eligible.

If the lender has reason to believe the CAIVRS information is erroneous or must establish the date of claim payment, it must contact the local HUD Field Office for instructions or documentation to support the borrower's eligibility. The local HUD Offices can provide information regarding when the three-year waiting period has passed or that the social security number in CAIVRS is an error.

The Loan Processor should write the CAIVRS authorization code for each borrower on the "VA Loan Analysis Worksheet," under Line 47.

SCREENING BORROWERS THROUGH CAIVRS (Cont'd)

FHA cannot alter or delete CAIVRS information reported from other Federal agencies such as the Department of Education, Veterans Affairs, etc. The borrower and/or the lender must contact those agencies to correct or remove erroneous or outdated information. Neither FHA nor VA require a "clear" CAIVRS access number as a condition for mortgage approval, but the lender must document and justify its approval based on the exceptions described above.

Included on the next page for your information is an example of the **FHA Connection “Case Processing”** screen. Simply click on the **“CAIVRS Authorization”** icon. When the screen appears, type in the social security numbers of the borrower and co-borrower. Your **FHA Lender ID #** must be typed in also.

SCREENING BORROWERS THROUGH CAIVRS (Cont'd)

Case Processing

- ◆ Case Number Assignment ←
- ◆ Appraisal Logging
- ◆ Insurance Application
- ◆ HECM Insurance Application
- ◆ Appraiser Reassignment
- ◆ Borrower/Address Change
- ◆ CAIVRS Authorization ←
- ◆ Case Cancellation
- ◆ Case Query
- ◆ Case Transfer
- ◆ Duplicate MIC
- ◆ Inspector Assignment
- ◆ Refinance Authorization



[\[Home\]](#) [\[SF FHA\]](#) [\[SF Origination\]](#)

[Comments or Questions <SF Administration>](#)

◆ CAIVRS Authorization

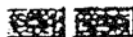
Borrower SSN:

CoBorrower1 SSN:

CoBorrower2 SSN:

Lender ID:

FHA ID



[\[Help\]](#)



[\[SF FHA\]](#) [\[Case Processing\]](#)

[Comments or Questions <SF Administration>](#)

REQUESTING THE CERTIFICATE OF ELIGIBILITY

The Loan Processor will go to the Veterans Information Portal and request an updated Certificate of Eligibility using **WebLGY**.

WebLGY incorporates the functions previously accessed in the Web-Based Loan Summary (WBLS), Automated Certificate of Eligibility (ACE), and Web Guaranteed Insured Loan (WebGIL) applications within the Veterans Information Portal (VIP).

WebLGY allows lenders to input data about their potential veteran-borrower and obtain an eligibility determination on most cases in a matter of seconds. If eligibility is established, the lender prints out the certificate to submit with their guaranty package. This eliminates completing a paper application (VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits), mailing it to an eligibility center, and waiting for a reply by mail.

If eligibility cannot be established, as occurs occasionally when the veteran has previously used entitlement, or has an outstanding VA loan, the Loan Processor will be required to submit a completed VA Form 26-1880, along with the veteran's original Certificate of Eligibility, to the local VA Eligibility Center for processing.

Loan Guaranty Service



WebLGY Reference Guide for Processing
Certificates of Eligibility (COE)
And
Loan Guaranty Certificate (LGC) Requests

WebLGY incorporates the functions previously accessed in the Web-Based Loan Summary (WBLS), Automated Certificate of Eligibility (ACE), and Web Guaranteed Insured Loan (WebGIL) applications within the Veterans Information Portal (VIP).

WebLGY will provide the following enhancements to the Loan Guaranty and Eligibility Processes:

- Real-time guarantees
- Search by VA loan number
- Search by lender loan number
- Search by Date Range -- includes all 18 million records in the LGY historical database (formerly WebGIL)
- View loan Status, Loan Summary, History, and Notification of Audit Selection
- Submit Loan Analysis for prior approval loans
- Print duplicate Loan Guaranty Certificates
- Prior Loan Validation -- replaces Web GIL LIN Search
- Pre-population of data previously entered into the Funding Fee Payment System (FFPS), The Appraisal System (TAS), etc.
- Real-time Automatic Certificate of Eligibility Determinations
- Electronic 26-1880 to Submit Requests for COE when a determination cannot be made online.
- Upload Correspondence with COE application
- View the status of COE application
- Email notification when electronic COE issued
- Print COE
- Search COE

With the replacement of the WBLS, ACE, and WebGIL LIN Search functions, a new link for WebLGY will be added to all current program participant profiles as well as all new registered users. Once logged in to VIP, the new WebLGY link will be listed under "Applications" located on the left-hand side of the "Welcome" page. Click on the WebLGY link and the new application will open.

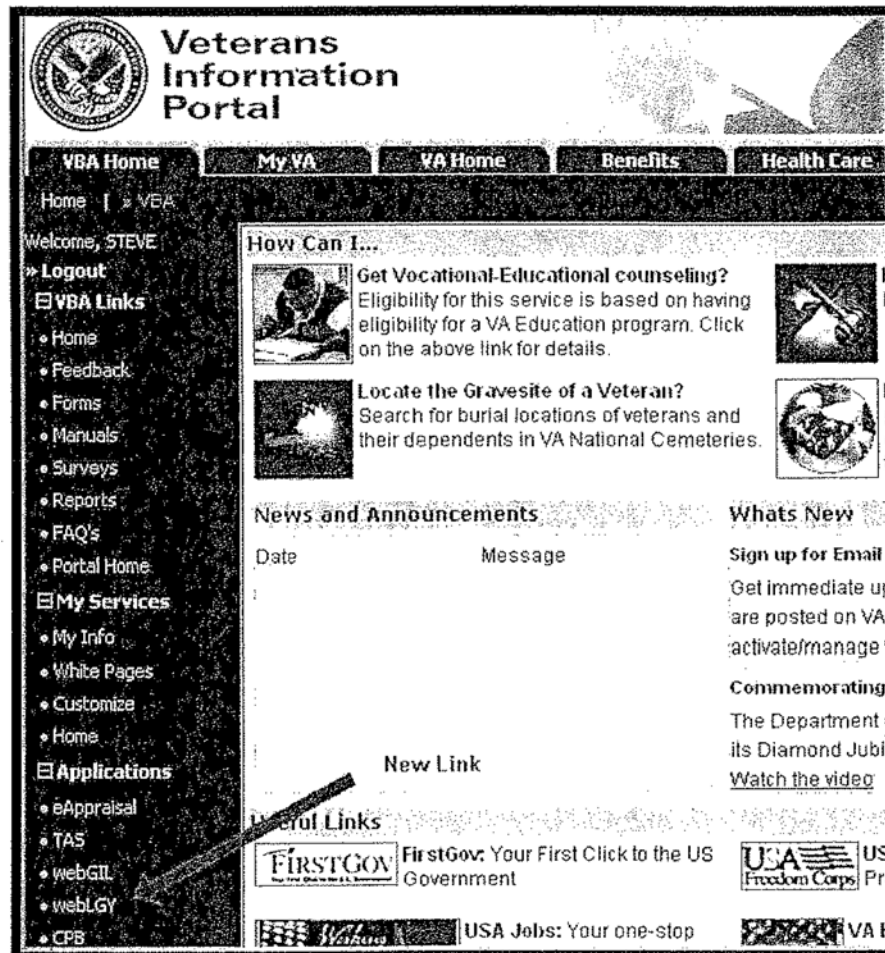


Figure 1-Location of New WebLGY Link

Note: Make sure all pop-up blockers are disabled. Should you experience any problems accessing this link, please email the VIP Help Desk at VIP@VBA.VA.GOV. Remember, you must be a registered user in order for the link to appear in your list of applications. If you do not see the link, make sure the top left-hand corner of the main page has the "Welcome (Your Name)" message.

Eligibility Record Search

The Eligibility Record Search will allow participants to search by COE reference number, name, service number and social security number for a previously submit COE record.

The screenshot shows a web interface for the 'Eligibility Record Search'. At the top, there is a navigation bar with links: 'Select Loan', 'Eligibility', 'Contact RLC', 'Eligibility Record Search', 'Automated Certificate of Eligibility Search', and 'Prior Loan Validation'. The main heading is 'Eligibility Record Search'. Below this, a note states: 'If searching by Reference Number, you must also enter an SSN, Service Number, or Last Name.' The search criteria are organized into a table-like structure with input fields:

Search Criteria					
Reference Number	<input type="text"/>				
SSN	<input type="text"/>				
Service Number	<input type="text"/>				
Name	<table border="1"><tr><td>First</td><td>Last</td></tr><tr><td><input type="text"/></td><td><input type="text"/></td></tr></table>	First	Last	<input type="text"/>	<input type="text"/>
First	Last				
<input type="text"/>	<input type="text"/>				
<input type="button" value="Search"/>					

Figure 17-Eligibility Record Search

(The following sections have not been completed. Once these sections have been completed, the revised version will be posted to the Homeloans.va.gov web site as well as the VIP Community Announcements, the Funding Fee Payment System, and via Broadcast E-mail.)

Electronic 26-1880 to Submit Requests for COE when a determination cannot be made online.

Upload Correspondence with COE application.

View the status of COE application.

Email notification when electronic COE issued.

REQUESTING A VA CASE NUMBER AND APPRAISAL

The VA Appraisal System (TAS) is a centralized, Internet-based appraiser assignment system designed to increase the efficiency of processing Veterans' loan applications. **The VA Appraisal System** offers many benefits over previous VBA systems, including, ease of use, speed, and accessibility. A user ID and password is required to access this system.

The VA Appraisal System (TAS) replaces the existing VA Assignment System (VAS). The next two pages show a VA Circular outlining the appraisal request system. The only differences in the old system and the new system, are that the Underwriter will no longer need to mail a copy of the LAPP Appraisal to VA. They are now able to complete the **Notice of Value (NOV)** online and send it to VA through the internet.

VA APPRAISALS

APPRAISAL REQUESTS

In order to obtain a VA case number, appraiser assignment (and inspector assignment, if applicable), the lender must go into "Appraiser Assignment" on the VA website at <http://tas.vba.va.gov/> and complete the on-line request form.

You will be required to have an inspector if the property is "**Proposed**" or "**Under Construction.**" It is important to note that **you are not allowed to request a specific appraiser or inspector for a VA loan.** VA automatically assigns them when you request your case number.

You will receive your assignment within several seconds of submitting the request. The first page of the assignment will include your VA case number. The second page will give you the name, address, phone number, and fax number of your appraiser and inspector.

If the property is "**Existing,**" you may fax the assignment to the appraiser along with a copy of the sales contract. If the property is "**Proposed,**" you will need to deliver the appraisal request to the appraiser along with two sets of plans and specs. You will also need to deliver a copy of the appraisal request with one set of plans and specs to the assigned inspector.

APPRAISAL AND INSPECTION FEES

Each VA field station establishes a maximum appraisal fee that can be charged in their jurisdiction. If a property is located outside the appraiser's normal business area, an additional fee may be charged **only** for the portion of travel **beyond** their normal business area. The veteran is allowed to pay the appraisal fee only if the appraisal is ordered in his or her name as purchaser.

The maximum allowed inspection fee is currently \$100.00 per inspection. The veteran can be charged for all regular inspections of an individual property but cannot be charged for re-inspections due to:

- a builder's non-compliance with VA requirements
- a builder's failure to provide access to the property or have the work ready for inspection, or
- the inspector's failure to arrive at the appointment time.

Shown on the next page is the internet screen for Instructions for Using TAS Functions, along with the Table of Contents of instructions for requesting the appraisal. Go to the website to receive complete instructions.

The Loan Processor will complete the ***VA Form 26-1805 Request for Determination of Reasonable Value***. A copy of the request should be printed out and put in the file for a record, and the request form, along with a copy of the sales contract, is sent to the assigned appraiser.

This form is shown a few pages over.

Instructions for Using TAS Functions That Have Been Migrated to WebLGY



Table Contents

<i>Function 1: Requesting an Appraisal (VA Form 26-1805)</i>	3
Log-In and Navigation	3
Selecting an Appraisal Type	4
Entering Requester's Information	4
Verify Property Address	5
Review and Accept Terms of Responsibility	5
Print the Request for Appraisal (VA Form 26-1805) for Your Records	6
<i>Function #2: Locate an Appraisal Record</i>	7
Log-In and Navigation	7
Advanced Search	7
Helpful Hints for Running Useful LIN Mini-Reports	8
Sales Contract	9
<i>Function #3: Issuing a Notice of Value (NOV)</i>	9
Status and History Page	9
Issuing the Notice of Value	10
Reasonable Value Warning Message	10
Save or Issue an NOV	11
Preview The NOV	12
<i>Other Functions</i>	12
Mini-Reports	12
Helpful Hints for Running Mini-Reports	13
Adding Notes	13
Adding Notes (cont.)	14
Reviewing/Updating an Existing Case	14

OMB Control No. 2900-0045
Respondent Burden: 12 minutes

Department of Veterans Affairs		REQUEST FOR DETERMINATION OF REASONABLE VALUE (Real Estate)	
1. CASE NUMBER		4. TITLE LIMITATIONS AND RESTRICTIVE COVENANTS	
2. PROPERTY ADDRESS (Include ZIP Code and county)		3. LEGAL DESCRIPTION	
5A. NAME AND ADDRESS OF FIRM OR PERSON MAKING REQUEST (APPLICATION (Include ZIP Code))		1. <input type="checkbox"/> CONDOMINIUM 2. <input type="checkbox"/> PLANNED UNIT DEVELOPMENT 6. LOT DIMENSIONS: 1. <input type="checkbox"/> IRREGULAR SQ/FT 2. <input type="checkbox"/> ACRES: 7. UTILITIES (X) ELEC. GAS WATER SAN. SEWER 1. PUBLIC 2. COMMUNITY 3. INDIVIDUAL 8. 1. <input type="checkbox"/> RANGE/ OVEN 4. <input type="checkbox"/> CLOTHES WASHER 7. <input type="checkbox"/> VENT FAN 2. <input type="checkbox"/> REFRIG. 5. <input type="checkbox"/> DRYER 8. <input type="checkbox"/> WW CARPET 3. <input type="checkbox"/> DISH WASHER 6. <input type="checkbox"/> GARBAGE DISPOSAL 9. BUILDING STATUS 3. <input type="checkbox"/> EXISTING 10. BUILDING TYPE 11. FACTORY FABRICATED? 12A. NO. OF BUILDINGS 12B. NO. OF LIVING UNITS 13A. STREET ACCESS 13B. STREET MAINTENANCE 1. <input type="checkbox"/> PROPOSED 2. <input type="checkbox"/> NEW CONSTRUCT. 3. <input type="checkbox"/> SEMI-DETACHED 4. <input type="checkbox"/> DETACHED 5. <input type="checkbox"/> ROW APT UNIT 1. <input type="checkbox"/> YES 2. <input type="checkbox"/> NO 1. <input type="checkbox"/> PRIVATE 2. <input type="checkbox"/> PUBLIC 14A. CONSTRUCTION WARRANTY INCLUDED? (If "Yes," complete items 14B and 14C also) 14B. NAME OF WARRANTY PROGRAM 14C. EXPIRATION DATE (Month, day, year) 15. CONSTRUCTION COMPLETED (Month, year) 1. <input type="checkbox"/> YES 2. <input type="checkbox"/> NO 16. NAME OF OWNER 17. PROPERTY 18. RENT (if applicable) <input type="checkbox"/> OCCUPIED BY OWNER <input type="checkbox"/> NEVER OCCUPIED <input type="checkbox"/> VACANT <input type="checkbox"/> OCCUPIED BY TENANT (Complete item 18 also) 19. NAME OF OCCUPANT 20. TELEPHONE NO. (Include Area Code) 21. NAME OF BROKER 22. TELEPHONE NO. (Include Area Code) 23. KEYS AT (Address) 24. ORIGINATOR'S IDENT. NO. 25. SPONSOR'S IDENT. NO. 26. INSTITUTION'S CASE NO. 27. PURCHASER'S NAME AND ADDRESS (Complete mailing address. Include ZIP Code) <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> EQUAL OPPORTUNITY IN HOUSING NOTE: Federal laws and regulations prohibit discrimination because of race, color, religion, sex, or national origin in the sale or rental of residential property. Numerous State, territorial and local ordinances also prohibit such discrimination. In addition, section 805 of the Civil Rights Act of 1968 prohibits discriminatory practices in connection with the financing of housing. If it finds there is noncompliance with any antidiscrimination laws or regulations, it may discontinue business with the violator. </div>	
28. NEW OR PROPOSED CONSTRUCTION - Complete items 28A through 28E for new or proposed construction cases only			
A. NAME AND ADDRESS OF BUILDER		E. VA BUILDER ID NO.	
C. TELEPHONE NO. (Include Area Code)		D. NAME AND ADDRESS OF WARRANTOR	
E. TELEPHONE NO. (Include Area Code)			
29. APPLICABLE POINT OF CONTACT (POC) INFORMATION		30. ANNUAL REAL ESTATE TAXES	
31. MINERAL RIGHTS RESERVED?		32. LEASEHOLD CASES (Complete if applicable)	
1. <input type="checkbox"/> YES (Explain) 2. <input type="checkbox"/> NO		A. LEASE IS B. EXPIRES (Date) <input type="checkbox"/> 99 YEARS <input type="checkbox"/> RENEWABLE C. ANNUAL GROUND RENT \$	
33A. SALE PRICE OF PROPERTY \$		33B. IS BUYER PURCHASING LOT SEPARATELY? 34. REFINANCING AMOUNT OF PROPOSED LOAN \$ 35. PROPOSED SALE CONTRACT ATTACHED	
1. <input type="checkbox"/> YES (If "Yes," see instructions page under "Sale Price") 2. <input type="checkbox"/> NO		1. <input type="checkbox"/> YES 2. <input type="checkbox"/> NO	
CERTIFICATION FOR SUBMISSION TO VA			
On receipt of "Notice of Value" or advice from the Department of Veterans Affairs that a "Notice of Value" will not be issued, we agree to forward to the appraiser the approved fee which we are holding for this purpose.			
36. SIGNATURE OF PERSON AUTHORIZING THIS REQUEST		37. TITLE	
38. TELEPHONE NUMBER (Include Area Code)		39. DATE	
40. DATE OF ASSIGNMENT		41. NAME OF APPRAISER	
WARNING: Section 1010 of title 18, U.S.C., provides: "Whoever for the purpose of . . . influencing such Administration . . . makes, passes, utters or publishes any statement knowing the same to be false . . . shall be fined not more than \$5,000 or imprisoned not more than two years or both."			
VA FORM 26-1805 AUG 2008		SUPERSEDES VA FORM 26-1805, AUG 2004, WHICH WILL NOT BE USED.	

UNDERWRITING THE VA APPRAISAL

Lenders may obtain approval for their staff VA Underwriters to review the borrower's credit, which is called "**Automatic Approval.**" They may also apply for approval under VA's "Lender Appraisal Processing Program (LAPP)." Upon acceptance of the lender and VA Underwriter by VA, all future VA appraisals will be delivered directly to the lender.

Master appraisals, foreclosure appraisals, appraisals for partial release of an existing VA loan and conversions of HUD appraisals to VA must be underwritten by the VA office having jurisdiction over the property. They cannot be underwritten by the lender's LAPP appraiser. For these cases, the appraiser will send the appraisal directly to VA. VA will review the appraisal and will issue a "VA Certificate of Reasonable Value (CRV)." VA will return the original CRV and a copy of the Uniform Residential Appraisal Report (URAR) to the lender. At the same time, VA will mail a copy of the CRV and URAR directly to the veteran purchaser.

For appraisals on "**Existing Construction**" and "**Fully completed new construction**" where a ten-year warranty will be given, the appraisal will be returned to the lender and may be underwritten by the lender's VA Underwriter. It is the VA Underwriter's responsibility to issue a "Lender's Notice of Value (NOV)," a copy of which must be provided to the veteran purchaser along with a copy of the complete URAR.

An example of an Assignment Sheet, VA CRV Request and NOV are shown on the following pages.

CONVERSION OF FHA APPRAISALS TO VA

VA will accept FHA/HUD appraisals to conversion to VA provided **ALL** of the following conditions are met:

1. The appraiser is:
 - a VA panel member
 - not a staff employee of the lender

CONVERSION OF FHA APPRAISALS TO VA (Cont'd)

2. The property:

- was appraised as an individual case (that is, not listed on a HUD “master” appraisal),
- did not already have a current VA appraisal on the date of the purchase agreement, and
- was appraised for HUD purposes and the lender documents a legitimate need to change to VA financing after the appraisal was made. That is, the buyer changed from HUD to VA financing while under contract, or the property is being purchased with VA financing after a contract with the previous buyer requiring HUD financing fell through.

3. The lender must submit to the VA office of jurisdiction:

- the lender’s written request for conversion, which includes a certification that identifies the property and addresses each of the above requirements,
- a completed VA form 26-1805, Request for Determination of Reasonable Value
- the HUD value notice, and
- the original appraisal report, including photographs and all other addenda.

The request for conversion **must be submitted to VA for approval**. A CRV will be issued if a VA staff review reveals that the lender’s appraisal request and certification, as well as the appraisal report, are acceptable.

► Assignment - Single Property Detail Report

► PRODUCTION Version 3.0

LAP Case: 22-22-6-4433556

Date: 03/24/20

Requester Data: Lender: 6155510000

205-980-1234 SMART

Case Description:

Address: 12 Mountain Goat Road
Valley View, AL 35953

County: St. Clair

Appraiser Data:

Appraisers Assigned: 1

0007 Imma Droveby

Address: 100 Repairs Are Us Drive
Birmingham, AL 35201

Phone: 205-880-4321

Fax: 205-880-4322

Inspector Data

Inspectors Assigned: 0

Return to Assignment - Single Property

**VA Pamphlet 26-7, Revised
Exhibit 1—LAPP Lender's Notice of Value****Chapter 13: Value Notices**

[on lender's letterhead]
LENDER'S NOTICE OF VALUE

[date of notice] LENDER LOAN NO.: VA CASE NO.:
 APPRAISAL REVIEWER: [SAR name, SAR id #]
[Mr. and/or Ms.] [purchaser's PROPERTY ADDRESS: [complete address]
name and current mailing address]

Dear [Mr. and/or Ms.] [purchaser's last name]:

The above property has been appraised by a fee appraiser assigned by the VA regional office in [city and state]. On [date], our VA-authorized appraisal reviewer personally reviewed the fee appraiser's report and determined the property's estimated reasonable value to be \$[amount]. The maximum repayment period for a loan to purchase this property is [fee appraiser's "economic life" estimate or 30, whichever is less] years.

The VA appraisal was made to determine the reasonable value of the property for loan purposes. It must not be considered a building inspection. Neither VA nor the lender can guarantee that the home will be satisfactory to you in all respects or that all equipment will operate properly. A thorough inspection of the property by you or a reputable inspection firm may help minimize any problems that could arise after loan closing. In an existing home, particular attention should be given to plumbing, heating, electrical and roofing components.

REMEMBER: VA GUARANTEES THE LOAN, NOT THE CONDITION OF THE PROPERTY.

THE CONDITIONS/REQUIREMENTS CHECKED BELOW APPLY TO THIS PROPERTY:

- _____ 1. **ENERGY CONSERVATION IMPROVEMENTS.** You may wish to contact the utility company or a reputable firm for a home energy audit to identify needed energy efficiency improvements to this previously occupied property. Lenders may increase the loan amount to allow buyers to make energy efficiency improvements such as: Solar or conventional heating/cooling systems, water heaters, insulation, weather-stripping/caulking and storm windows/doors. Other energy-related improvements may also be considered. The mortgage may be increased by up to \$3,000 based solely on documented costs; or up to \$6,000 provided the increase in 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 Pamphlet 26-7, Revised

Chapter 13: Value Notices

Exhibit 1—LAPP Lender's Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS [complete address]

VA CASE NO.:

2. WOOD-DESTROYING INSECT INFORMATION

a. Inspection Report (Existing Construction). The property must be inspected at no cost to you by a qualified pest control operator using Form NPCA-1, or other form acceptable to VA. Any reported infestation or structural damage affecting the value of the property must be corrected to VA's satisfaction prior to loan settlement. You must acknowledge receipt of a copy of the inspection report in the space provided on the form.

b. Soil Treatment Guarantee (Proposed or Under Construction). A properly completed Form NPCA-99a is required. If the soil is treated with a termiticide, a properly completed Form NPCA-99b is also required. The lender will provide you with a copy.

3. LIEN-SUPPORTED ASSESSMENT. This property is located in a development with mandatory membership in a homeowners' association. The lender is responsible for ensuring that title meets VA requirements for such property and that homeowner association assessments are subordinate to the VA-guaranteed mortgage.

a. Homeowner Association Fee. Estimated fee of \$[amount] per [period of time].

b. Other. _____

4. CONDOMINIUM REQUIREMENTS. The lender is responsible for ensuring that this condominium is acceptable to VA and that any condominium-related special conditions or requirements have been met. There may be additional information in "Other Conditions/Requirements" below.

5. WATER/SEWAGE SYSTEM ACCEPTABILITY. Evidence from the local health authority or other source authorized by VA that the individual _____ **water supply**, _____ **sewage disposal** system(s) is/are acceptable.

6. CONNECTION TO PUBLIC WATER/SEWER. Evidence of connection to _____ **public water**, _____ **public sewer**, if available, and that all related costs have been paid in full.

7. PRIVATE ROAD/COMMON-USE DRIVEWAY. Evidence that use of the private road or common-use driveway is protected by a recorded permanent easement or recorded right-of-way from the property to a public road, and that a provision exists for its continued maintenance.

VA Pamphlet 26-7, Revised

Chapter 13: Value Notices

Exhibit 1—LAPP Lender's Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address]

VA CASE NO.:

- _____ 8. **FLOOD INSURANCE.** Since improvements on this property are located in a FEMA Special Flood Hazard Area, flood insurance is required.
- _____ 9. **“AIRPORT” ACKNOWLEDGEMENT.** Your written acknowledgement that you are aware that this property is located near an airport and that aircraft noise may affect the livability, value and marketability of the property.
- _____ 10. **REPAIRS.** The _____ lender _____ fee appraiser (_____ [name] _____) _____ fee compliance inspector (_____ [name] _____) is to certify that the following repairs have been satisfactorily completed. See the above second paragraph about your responsibility concerning the condition of the property. [List repairs recommended by fee appraiser which are necessary to make the property meet VA minimum property requirements for existing construction. Inspections/certifications should not be required unless there is an indication of a potential problem.]
(List repairs recommended by fee appraiser which are necessary to make the property meet VA minimum property requirements for existing construction. Inspections/certifications should not be required unless there is an indication of a potential problem.)
- _____ 11. **LOCAL HOUSING/PLANNING AUTHORITY CODE REQUIREMENTS.** Evidence that local housing or planning authority code requirements, if any, have been met.
- _____ 12. **“NOT INSPECTED” ACKNOWLEDGEMENT.** Your written Acknowledgement that, you are aware that since this new property was not inspected during construction by VA,
- _____ a. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder's warranty period.
- _____ b. VA will not intercede on your behalf in the processing of any construction complaints.
- _____ 13. **TEN-YEAR INSURED PROTECTION PLAN.** Evidence of enrollment of this new property in a 10-year insured protection plan acceptable to the Department of Housing and Urban Development (HUD).

Continued on next page

VA Pamphlet 26-7, Revised

Chapter 13: Value
Notices

Exhibit 1—LAPP Lender's Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)

[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address]

VA CASE NO.:

- _____ 14. **ENERGY EFFICIENT CONSTRUCTION.** Builder's certification which identifies this new dwelling and states that it was constructed to meet the energy conservation standards of the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC).
- _____ 15. **LEAD/WATER DISTRIBUTION SYSTEM.** Builder's certification which identifies this new dwelling and states that the solders and flux used in construction did not contain more than 0.2 percent lead and that the pipes and pipe fittings used did not contain more than 8.0 percent lead.
- _____ 16. **OFFSITE IMPROVEMENTS.** Evidence that the streets, sidewalks, drains, water, sewer, etc. have been completed and accepted for maintenance by the local authority.
- _____ 17. **PROPOSED CONSTRUCTION.** To be completed based on construction exhibits identified as _____[model name; or type of construction, square footage, # rooms, # bedrooms and # bathrooms]_____
- _____ 18. **CONSTRUCTION INSPECTIONS.** By VA fee compliance inspector (_____[name]_____) or HUD fee inspector (with prior VA approval).
_____ Only a final inspection is required if local building authority inspections are acceptable to VA, or if builder to provide you with a ten-year insured protection plan acceptable to HUD.
- _____ 19. **CONSTRUCTION WARRANTY.** One-year VA builder's warranty on a fully completed VA Form 26-1859, Warranty of Completion of Construction.

Continued on next page

VA Pamphlet 26-7, Revised

Chapter 13: Value Notices

Exhibit 1—LAPP Lender’s Notice of Value, Continued

CONDITIONS/REQUIREMENTS (CONTINUED)
[Check all items which apply and give appropriate information]

PROPERTY ADDRESS: [complete address] VA CASE NO.:

____ 20. OTHER CONDITIONS/REQUIREMENTS

Sincerely,

[signature, name and title of person authorized to sign notice]

APPRAISAL CHECKLIST

- How will the property be appraised? (Existing, new construction or proposed or under construction.)
- Do any of the following property conditions exist that would make the property ineligible for VA appraisal?
 - a. There is already a current, outstanding VA appraisal on the property.
 - b. Bad physical condition.
 - c. Located in a condominium unlikely to be approved by VA or HUD prior to loan closing.
 - d. Less than fee simple ownership without VA prior approval.
 - e. Any party to the transaction is excluded from participation in the VA Loan Guaranty program for any reason.
 - f. Proposed, new or under construction, and the builder is unable to obtain a VA builder ID number.
 - g. Located in a Special Flood Hazard Area (SFHA) and:
 - 1. Flood insurance is not available, or
 - 2. Proposed, new or under construction and the elevation of the lowest floor is below the 100 year flood level.
 - h. Subject to regular flooding, whether or not it is in a SFHA.
 - i. Located in a Coastal Barrier Resources System area.
 - j. Proposed or under construction and in an airport Noise Zone 3.
 - k. Any part of the residence is within a transmission line easement for high-pressure gas, liquid petroleum or high voltage electricity.
 - l. Proposed, new or under construction and in an area susceptible to earthquakes or landslides or having a history of unstable soils and the builder cannot provide evidence that either the site is not affected or the problem has been adequately addressed in the engineering design.
- If the property will be appraised as new construction:
 - a. Is the builder on the GSA list as debarred Government-wide?
 - b. Does the builder have a VA builder identification number (required)?
 - c. Is the construction fully completed except for “customer preference” items or items for which escrows are permitted?
 - d. Does the builder agree to provide the veteran with either a one-year VA builder’s warranty or a ten-year insured protection plan?
 - e. Will the veteran agree to make the required written acknowledgment?

If the property will be appraised as **proposed or under construction**:

- a. Is the builder on the GSA list as debarred Government-wide?
- b. Does the builder have a VA builder identification number (required)?
- c. Did the builder provide the required construction exhibits (plans & specifications)?
- d. Does the builder agree to have the property inspected by VA?
- e. Does the builder agree to provide the veteran with a one-year VA builder's warranty?
- f. If the property requires a final inspection and local building authority inspections are not acceptable to VA in lieu of VA first and second stage inspections, does the builder agree to provide the veteran with both a one-year VA builder's warranty and a ten-year insured protection plan?

• Request the appraisal if:

- a. You have determined how the property will be appraised (Item 1 above), and
- b. The property appears to be eligible for VA appraisal (Item 2 above), and
- c. You are aware of VA requirements if the appraisal involves any of the issues in Items 3,4, and 5 above.

NOTE: When in doubt, check the VA Lender's handbook. If still in doubt, contact the VA office with jurisdiction over the location of the property.

Shown on the next few pages is a list of "Local" requirements for VA Notices of Value for each state, as per VA Circular 26-01-5.

Cursory Review of an Appraisal

Loan Processors should make a general cursory review of the Notice of Value to ensure its accuracy.

Cursory review requirements include:

- reviewing the sales comparison grid,
- confirming that the report contains the required photographs (see Chapter 11, Topic 3 of this Handbook) which accurately reflect the appraiser's description of the subject and comparable properties,
- identifying all VA MPRs that must be addressed before the property can become the security for a VA-guaranteed loan,
- reviewing any alerts identified by the AMS, documenting any high alerts in WebLGY notes, and
- identifying any additional conditions that must be included on the NOV.

June 20, 2001

Circular 26-01-5
Exhibit

“LOCAL” REQUIREMENTS FOR VA NOTICES OF VALUE

IMPORTANT:

- a. Each State is listed alphabetically, with the VA office of jurisdiction shown in parentheses. Some States have more than one VA office.
- b. A VA office’s “local” requirements pertain only to properties in that office’s jurisdiction. The primary source of information about VA requirements is the VA Lender’s Handbook. “Local” requirements supplement those in the Handbook.
- c. Unless otherwise noted, wood-destroying insect information is required per Section 13.06 of the Lender’s Handbook. **Regardless of the location of the property, an inspection is always required if the appraisal report indicates evidence of wood-destroying insect damage or an active insect infestation.**
- d. VA offices may instruct fee appraisers to list, when applicable, other “local” requirements as conditions on appraisal reports. Contact the fee appraiser or VA office if there is a question about an appraisal report condition.

ALABAMA (MONTGOMERY)

No “local” requirements.

ALASKA (ANCHORAGE)

- Every Alaska property with an individual water supply or sewage disposal system requires evidence from the local health authority (or other source authorized by VA) that those systems are acceptable.
- The VA notice of value for every “Energy Rated Home” with a value adjustment for a “Five Star” or “Five Star+” rating must state, “Lender to provide evidence of Five Star or Five Star+ energy rating.”
- Property located in either a Red or Blue avalanche zone is not eligible to be the security for a VA-guaranteed loan.
- Call the Anchorage office if there are questions regarding property characteristics peculiar to Alaska, such as: ice cellars in Barrow; valuation of garages, or water supply/sewage disposal system service in Bethel; cistern water supplies in Ketchikan; adjustable foundations in Fairbanks/North Pole; fractional lots in Juneau; etc.
- Wood-destroying insect information is not generally required.

ARIZONA (PHOENIX)

- For properties listed on a master appraisal, the combined value of the optional items selected by a veteran purchaser can not exceed 7 percent of the reasonable value assigned for the base plan type (exclusive of any lot premium).

Circular 26-01-5
Exhibit

June 20, 2001

ARKANSAS (LITTLE ROCK)

- No “local” requirements.

CALIFORNIA (LOS ANGELES, OAKLAND, SAN DIEGO)

- For properties listed on a master appraisal, the combined value of the optional items selected by a veteran purchaser can not exceed 7 percent of the reasonable value assigned for the base plan type (exclusive of any lot premium).

COLORADO (DENVER)

- For Colorado properties to be covered by a 10-year insured protection plan, the warranty must also cover the basement slab for the first through the fourth year.

CONNECTICUT (MANCHESTER, NH)

- No “local” requirements.

DELAWARE (PHILADELPHIA, PA)

- No “local” requirements.

DISTRICT OF COLUMBIA (WASHINGTON, DC)

- No “local” requirements.

FLORIDA (ST. PETERSBURG)

- A heating system is not required in the following south Florida counties: Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.
- Since the State of Florida does not allow anyone other than a licensed appraiser to establish value, lenders cannot use their Lender Appraisal Processing Program authority to change the appraiser’s value estimate.

GEORGIA (ATLANTA)

- No “local” requirements.

HAWAII (HONOLULU)

- For leasehold estates, a copy of the lease must accompany the appraisal request. The total lease term must exceed the mortgage term by 14 years, and the mortgage term must not exceed the fixed rent period of the lease.

June 20, 2001

Circular 26-01-5
Exhibit

IDAHO (BOISE)

- Any wood-burning appliance, including pellet stoves, in an Idaho property must be inspected by the local fire or building authority (or a private inspector authorized by VA) to ensure that the entire installation (including stove, stovepipe, chimney and floor and wall protection) is safe.
- All community water systems in Idaho must be currently approved by both the Idaho Department of Environmental Quality and the local health authority.
- Every Idaho property in the Spokane/Rathdrum Prairie Single Source Aquifer (essentially Kootenai County) with an individual sewage disposal system requires evidence from the local health authority that the system is acceptable.
- Wood-destroying insect information is required only for properties 50 years old or older, or for properties 25 years old or older in Canyon or Payette counties or in Boise between N4th and N28th streets.

ILLINOIS (CHICAGO)

- No “local” requirements.

INDIANA (INDIANAPOLIS)

- No “local” requirements.

IOWA (DES MOINES)

- No “local” requirements.

KANSAS (WICHITA)

- No “local” requirements.

KENTUCKY (LOUISVILLE)

- No “local” requirements.

LOUISIANA (NEW ORLEANS)

- No “local” requirements.

MAINE (MANCHESTER, NH)

- Wood-destroying insect information is not generally required.

MARYLAND 1 (BALTIMORE)

- No “local” requirements.

Circular 26-01-5
Exhibit

June 20, 2001

MARYLAND 2 (WASHINGTON, DC)

- The VA notice of value for every property in the Maryland counties of Montgomery and Prince Georges must state either “The estimated reasonable value reflects a balance owed on the water/sewer assessment” or “The estimated reasonable value reflects that the water/sewer assessment has been paid in full.”

MASSACHUSETTS (MANCHESTER, NH)

- Every Massachusetts property with an individual sewage disposal system requires evidence from the local health authority (or other source authorized by VA) that the system meets the Massachusetts Department of Environmental Protection (DEP). Title 5 standards.

MICHIGAN (DETROIT)

- Wood-destroying insect information is required for all properties in the following Michigan counties: Allegan, Barry, Berrien, Branch, Calhoun, Cass, Hillsdale, Ionia, Jackson, Kalamazoo, Kent, Lenawee, Livingston, Macomb, Mason, Monroe, Muskegon, Oakland, Oceana, Ottawa, St. Clair, St. Joseph, VanBuren, Washtenaw and Wayne.
- A copy of the builder’s license is required for all Michigan properties appraised as either proposed, under construction, or new construction.

MINNESOTA (ST, PAUL)

- Wood-destroying insect information is not generally required.

MISSISSIPPI (JACKSON)

- No “local” requirements.

MISSOURI (ST. LOUIS)

- No “local” requirements.

MONTANA (DENVER, CO)

- Wood-destroying insect information is not generally required.

NEBRASKA (LINCOLN)

- Every Nebraska property with an individual water supply or sewage disposal system requires evidence from the Nebraska Department of Health (or their authorized local health authority) that the system is acceptable.
- Wood-destroying insect information is required for all Nebraska properties.

June 20, 2001

Circular 26-01-5
Exhibit

NEVADA 1 (PHOENIX, AZ)

- For properties listed on a master appraisal, the combined value of the optional items selected by a veteran purchaser can not exceed 7 percent of the reasonable value assigned for the base plan type (exclusive of any lot premium).

NEVADA 2 (OAKLAND, CA)

- For properties listed on a master appraisal, the combined value of the optional items selected by a veteran purchaser can not exceed 7 percent of the reasonable value assigned for the base plan type (exclusive of any lot premium).

NEW HAMPSHIRE (MANCHESTER)

- Wood-destroying insect information is required only for the southern New Hampshire counties of Cheshire, Sullivan, Merrimack, Rockingham, Belknap, Hillsborough and Strafford.

NEW JERSEY (NEWARK)

- For all properties appraised as either proposed, under construction, or new construction, the builder must provide the purchaser with an approved Home Owners Warranty policy, available through the New Jersey home insurance program.
- Every New Jersey property with an individual sewage disposal system requires evidence from the local health authority (or other source authorized by VA) that the system is acceptable.
- All condominium projects must be registered with the State of New Jersey Consumer Affairs Department, which will provide a case number and a written notice of project approval.

NEW MEXICO (ALBUQUERQUE)

- No “local” requirements.

NEW YORK 1 (BUFFALO)

- No “local” requirements.

NEW YORK 2 (NEW YORK CITY)

- Wood-destroying insect information is required for all properties in the following New York counties: Bronx, Broome, Columbia, Delaware, Dutchess, Greene, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster and Westchester.

NORTH CAROLINA (WINSTON-SALEM)

- No “local” requirements.

Circular 26-01-5
Exhibit

June 20, 2001

NORTH DAKOTA (ST. PAUL, MN)

- Wood-destroying insect information is not generally required.

OHIO (CLEVELAND)

- No “local requirements.

OKLAHOMA (MUSKOGEE)

- Oklahoma property less than 300 feet from the boundary of an active or planned oil/gas drilling site or less than 75 feet from the boundary of an operating well is not eligible to be the security for a VA-guaranteed loan.
- Call the Muskogee office if the property is within 300 feet of a stationary storage tank containing more than 1000 gallons of flammable or explosive material.

OREGON (PORTLAND)

- No “local” requirements.

PENNSYLVANIA 1 (PHILADELPHIA)

- No “local” requirements.

PENNSYLVANIA 2 (PITTSBURGH)

- Springs or cisterns are not an acceptable water supply. A dug well is acceptable only in Erie County along the Lake Erie coast.
- Mine subsidence insurance is required in active mining areas and in areas with known subsidence problems from previous mining.

PUERTO RICO (SAN JUAN)

- Wood-destroying insect information is required if any part of the property (including carport, terraces, etc.) is (or will be) constructed of wood not pressure treated in conformance with American Wood Preservers Institute standards.

RHODE ISLAND (MANCHESTER, NH)

- No “local” requirements.

SOUTH CAROLINA (COLUMBIA)

- The permanent easement or deeded right-of-way protecting private street access to a South Carolina property must be “open” and clear for use.
- A copy of the builder’s license is required for all South Carolina properties appraised as either proposed, under construction, or new construction.

June 20, 2001

Circular 26-01-5
Exhibit

SOUTH DAKOTA (ST. PAUL, MN)

- No “local” requirements.

TENNESSEE (NASHVILLE)

- No “local” requirements

TEXAS 1 (HOUSTON)

- Every property in the Houston office’s jurisdiction with an individual sewage disposal system requires evidence from the local health authority that the system is acceptable. If the local authority will not provide that evidence, then any qualified party of the lender’s choice may inspect the system.

TEXAS 2 (WACO)

- No “local” requirements.

UTAH (SALT LAKE CITY)

- Wood-destroying insect information is required for all Utah properties.

VERMONT (MANCHESTER, NH)

- Wood-destroying insect information is required only in the southern Vermont counties of Bennington and Windham.

VIRGINIA 1 (ROANOKE)

- The maximum number of options that can be included in a master appraisal is 50. The combined value of the optional items selected by a veteran purchaser can not exceed 10 percent of the reasonable value assigned for the base plan type (exclusive of any lot premium).

VIRGINIA 2 (DISTRICT OF COLUMBIA)

- No "local" requirements for counties of Arlington, Fairfax, Loudoun, Prince William, Spotsylvania and Stafford; and cities of Alexandria, Fairfax, Falls Church and Fredericksburg.

WASHINGTON (SEATTLE)

- For manufactured homes in the State to be considered real property, their title as a mobile home must be eliminated.
- All additions, modifications, or attachments to a manufactured home, including roof replacement, must be inspected and approved by the Washington State Department of Labor and Industries.
- Since the State does not regulate community water systems, other than for water quality, VA must review and accept the organizational documents for community systems and shared wells.
- Every Washington State property with an individual sewage disposal system requires evidence from the local health authority (or other source authorized by VA) that the system is acceptable.

Circular 26-01-5
Exhibit

June 20, 2001

- Individual water supplies involving springs, dug wells or driven point wells are not acceptable.
- Although wood-destroying insect information is not generally required, when an inspection is necessary the State requires that it identify rot and conditions conducive to rot. For that reason, either the Washington State Pest Association form must be used or an appropriate attachment made to the National Pest Control Association form.

WEST VIRGINIA (ROANOKE, VA)

- Every West Virginia property with an individual sewage disposal system requires evidence from the local health authority (or other source authorized by VA) that the system is acceptable.

WISCONSIN (MILWAUKEE)

- No “local” requirements.

WYOMING (DENVER, CO)

- No “local” requirements.

CREDIT REPORT REQUIREMENTS

CREDIT REPORT REQUIREMENTS (Traditional)

The credit report submitted with each loan must contain all credit that is available in the repositories accessed and provide an account of the credit, residence history and public records information as is available in the credit repositories of each borrower responsible for the mortgage debt. The minimum credit report required by FHA and VA is a **"three repository merged"** credit report (TRMCR). A Residential Mortgage Credit Report (RMCR) from an independent consumer reporting agency may also be used. One report is required for each borrower or a joint report may be obtained for a married couple.

The TRMCR submitted must be an original received electronically and printed on the lender's printer or delivered by the credit reporting agency and must not have whiteouts, erasures, or alterations. It must indicate the name, address, and telephone number of the consumer reporting agency and each account listed must show the primary repository from which the particular information was pulled. The name of the party ordering the report must be shown.

The credit report must include all credit and legal information not considered obsolete under the Fair Credit Reporting Act, including bankruptcies, judgments, law suits, foreclosures and tax liens that have occurred within the last seven years. All inquiries made within the last 90 days must also be included in the report.

The credit report must identify each borrower's name, social security number and, for each debt listed, the date the account was opened, the high credit amount, required payment, the unpaid balance and payment history as contained in the credit repositories. The report must be in an easy-to-read and understandable format without the need for code translations.

The lender must also separately develop credit information for any open debt listed on the loan application but not referenced on the credit report. Accounts listed as "rate by mail only" or "need written authorization" require separate verification.

While the TRMCR should prove sufficient for processing most loan applications, the circumstances that require ordering of a RMCR include:

CREDIT REPORT REQUIREMENTS (Traditional) (Cont'd)

1. The borrower(s) disputes accounts on the TRMCR as not his/hers/theirs; or
2. The borrower(s) claims that collections, judgments, or liens reflected as open on the TRMCR have been paid and cannot provide separate documentation supporting this; or
3. The borrower claims that certain debts shown on the report have different balances and/or payments and cannot provide current statements (less than 30 days old) attesting to this fact; or
4. The lender's underwriter determines that it would be prudent to utilize a RMCR in lieu of a three repository merged report to properly underwrite the loan.

If the lender orders a TRMCR and subsequently orders a full RMCR, the borrower may only be charged for the RMCR. A borrower may not be charged for both a TRMCR and a RMCR on the same loan except when delays on the part of the borrower require the TRMCR to be updated and a RMCR is ordered for one of the reasons described above.

The lender must make every effort to determine the need for the RMCR within this time frame to avoid the additional charge. As always, the borrower may only be charged in the amount billed by the credit reporting agency.

If a RMCR is used by the lender, it must access at least two (2) named repositories, meet all the requirements of the TRMCR, plus the following:

1. Provide a detailed account of the borrower's employment history.
2. Verify each borrower's current employment and income (if obtainable) and include a statement attesting to its certification of employment and date verified. If not obtained by an interview with the employer, the credit reporting agency must state why this was not done.

Each account with a balance must have been checked with the creditor within 90 days of the credit report.

CREDIT REPORT REQUIREMENTS (Non-Traditional)

A Non-Traditional Mortgage Credit Report (NTMCR) is designed to assess the credit history for borrowers without the types of trade references normally appearing on a traditional credit report. It can be used either as a substitute for a TRMCR or RMCR for those borrowers without a credit history with traditional credit grantors, or to supplement a traditional credit report having an insufficient number of trade items reported. A NTMCR may not, however, be used to enhance the credit history of borrowers with a poor payment record or to "manufacture" a credit report for those without a verifiable credit history. It may not be used to offset derogatory references found in the borrower's traditional credit, such as collections and judgments.

If the information obtained through the standard credit report is not sufficient for the lender to make a prudent underwriting decision, the lender may use a NTMCR developed by a credit reporting agency that documents all non-traditional credit references. Otherwise, the lender must develop its own nontraditional credit history consistent with the requirements described below for credit reporting agencies.

The credit reporting agency is to consider only the types of credit that require the mortgage applicant to make periodic payments on a regular basis. The type of credit that can be used may consist of payments for rental housing and utilities (if not included in the rental payment), telephone service, cable television service; payments for various types of insurance (excluding those paid through payroll deductions) such as medical, automobile, life, and household or renter's insurance; payments to child care providers, school tuition, payments to local stores, payments for the uninsured portion of any medical bills, etc.

LENDER-SPECIFIC OVERLAYS

Although VA may not have specific maximum credit scores, the lender may require certain credit overlays. Be sure to check with your respective lender to determine if they require minimum credit scores.

OMB Control No. 2900-0153
 Response Burden: 30 minutes
 Expiration Date: 06/31/2025

Department of Veterans Affairs		LOAN ANALYSIS		LOAN NUMBER 5550304	
PRIVACY ACT INFORMATION: The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendor Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.					
RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: www.omb.gov/omb/fedinfo/PRAMain . If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.					
SECTION A - LOAN DATA					
1. NAME OF BORROWER James D Kilgore Marjorie R Kilgore		2. AMOUNT OF LOAN \$ 101,276.50		3. CASH DOWN PAYMENT ON PURCHASE PRICE \$	
SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS					
4. APPLICANT'S AGE 36	5. OCCUPATION OF APPLICANT Contractor	6. NUMBER OF YEARS AT PRESENT EMPLOYMENT 3 yr(s)	7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$ 1,000.00	8. CURRENT MONTHLY HOUSING EXPENSE \$ 750.00	
9. UTILITIES INCLUDED <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	10. SPOUSE'S AGE 30	11. OCCUPATION OF SPOUSE Asst. Manager Housekeeping	12. NUMBER OF YEARS AT PRESENT EMPLOYMENT 3 yr(s)	13. AGE OF DEPENDENTS	
NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR					
SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES (This Property)			SECTION D - DEBTS AND OBLIGATIONS (Itemize and indicate by () which debts considered in Section E, Line 40) (If additional space is needed please use reverse or attach a separate sheet)		
ITEMS		AMOUNT	ITEMS		UNPAID BAL.
14. TERM OF LOAN: 30 YRS.			22. Chrysler Credit	✓	\$ 319.00 \$ 4,380.00
15. MORTGAGE PAYMENT (Principal and Interest) @ 4.500 %	\$ 513.18		23. AAA Master Card	✓	\$ 17.00 \$ 555.00
16. REALTY TAXES	\$ 100.00		24. Chase Visa	✓	\$ 45.00 \$ 1,500.00
17. HAZARD INSURANCE	\$ 43.00		25.		
18. SPECIAL ASSESSMENTS			26.		
19. MAINTENANCE & UTILITIES	\$ 280.00		27.		
20. OTHER (HOA, Condo fees, etc.)			28. JOB RELATED EXPENSE (e.g., child care)		
21. TOTAL	\$ 936.18		30. TOTAL	\$ 381.00	\$ 6,435.00
SECTION E - MONTHLY INCOME AND DEDUCTIONS					
ITEMS		SPOUSE	BORROWER	TOTAL	
31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT		1,800.00	2,500.00	\$ 4,300.00	
32. FEDERAL INCOME TAX		\$ 202.50	\$	\$ 281.25	
33. STATE INCOME TAX		90.00	125.00		
34. DEDUCTIONS RETIREMENT OR SOCIAL SECURITY		137.70	191.25		
35. OTHER (Specify)					
36. TOTAL DEDUCTIONS		\$ 430.20	\$ 597.50	\$ 1,027.70	
37. NET TAKE-HOME PAY		1,369.80	1,902.50	\$ 3,272.30	
38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)					
39. TOTAL (Sum of lines 37 and 38)		\$ 1,369.80	\$ 1,902.50	\$ 3,272.30	
40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME				\$ 381.00	
41. TOTAL NET EFFECTIVE INCOME				\$ 2,891.30	
42. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)				\$ 936.18	
43. BALANCE AVAILABLE FOR FAMILY SUPPORT			GUIDELINE \$ 738.00	\$ 1,955.14	
44. RATIO (Sum of lines 15, 16, 17, 18, 20 and 40 ÷ sum of lines 31 and 38)				24.120 %	
45a. WAS AN AUTOMATED UNDERWRITING SYSTEM USED?		45b. SELECT SYSTEM USED (Check appropriate box)		45c. RISK CLASSIFICATION	
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (If "YES," complete item 49b)		<input type="checkbox"/> LP <input checked="" type="checkbox"/> DU <input type="checkbox"/> OTHER		<input checked="" type="checkbox"/> ACCEPT <input type="checkbox"/> REFER	
46. BORROWER MEDIAN CREDIT SCORE 720	47. BORROWER CAIVRS BOR CAIVR #: A43758	48. CO-BORROWER MEDIAN CREDIT SCORE 733	49. CO-BORROWER CAIVRS COB CAIVR #: A43759		
50. PAST CREDIT RECORD <input checked="" type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY	51. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		52. VA APPROVED UNDERWRITER ID (Not required for Supervised Lenders)		
53. REMARKS (If additional space is needed, use reverse or attach a separate sheet)					
SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION					
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives. <input type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above. The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)					
54. DATE SIGNED		55. SIGNATURE OF VA APPROVED UNDERWRITER			
56. FINAL ACTION <input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION		57. DATE SIGNED		58. SIGNATURE AND TITLE OF APPROVING OFFICIAL	

VA FORM
AUG 2022 26-6393

SUPERSEDES VA FORM 26-6390, AUG 2019,
WHICH WILL NOT BE USED.

Calyx Form - vaia.frm (04/2023)

PREPARING THE LOAN ANALYSIS WORKSHEET VA FORM 26-6393

Instructions for completing this form are shown below:

SECTION A - LOAN DATA

Section A includes the name of the veteran and co-borrower. The amount of the loan will include the funding fee financed, if applicable.

SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS

The information provided in this section is obtained from the verifications received relating to the borrower's verified employment and liquid assets.

SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES

Enter the proposed monthly payment, including property taxes and hazard insurance. The estimates for maintenance and utilities are figured at \$.14 per square foot. You may also use the VA Pre-Qualification Worksheet in this manual which will provide you reasonable estimates.

SECTION D - DEBTS AND OBLIGATIONS

Itemize all debts and obligations verified through the credit report and other sources, indicating with an "X" the debts that will be included for qualifying purposes. All debts with 9 or fewer payments remaining will not have an "X". If child care expenses must be included, include them in this section.

SECTION E - MONTHLY INCOME AND DEDUCTIONS

The information in this section may be taken from the borrower's pay stubs. It is permissible to use the most recent Federal and State Tax Charts to determine taxes, but the pay stub is more accurate.

The **VA Pre-Qualification Worksheet** shown earlier in this manual may be used as a guide for completing this section. It was designed to be compatible with this section.

To determine the back ratio, divide the proposed PITI (not utilities and maintenance), plus long-term debts, by the verified gross income to obtain the Back Ratio.

Type in the borrower's and co-borrower's Median Credit Score on Line 46.

Type in the borrower's and co-borrower's Credit Alert Numbers on Line 47.

OMB Control No. 2900-0523
 Respondent Burden: 30 minutes
 Expiration Date: 08/31/2025

Department of Veterans Affairs		LOAN ANALYSIS		LOAN NUMBER 5550304	
<p>PRIVACY ACT INFORMATION: The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendor Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.</p> <p>RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: www.omb.gov/privacy/PRAMain. If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.</p>					
SECTION A - LOAN DATA					
1. NAME OF BORROWER James D Kilgore Marjorie R Kilgore		2. AMOUNT OF LOAN \$ 101,276.50		3. CASH DOWN PAYMENT ON PURCHASE PRICE \$	
SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS					
4. APPLICANT'S AGE 36	5. OCCUPATION OF APPLICANT Contractor	6. NUMBER OF YEARS AT PRESENT EMPLOYMENT 3 yr(s)	7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$ 1,000.00	8. CURRENT MONTHLY HOUSING EXPENSE \$ 750.00	
9. UTILITIES INCLUDED <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	10. SPOUSE'S AGE 30	11. OCCUPATION OF SPOUSE Asst. Manager Housekeeping	12. NUMBER OF YEARS AT PRESENT EMPLOYMENT 3 yr(s)	13. AGE OF DEPENDENTS	
NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR					
SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES (This Property)			SECTION D - DEBTS AND OBLIGATIONS (Itemize and indicate by () which debts considered in Section E, Line 40 (If additional space is needed, please use reverse or attach a separate sheet))		
ITEMS		AMOUNT	ITEMS		() MO. PAYMENT UNPAID BAL.
14. TERM OF LOAN: 30 YRS.			22. Chrysler Credit	<input checked="" type="checkbox"/>	\$ 319.00 \$ 4,380.00
15. MORTGAGE PAYMENT (Principal and Interest) @ 4.500 %	\$ 513.16		23. AAA Master Card	<input checked="" type="checkbox"/>	\$ 17.00 \$ 555.00
16. REALTY TAXES	100.00		24. Chase Visa	<input checked="" type="checkbox"/>	\$ 45.00 \$ 1,500.00
17. HAZARD INSURANCE	43.00		25.		
18. SPECIAL ASSESSMENTS			26.		
19. MAINTENANCE & UTILITIES	280.00		27.		
20. OTHER (HOA, Condo fees, etc.)			28.		
21. TOTAL	\$ 936.16		29. JOB RELATED EXPENSE (e.g., child care)		
			30. TOTAL	\$ 381.00	\$ 6,435.00
SECTION E - MONTHLY INCOME AND DEDUCTIONS					
ITEMS		SPOUSE	BORROWER	TOTAL	
31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT		1,800.00	2,500.00	\$ 4,300.00	
32. FEDERAL INCOME TAX	\$ 202.50	\$ 281.25			
33. STATE INCOME TAX	90.00	125.00			
34. RETIREMENT OR SOCIAL SECURITY	137.70	191.25			
35. OTHER (Specify)					
36. TOTAL DEDUCTIONS	\$ 430.20	\$ 597.50		\$ 1,027.70	
37. NET TAKE-HOME PAY	1,369.80	1,902.50		3,272.30	
38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)					
39. TOTAL (Sum of lines 37 and 38)	\$ 1,369.80	\$ 1,902.50		\$ 3,272.30	
40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME				381.00	
41. TOTAL NET EFFECTIVE INCOME				\$ 2,891.30	
42. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)				936.16	
43. BALANCE AVAILABLE FOR FAMILY SUPPORT				GUIDELINE \$ 736.00	\$ 1,955.14
44. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 ÷ sum of Items 31 and 38)				24.120 %	
45a. WAS AN AUTOMATED UNDERWRITING SYSTEM USED?		45b. SELECT SYSTEM USED (Check appropriate box)		45c. RISK CLASSIFICATION	
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (If "YES," complete Item 45b)		<input type="checkbox"/> LP <input checked="" type="checkbox"/> DU <input type="checkbox"/> OTHER		<input checked="" type="checkbox"/> ACCEPT <input type="checkbox"/> REFER	
46. BORROWER MEDIAN CREDIT SCORE 720	47. BORROWER CAIVRS BOR CAIVR #: A43758	48. CO-BORROWER MEDIAN CREDIT SCORE 733	49. CO-BORROWER CAIVRS COB CAIVR #: A43759		
50. PAST CREDIT RECORD <input checked="" type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY	51. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary; e.g., borderline case) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		52. VA APPROVED UNDERWRITER ID (Not required for Supervised Lenders)		
53. REMARKS (If additional space is needed, use reverse or attach a separate sheet)					
SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION					
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives. <input type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above. The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)					
54. DATE SIGNED		55. SIGNATURE OF VA APPROVED UNDERWRITER			
56. FINAL ACTION <input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION		57. DATE SIGNED		58. SIGNATURE AND TITLE OF APPROVING OFFICIAL	

VA FORM 26-6393
AUG 2022

SUPERSEDES VA FORM 26-6393, AUG 2019,
WHICH WILL NOT BE USED.

Calixa Form - valia.frm (04/20/23)

UNDERWRITING SUBMISSION - STACKING ORDER

The following is a suggested format for document stacking order if one isn't provided by your company or investor:

- _____ Cover letter
- _____ Original VA Certificate of Eligibility
- _____ Verification of VA Benefits (Form 26-8937) if required
- _____ Automated Underwriting Feedback, if used, in the order pulled with the most recent submission on top
- _____ Automated Underwriting Credit Report(s)
- _____ VA Loan Analysis (Form 26-6393)
- _____ Final, printed Loan Application
- _____ Initial Loan Application
- _____ Evidence of Credit Alert (CAIVRS) Authorization
- _____ Credit Report
- _____ All credit related documents; i.e., explanations for derogatory credit, bankruptcy papers, divorce settlement agreements, rent and/or mortgage verifications, etc.
- _____ Asset verification
- _____ Employment and/or income verification
- _____ Sales contract
- _____ Evidence of VA case number and appraiser assignment (both pages)
- _____ VA Appraisal
- _____ VA specific disclosures
- _____ RESPA disclosures and credit authorization

HOW TO REQUEST LOAN GUARANTY

A Loan Guaranty Certificate (LGC) is the lender's record that VA has guaranteed the loan. Lenders are strongly encouraged to use VA's web-based Loan Guaranty Program, **webLGY** (available through the VA Portal) to obtain electronic LGCs. This program enables participating lenders to electronically submit a loan to VA for guaranty.

This information was provided earlier when discussing the procedure for requesting an updated Certificate of Eligibility. Shown on the next few pages is the procedure for requesting a Loan Guaranty Certificate (LGC).

The purpose of this new application is to allow lenders to obtain real time guarantees, search for guaranteed VA loans, process certificates of eligibility, and enter prior approval loans.

The new WebLGY application offers a new menu with three options: *Select Loans*, *Eligibility*, and *contact a Regional Loan Center*.

Request Guaranty Certificate

To request a Guaranty Certificate, select the *Enter New Loan* option located under the *Select Loan* menu. When you select Enter New Loan, the guaranty process will begin by displaying the New Loan Entry Screen. This form begins the guaranty process. Complete the required fields then select Submit.

Figure 2-New Loan Entry

Note: IRRRL Prior Loan Number has to match the veteran's prior VA loan (loan that is being paid off with the refinance). The prior loan is used to validate the entitlement charged to the veteran. This value will pre-populate in the entitlement available field on the Veteran Information page.

Verifying Veteran Information

After completing the New Loan Entry form and clicking submit, the next step in the process is to verify the veteran's information, which will be displayed on a new page titled Veteran Information. WebLGY uses the SSN entered in FFPS to reference the Loan Guaranty veteran database for veteran information. If there is a match against Loan Guaranty eligibility records or previous loan records, then most of the veteran information will be pre-populated. Please make sure that you verify the spelling of the name and the SSN to ensure they are correct. If the SSN was entered incorrectly in FFPS, re-type the correct SSN into this form.

Note: Do not cut and paste SSN into the Social Security Number field.

Once you enter the correct SSN, the *Validate Veteran* button will become active.

You must click on the *Validate Veteran* button if you correct an invalid SSN submitted to FFPS.

If you do not click on the **Validate Veteran** button, then none of the veteran data will be updated on the Loan Summary form.

After clicking on the **Validate Veteran** button, and once the validation has determined a match on the SSN on the Loan Guaranty database, most of the veteran data will be pre-populated.

If the veteran name and SSN are correct, continue with the data entry. You will not be required to validate the veteran if no changes are made to the SSN. Make sure all the fields are complete and accurate.

When all the fields have been completed, click on the Loan Summary button. If all the information has been entered correctly then Loan Summary form will appear.

Note: If an electronically generated COE is produced then the eligibility code and entitlement amount fields will be pre-populated and un-editable.

Veteran Information	
Property Address	GOODYEAR AZ 85338 County: MARICOPA
Click, if changing SSN → Veteran	
Social Security Number *	123-45-6999 Validate Veteran
Name	WANNIA B AMARINE
Service Number	
Gender *	Male
Date of Birth *	10/14/1965
Email Address	amarine@ctc.com
Ethnicity *	Non Hispanic or Latino
Race *	<input checked="" type="checkbox"/> White <input type="checkbox"/> Black or African American <input type="checkbox"/> American Indian or Alaskan Native <input type="checkbox"/> Asian <input type="checkbox"/> Native Hawaiian or Pacific Islander <input type="checkbox"/> Unknown
Entitlement Code *	10 Persian Gulf
Entitlement Available *	\$6,000
Branch of Service *	Marine Corps
Military Status *	1 - Not in Service
First Time Home Buyer *	No
Funding Fee Exempt *	No
Loan Summary	

Figure 3-Veteran Information

Error Messages

If any of the fields contain invalid data, error messages will displayed as shown in this example.

Loan Amount	\$ 278,869
Loan Term *	400 Months The Loan Term must be in the range of 12 to 360 months.
Interest Rate *	25 % The Interest Rate Pct must be within the range from 2.500% to 12.000%.
Guaranty Amount	\$

Figure 4-Error Message Examples

The error message highlighted in red will have to be corrected in order to submit the case for guaranty.

Data Validations

Data validations are run against all loan guaranty submissions. Most information will be pre-populated from source data in the Loan Summary form and will be un-editable during the guaranty process.

Note: It is very important that the loan information is entered correctly in the Funding Fee Payment system. If you notice the loan fields entered incorrectly in the loan summary form then you will have to correct the loan information in FFPS.

If changes are made to the loan information, the corrected values will load nightly from FFPS to the loan summary form. This means that you must wait until the following day to re-submit your loan for guaranty.

Loan Summary/Guaranty process will validate data against:

FFPS

- Loan Code (Loan Category)
- Closing Date
- Purchase Price
- Total Loan Amount
- Funding Fee Exempt
- Subsequent Use Indicator
- Energy Improvement Amount
- Base Loan Amount
- Reservist

TAS

- Lender ID
- Agent ID
- Reasonable Value
- Property Type
- Appraisal Type
- Type of Structure
- Property Designation
- No. of Units
- Manufactured Home Category
- Property Address
- City
- State
- Zip Code
- County
- Square Footage
- Expiration Date
- Age of Property

Eligibility System Veteran Record

- Social Security number
- Entitlement Code
- Amount of Entitlement Available
- Branch of Service
- Military Status
- Name
- Gender of Veteran
- Veteran Date of Birth
- Ethnicity
- Race
- Service Number

Prior Loan Information – IRRRL cases

Note - The race and ethnicity fields are pre-populated fields but are editable in the Veteran Information form.

Note – The social security number is a pre-populated field but can be edited. If changed, the validate veteran function has to be performed in order to save the data entered.

Loan Summary

The Loan Summary form will have many fields pre-populated from other source data as mentioned earlier. You will need to complete the fields that are not pre-populated and make sure that all the pre-populated data is accurate.

Loan Summary	
Original Obligor	
Name	WANNA B AMARINE
Social Security Number	123-45-6999
Service Number	
Gender	Male
Date of Birth	10/14/1965
Email Address	amarine@ctc.com
Ethnicity	Non Hispanic or Latino
Race	White
Entitlement Code	10 Persian Gulf
Entitlement Available	\$ 36,000
Entitlement Charged	\$
Branch of Service	Marine Corps
Military Status	Not in Service
First Time Home Buyer	No
Subsequent Use	
Funding Fee Exempt	N
Loan Information	
Loan Procedure	Automatic Supervised
Purpose of Loan *	Home
Refinance / Loan Code	1-Purchase
Type of Mortgage *	
ARM Type	<input type="checkbox"/>
Type of Ownership	Sole Ownership
Closing Date	12/15/2005
Purchase Price	\$ 273,000
Reasonable Value	\$ 275,000
Energy Improvements	<input type="checkbox"/> Install Solar Heat Cool <input type="checkbox"/> Replace Major System <input type="checkbox"/> Addition New Feature <input type="checkbox"/> Insulation, Caulk, Weathering, Etc <input type="checkbox"/> Other Improvement
Energy Improvement Amount	\$ 0
Loan Amount	\$ 278,869
Loan Term *	Months
Interest Rate *	%
Guaranty Amount	\$
Guaranty Percent	%

Income Information	
Automated Underwriting System	<input type="text"/>
Underwriting System	<input type="text"/>
Risk Classification	<input type="text"/>
Credit Score	<input type="text"/>
Liquid Assets	\$ <input type="text"/>
Total Monthly Gross Income	\$ <input type="text"/>
Residual Income	\$ <input type="text"/>
Residual Income Guidelines	\$ <input type="text"/>
Debt-Income Ratio	<input type="text"/> %
Consider Spouse Income	<input type="checkbox"/>
Spouse Gross Income	\$ <input type="text"/>

Discount Information	
Discount Points Charged *	<input type="text"/> % OR \$
Discount Points Paid by Veteran *	<input type="text"/> % OR \$

Note	
<input type="text"/>	

Public ?

Are you sure all the information is correct?
OK=yes Cancel=no

OK Cancel

Submit

Figure 6-Loan Summary Cont.

Once all the data has been entered, click on the Submit button. A warning message will appear asking you to confirm that all the data was entered correctly.

Once you click OK and all the data is submitted, you will be redirected to the Loan History and Status page. The loan guaranty certificate can be printed from this page.

Note: If the pre-populated data is incorrect, it will have to be corrected at its source. If loan information must be corrected that we received from FFPS, you will need to correct that information in FFPS and retry the guaranty request the following business day. If the property data will have to be corrected, you must use TAS to update that information. If you do not have access in TAS to update this information, contact the Staff Appraisal Reviewer (SAR), Appraiser, or VA Regional Loan Center for assistance.


Note: You will have to contact VA to correct the spelling of a Veterans name in the Veteran Information form or Loan Guaranty Certificate.

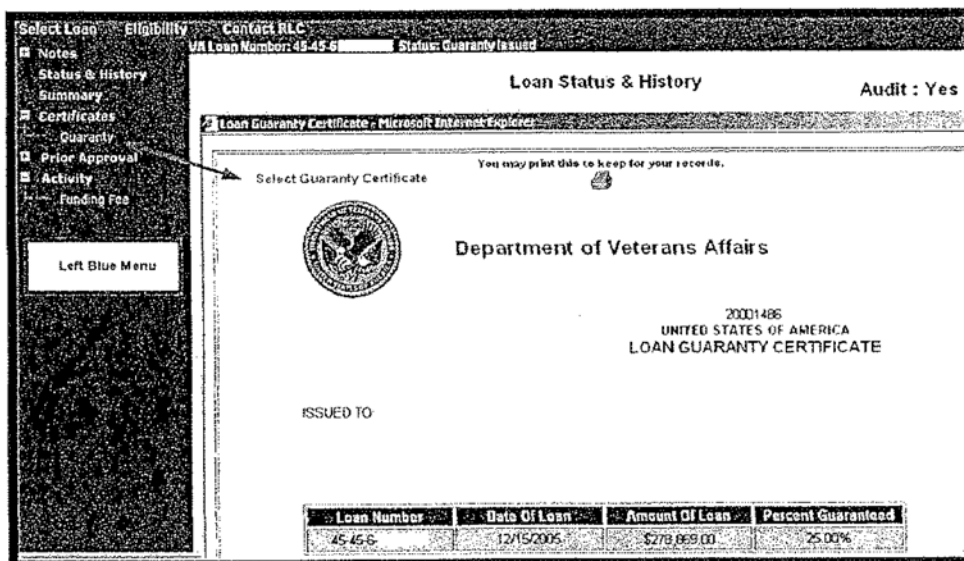
Obtaining a Loan Guaranty Certificate

Once all the information is entered into the Loan Summary form and validated, a loan guaranty certificate will be issued. The system will redirect you to the Loan Status and History Page.

The Loan Status Bar located above the Loan Status and History heading will display the VA loan number and loan status: **Guaranty Issued**.

Note: Make sure all pop up blockers are disabled before continuing.

To view a copy of the Loan Guaranty Certificate, locate the word *Certificates* in the left-hand blue menu portion of the page. Click on the plus sign to expand the menu option and then select *Guaranty*. Once the page is displayed, click on the  Print Icon for a printed version.



Select Loan Eligibility Contact RLC
VA Loan Number: 45-45-S Status: Guaranty Issued

Notes
Status & History
Summary
Certificates
Guaranty
Prior Approval
Activity
Funding Fee

Left Blue Menu

Loan Status & History Audit : Yes

Loan Guaranty Certificate - Microsoft Internet Explorer

Select Guaranty Certificate You may print this to keep for your records.

Department of Veterans Affairs

20001486
UNITED STATES OF AMERICA
LOAN GUARANTY CERTIFICATE

ISSUED TO

Loan Number	Date Of Loan	Amount Of Loan	Percent Guaranteed
45-45-S	12/15/2005	\$279,000.00	25.00%

Figure 7-Viewing and Printing a Certificate

Audit

As soon as the loan is guaranteed, the Loan Status and History page will have an audit indication located in the top right corner of the page. If "Yes" appears next to *Audit*, that loan has been selected for audit.

Loan Inquiry

Loan Inquiry can be used to check the status of a loan application, print a loan guaranty certificate, review the loan summary information and determine whether the case was selected for audit.

There are two search options available to a lender under the Loan Inquiry menu. If you choose Loan Inquiry, Enter LIN option, you will be required to enter the VA Loan Identification Number.

The screenshot shows the VA WebLGY 5.7 interface. At the top, there are navigation tabs: Select Loan, Eligibility, and Contact RLC. Below these, there are links for Recent Loans, Loan Inquiry, and Enter New Loan. The Loan Inquiry link is highlighted, and a sub-menu is visible with options: Enter LIN and Lender ID by Date. An arrow points from the 'Enter LIN' option to the 'LIN Inquiry' section of the form. The form contains a text input field labeled 'LIN*' and a 'Submit' button.

Figure 8-Loan Inquiry LIN Search

The second Loan Inquiry option is the Lender ID by Date search. Enter the Lender Loan Number in the Lender Loan Number field and then enter your Start and End date range.

Note: Date range is limited to a two year time period.

The screenshot shows the VA WebLGY 5.7 interface. At the top, there are navigation tabs: Select Loan, Eligibility, and Contact RLC. Below these, there are links for Recent Loans, Loan Inquiry, and Enter New Loan. The Loan Inquiry link is highlighted, and a sub-menu is visible with options: Enter LIN and Lender ID by Date. An arrow points from the 'Lender ID by Date' option to the 'Lender Loan Search' section of the form. The form contains three text input fields: 'Lender Loan Number', 'Start Date', and 'End Date'. The 'Start Date' field is pre-filled with '04/26/2006' and the 'End Date' field is pre-filled with '05/10/2006'. A 'Submit' button is located at the bottom of the form.

Figure 9-Loan Inquiry by Lender Loan Number and Date

Loan Analysis

After each veteran is added to the prior approval loan application, the *Loan Analysis* form will need to be completed. Enter all required data in the Loan Analysis form and click **Submit**.

2373-B **Status: Prior Approval Application Entry**

Loan Analysis

Veteran's Name	WANNA B AMARINE		
Status of Loan			
Loan Procedure	Prior Approval Supervised		
Designation	Existing or Used		
Property Type			
Home Category			
Type of Structure			
Loan Amount *	\$		
Refinance Code *			
Loan Purpose *			
Ownership Type *	Sole Ownership		
Type of Mortgage *			

44A. GEOGRAPHICAL REGION		Midwest	
44B. FAMILY SIZE			
44C. BALANCE AVAILABLE FOR FAMILY SUPPORT GUIDELINE:	Calculate	\$	\$ 178
45. RATIO (Sum of Items 15, 16, 17, 18, 21 and 41 (divided by) Sum of Items 32 and 39)			%
46. PAST CREDIT RECORD *	<input type="radio"/> SATISFACTORY <input type="radio"/> UNSATISFACTORY		
47. DOES LOAN MEET VA CREDIT STANDARDS? * (Give reasons for decision under "Remarks" if necessary)	<input type="radio"/> YES <input type="radio"/> NO		
48. CAIVRS			
49. NOTES (To see previous notes, use the Notes function on the left navigation bar)			
<input type="checkbox"/> Public <div style="border: 1px solid black; height: 100px; width: 100%;"></div>			

Submit

Figure 12-Loan Analysis

If all the data is entered correctly, you will be redirected to the Loan History and Status page, and you will see a status of Application Received. You will then be required to mail the complete loan package to VA, where a determination will be made and a commitment issued.

The screenshot shows a web application interface with a sidebar on the left containing links: Notes, Status & History, Summary, Certificates, Letters, Prior Approval, Analysis, Package Received, Assumptions, Activity, Funding Fee, and Correspondence. The main content area is titled 'Loan Analysis' and displays the following data:

VA Loan Number: 73-73-B		Status: Application Received	
Veteran's Name: YVANNA B AMARINE			
Status of Loan	Application Received	Loan Procedure	Prior Approval Superseded
Designation	Existing or Used	Property Type	
Refinance Code	1-Purchase	Type of Structure	
Loan Purpose	Home	Loan Amount	\$85,000
Type of Mortgage	D Regular Fixed	Ownership Type	Sole Ownership
		Interest Rate	7.0%

Figure 13-Application Received

When VA receives the loan package, the status of the loan application will be change to Pending Review.

The screenshot shows a web application interface with a sidebar on the left containing links: Notes, Status & History, Summary, Certificates, Letters, Prior Approval, Analysis, Package Received, Assumptions, Activity, Funding Fee, and Correspondence. The main content area is titled 'Loan Status & History' and displays the following data:

VA Loan Number: 73-73-B		Status: Pending Review	
Primary Obligor		Property Address	
YVANNA B AMARINE		ALBION ME 04910	
Obligor Name	None	FIPS State: - Maine	
Date of Birth	10/11/1955	FIPS County: - KENNEBEC	
Social Security Number		Loan Information	
Service Number		Closing Date	

Figure 14-Pending Review

If VA approves the loan application then the status of the loan application changes to *Commitment Issued*. If the loan application is suspended for additional information then the loan status will change to *Suspended*.

Note: The commitment can be viewed and printed within the WebLGY system. VA will send an email notice to the user that a commitment has been issued.

Commitment Issued

Once the status changes to Commitment Issued, review the conditions and close the loan. Once the loan has been closed and the funding fee paid, submit the modified package to VA for manual guaranty.

☐ Notes
☒ Status & History
☐ Issue Guaranty
☐ Certificates
☐ Letters
☐ Prior Approval
☐ Assumptions
☐ Activity


VA Loan Number: **73736** Status: **Commitment Issued**

Commitment Issued → **Loan Status & History**

Primary Obligor Property Address

1. Loan Commitment Certificate - Microsoft Internet Explorer

Click and Print You may print this to keep for your records.



Department of Veterans Affairs
CERTIFICATE OF COMMITMENT

1. NAME OF VETERAN: (use first and last name) AMARINE, WANNA B	2. VA LOAN NUMBER 73736
3. TO: (NAME AND ADDRESS OF GUARANTY INTEREST)	4. LOAN AMOUNT \$85,000

Note: Prior Approval loans have to be submitted for manual guaranty.

VA Loan Guaranty will no longer be mailing Loan Guaranty Certificates. Each participant will have to log onto the Veterans Information Portal to print their own Loan Guaranty Certificates.

VA REFINANCE TRANSACTIONS

SECTION 2

VA REFINANCE TRANSACTIONS

CASH-OUT REFINANCE

A cash-out refinance loan may be used by a veteran who has an existing VA, FHA or conventional loan. Any other type of lien or liens against the secured property may be paid off, which are current or delinquent, and can be from any source, such as tax or judgment liens.

The veteran must have sufficient available entitlement for the loan. If an existing VA loan on the same property will be paid off by the refinancing loan, the entitlement used for that existing loan can be restored for purposes of obtaining the new loan.

A cash-out refinance may also be used to withdraw cash equity. The following guidelines apply:

- There must be a *lien of record* on the subject property.
- The veteran must currently occupy the property and certify that he or she intends to occupy the property.
- Cash out beyond the amount needed to pay off lien(s) may be taken for any purpose acceptable to the lender.
- The maximum LTV is **100%** of the reasonable value on the CRV or NOV, plus the cost of any energy efficient improvements, *including* the funding fee. Be advised, however, that Ginnie Mae has announced that they will not purchase VA cash-out refinance loans with a LTV in excess of 90%. Be sure to check with your lender to determine the maximum LTV they will accept.
- Cash proceeds from the loan may be used to pay allowable closing costs and fees, discount points, pay off liens and cash to the borrower.
- The maximum guaranty on a cash-out refinance is now the same as for a purchase.
- The funding fee is 2.15% for all cash-out refinances (not Rollovers) unless the veteran has had prior usage of his or her VA entitlement, in which case the Funding Fee is 3.30%.

CASH-OUT REFINANCE (Cont'd)

Per VA Circular 26-18-30, effective February 15, 2019, the rules for a VA Cash-Out changed. The new rules include refinancing of construction loans (construction-to-permanent), regardless of whether there is a change in the principal loan amount. VA has categorized Cash-Out Refinances as:

- **Type I Cash-Out Refinance**: A refinancing loan in which the loan amount (including VA funding fee) *does not* exceed the payoff amount of the loan being refinanced. (This is the VA Rollover Refinance.)
- **Type II Cash-Out Refinance**: A refinancing loan in which the loan amount (including the VA funding fee) *does* exceed the payoff amount of the loan being refinanced.

Loan-to-Value Calculation: Divide the total loan amount (including VA funding fee, if applicable) by the reasonable value on the Notice of Value of the property determined by the appraiser.

Net Tangible Benefit Test (NTB): Lenders must ensure that all cash-out refinancing loans pass a NTB, which includes providing the Veteran with the following information no later than the third business day after receiving the Veteran's loan application, and again at loan closing:

A. The refinancing loan satisfies *at least one* of the following eight NTBs:

1. The new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance;
2. The term of the new loan is shorter than the term of the loan being refinanced;
3. The interest rate on the new loan is lower than the interest rate on the loan being refinanced;
4. The payment on the new loan is lower than the payment on the loan being refinanced;
5. The new loan results in an increase in the borrower's monthly residual income;
6. The new loan refinances an interim loan to construct, alter, or repair the home;
7. The new loan amount is equal to or less than 90% of the reasonable value of the home, or;
8. The new loan refinances an adjustable rate loan to a fixed rate loan.

B. A comparison of key loan characteristics or terms for the existing and refinancing loan, including:

CASH-OUT REFINANCE (Cont'd)

1. Refinancing loan amount vs. the payoff amount of the new loan being refinanced.
2. Loan type (i.e., fixed, adjustable) of the refinancing loan vs. the loan being refinanced.
3. Interest rate of the refinancing loan vs. the loan being refinanced.
4. Loan term of the refinancing loan vs. the loan being refinanced.
5. The total the Veteran will have paid after making all payments (principal and interest), and mortgage insurance, as scheduled, for both the refinancing loan and the loan being refinanced.
6. LTV of the refinancing loan vs. the loan being refinanced.

COMPARISON OF REFINANCING LOAN VS. EXISTING LOAN

EXISTING LOAN	NEW REFINANCED LOAN
Existing loan payoff	Refinanced loan payoff
Loan type (fixed or adjustable)	Loan type (fixed or adjustable)
Existing loan interest rate	Refinanced loan interest rate
Existing loan loan term	Refinanced loan loan term
Existing loan total Veteran will have paid after making all P&I payments, and mortgage insurance	Refinanced loan total Veteran will have paid after making all P&I payments, and mortgage insurance
Existing loan LTV	Refinanced loan LTV

- C. An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran. (For example, you could state that the money is being used to pay off debts, which will result in a reduction in monthly obligations, or an increase of X dollars per month in Residual Income to the Veteran.)

Loan Seasoning. VA will not guarantee a refinancing loan, ***INCLUDING ROLLOVERS***, if the loan being refinanced has not been properly seasoned. This requirement applies to TYPE I refinancing loans made to refinance an existing VA-guaranteed home loan and all TYPE II refinancing loans.

CASH-OUT REFINANCE (Cont'd)

A loan is considered seasoned on the later of the date that is:

- 210 days after the first monthly payment is made, and
- Six monthly payments have been made on the loan.

Fee Recoupment: The recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance, and like assessments), and incurred costs must not exceed 36 months from the date of loan closing. The lender must certify the recoupment period to VA to obtain a Loan Guaranty Certificate. This requirement only applies to TYPE I cash-out refinancing loans made to refinance an existing VA-guaranteed home loan.

Recoupment Calculation: Divide all fees, closing costs, expenses, and incurred costs (excluding taxes, escrow, insurance, and like assessments), by the reduction of the monthly principal and interest payment as a result of the refinance. If the loan being refinanced has been modified, the principal and interest reduction must be computed/compared to the modified principal and interest monthly payment.

REGULAR NO CASH-OUT REFINANCES

Other loans, which consist of construction loans, installment land sale contract, and loans assumed by veterans at an interest rate higher than that for the proposed refinance may be refinanced.

These loans may not exceed the lesser of:

- The VA reasonable value, including the VA funding fee, or
- The sum of the outstanding balance of the loan to be refinanced plus allowable closing costs (including the funding fee) and discounts.
- The cost of energy efficiency improvements may also be added to the loan.

These loans are like cash-out refinancing loans in all respects except the maximum loan amount is different – these loans are not based on 100% of the reasonable value and cash out is not allowed.

A regular refinance may also be used to pay off both a first and second mortgage, regardless of the age of the second mortgage. Maximum LTV is 100% of VA CRV or NOV, including the VA Funding Fee.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL)

If the veteran has an existing VA-guaranteed loan and wants to lower the interest rate and monthly mortgage payments, reduced documentation processing is allowed. No appraisal, credit information or underwriting is required and the Lender may close the IRRRL automatically. This program is sometimes called a “Rollover.” The following conditions apply:

- The existing lien must be a VA-guaranteed loan made in the name of the original veteran (not assumed, unless the loan was assumed by another veteran who substituted his or her entitlement).
- The original veteran mortgagor (or surviving co-obligor spouse) must be the same on the new loan, still own the property, and must certify that he or she previously occupied the property as his or her home.
- Entitlement in excess of \$36,000 may be used.
- The VA Funding Fee is .50% for rollover refinances, unless exempt from paying the Funding Fee.
- No cash equity may be withdrawn, but points and closing costs, including prepaids, may be included in the new mortgage. The new mortgage amount may therefore exceed the old mortgage.
- The general rule is that the borrower cannot receive cash proceeds from the loan. If necessary, the refinancing loan amount must be rounded down to avoid payments of cash to the veteran.
- In a limited number of situations, the borrower may receive cash at closing. Some examples of situations in which VA does not object to the borrower receiving cash are:
 - computational errors,
 - changes in final pay-off figures,
 - up-front fees paid for the appraisal and/or credit report that are later added into the loan, and
 - refund of the escrow balance on the old loan. This often occurs when a party other than the present holder originates the loan.

VA does not set a “ceiling” or a specific dollar limitation on cash refunds resulting from adjustments at closing. However, if a situation involves a borrower receiving more than \$500, consult VA as to its acceptability.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)

The one exception is reimbursement of the veteran for the cost of energy efficiency improvements up to \$6,000 completed within the 90 days immediately preceding the date of loan closing.

Lenders and VA personnel should exercise common sense when assessing such situations and draw from basic program information to know the difference between an equity withdrawal and cash from unforeseen circumstances.

- The maximum loan amount is:

The existing VA loan balance plus the following:

- any late payments* and late charges, plus
 - allowable fees and charges (includes up to ***two discount points***), plus
 - the cost of any energy efficiency improvements, and
 - the VA funding fee
- *Any IRRRL that includes delinquent payments in the loan amount must be submitted for prior approval, even when a lender has automatic authority.
 - Note: There is no maximum dollar amount for VA loans. Since an IRRRL rolls the above items into the new loan, and VA guarantees at least 25 percent of the loan amount (without regard to the veteran's entitlement), the new loan amount may be more than the limits established by the secondary market. It is the lender's responsibility to ensure it has a marketable loan.
 - No portion of the loan proceeds may be used to pay off debts, ***including second mortgages or other lien indebtedness***. If necessary, the refinancing loan amount may be rounded down to avoid payment of cash to the veteran.
 - A second mortgage may remain in place as long as it is re-subordinated to the new first mortgage. Although VA has no concern for the CLTV, and will guarantee the loan without regard to the CLTV, some lenders limit the new first mortgage to a maximum 90% LTV and the CLTV of the first and second to a 100% CLTV. An appraisal will be required under this condition. A conventional appraisal is acceptable. Check with your lenders.
 - The term of the interest rate reduction refinancing loan may not exceed the original term of the loan being refinanced by more than ten years, subject to the maximum term of 30 years and 32 days. For example, if the old loan was made with a 15-year term, the term of the new loan may not exceed 25 years.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)

- The new P & I must be lower than the current P & I unless:
 - An adjustable-rate mortgage is being refinanced by a fixed rate VA IRRRL, or
 - The term of the IRRRL is shorter than the term of the previous VA guaranteed loan, or
 - Energy efficient improvements are included in the IRRRL.
- A significant increase in the veteran's monthly payment may occur in conjunction with above exceptions, if combined with one or more of the following:
 - financing of closing costs
 - financing of up to 2 discount points
 - financing of the funding fee, and/or
 - higher interest rate when an ARM is being refinanced
- If the monthly payment (PITI) increases by 20 percent or more, the lender must:
 - Determine that the veteran qualifies for the new payment from an underwriting standpoint; such as, determine whether the borrower can support the proposed shelter expense and other recurring monthly obligations in light of income established as stable and reliable, and
 - Include a certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.
- To calculate the increase in PITI as a percentage, subtract the old PITI from the new PITI and divide the difference by the old PITI. Example: Old PITI = \$650; new PITI = \$805. $\$805 - \$650 = \$155$. $\$155 \div \$650 = .238$ or 23.8% increase. The underwriting decision is required in this case.
- The parties obligated on the original loan must be the same on the new loan. The addition of a spouse or a change in spouse is acceptable.
- If the veteran whose entitlement was used to obtain the existing VA loan has died, regardless of the cause of death, and the veteran's surviving spouse was a co-obligor, the surviving spouse is considered a veteran for the purpose of refinancing under this program. The surviving spouse must own the property to be refinanced.
- If the existing lien was assumed by a veteran who substituted his/her entitlement, the veteran transferee may refinance the loan under this program.
- Refinancing of a VA loan under this program will not preclude restoration of the veteran's entitlement to existing requirement.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)**AMOUNT OF GUARANTY AND ENTITLEMENT USE**

- No additional charge is made to the veteran's entitlement for an IRRRL; such as, the amount of the veteran's previously used and available entitlement remains the same before and after obtaining the IRRRL.
- The new IRRRL loan amount may be equal to, greater than, or less than, the original amount of the loan being refinanced. This may impact the amount of guaranty on the new loan, but **not** the veteran's use of entitlement.
- ***Example Of New Loan Amount More Than Old Loan***
The existing VA loan was originally made for \$110,000 with a guaranty of \$27,500, or 25 percent. The new IRRRL is for \$112,000. The guaranty on the new loan is \$28,000 or 25 percent, but the veteran's entitlement use remains at \$27,500.
- ***Example Of New Loan Amount Less Than Old Loan***
The existing VA loan was originally made for \$42,000 with a guaranty of \$25,000, or almost 60 percent (the percentage applicable under former law). The new IRRRL is for \$40,000. The guaranty on the new loan is \$20,000 or 50 percent, but the veteran's entitlement use remains at \$25,000.
- ***Increased Loan Amount.*** Since the refinancing loan amount will in some cases exceed the original amount of the VA loan to be refinanced, the dollar amount of guaranty is computed as follows:
 - a. For loans up to \$45,000, first calculate the lesser of:
 - 50% of the IRRRL loan amount, or
 - The amount of guaranty used on the VA loan being refinanced.

The amount of guaranty is the greater of:

 - The above result, or
 - 25% of the IRRRL loan amount.
 - b. For loans of more than \$45,000 and not more than \$56,250, first calculate the lesser of:
 - \$22,500, or
 - The amount of guaranty used on the VA loan being refinanced.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)

The amount of guaranty is the greater of:

- The above result, or 25% of the IRRRL loan amount..

c. For loans of more than \$56,250 and not more than \$144,000, first calculate the lesser of:

- 40% of the IRRRL loan amount, or
- The amount of guaranty used on the VA loan being refinanced.

The amount of guaranty is the greater of:

- The above result, or 25% of the IRRRL loan amount.

d. For loans above \$144,000 up to \$417,000, guaranty is always 25% of the loan.

WHO CAN AN IRRRL BE MADE TO?

The following chart is a quick reference guide to determine who is eligible to obtain an IRRRL:

	Parties Obligated on Old VA Loan	Parties to be Obligated on New IRRRL	Is IRRRL Possible?
1	Unmarried veteran	Veteran and new spouse	Yes
2	Veteran and spouse	Divorced veteran alone	Yes
3	Veteran and spouse	Veteran and different spouse	Yes
4	Veteran alone	Different veteran who has substituted entitlement	Yes
5	Veteran and spouse	Spouse alone (veteran died)	Yes
6	Veteran and non-veteran joint loan obligors	Veteran alone	Yes
7	Veteran and spouse	Divorced spouse alone	No
8	Unmarried veteran	Spouse alone (veteran died)	No
9	Veteran and spouse	Different spouse alone (veteran died)	No
10	Veteran and non-veteran joint loan obligors	Non-veteran alone	No

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)**ENERGY EFFICIENT MORTGAGES (EEMS)**

Under the new law, IRRRLs may now include additional funds for energy-efficiency improvements. If improvements have not been completed when the loan closes, sufficient funds from loan proceeds must be escrowed to pay for the cost of such improvements upon their completion.

To accommodate veterans who made such improvements in anticipation of obtaining a loan for this purpose, loan proceeds may also be paid out at closing to pay for energy-efficiency improvements completed within 90 days immediately preceding loan closing.

LENDER CERTIFICATION FOR AUTOMATIC APPROVAL

For all IRRRLs closed on the automatic basis the lender must certify the prior VA loan was not delinquent (not more than 30 days past due) on the date of closing the IRRRL. The certification may be executed by anyone authorized to sign documents for the lender. The following scenarios were provided by VA to offer guidance for lenders.

1. Assume a veteran applies for an IRRRL on June 10, and has already made the June 1 payment. A lender could close the IRRRL anytime before the end of July and still make a valid certification that the prior VA loan was not delinquent. This is because the July 1 payment, the next one due, would not be more than 30 days past due if the IRRRL was closed in July.
2. Assume a veteran applies for an IRRRL on July 10 but has not yet made the June 1 payment. The IRRRL is scheduled to close July 25. As long as the June 1 payment is made **before** July 25, the date the IRRRL is to close, the lender can properly make the certification that the prior VA loan was not delinquent on the date of closing.

REQUIRED DOCUMENTATION

A complete credit package is not required. Only the following documentation is required *in the order listed*:

Order	Document
1	Lender's cover or transmittal letter (if used)
2	VA Form 26-0286 , VA Loan Summary Sheet
3	VA Form 26-8320 (or 26-8320a) , Certificate of Eligibility, or a request for a duplicate certificate on VA Form 26-1880, Request for a Certificate of Eligibility
4	Funding fee receipt (unless exempt)

5	Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing). If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more.
6	VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet
7	VA Form 26-1820 , Report and Certification of Loan Disbursement
8	VA Form 26-8937 , Verification of VA Benefits (if applicable)
9	Closing Disclosure
10	VA Form 26-0503 , Federal Collection Policy Notice
11	Lender's certification that the prior loan was current (not 30 days or more past due) at the time of loan closing
12	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate.
13	Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan. Reference: See section 3 of chapter 7.
14	Any other necessary documents (see section 6 of chapter 5).

No VA CRV/NOV is required. If an appraisal is a lender requirement, a conventional appraisal may be obtained.

A new VA loan number is required. You must have the old loan number before a new one will be issued by VA.

INTEREST RATE REDUCTION REFINANCING LOAN (IRRRL) (Cont'd)**IRRRL MADE TO REFINANCE A DELINQUENT LOAN**

Any IRRRL made to refinance a loan that will be 30 days or more past due as of the date of closing, must be submitted for *prior approval*.

The lender must first obtain sufficient information and perform sufficient analysis to determine that: the cause of the delinquency has been resolved, and the veteran is willing and able to make the proposed loan payments.

Submit a written proposal to VA which contains the following information:

Item	Information
1	The full name of the veteran and all other parties obligated on the prior loan and to be obligated on the new loan
2	The VA loan number and month and year of origination of the loan to be refinanced
3	The name and address of the lender proposing to make the loan
4	The approximate proposed loan amount, interest rate, and term for the new loan versus the old loan
5	Discount to be charged, expressed as a percentage of the loan and a dollar amount
6	Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).
7	The appropriate certification concerning occupancy signed by the veteran or the spouse of an active duty servicemember. One of the following must be signed. "I have previously occupied the property securing this loan as my home." _____ veteran's signature "While my spouse was on active duty and unable to occupy the property securing this loan, I occupied the property securing this loan as my home." _____ spouse's signature
8	VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet

9	VA Form 26-8937 , Verification of VA Benefits (if applicable)
10	Certificate of Eligibility, or, if unavailable, a request for a duplicate certificate VA Form 26-1880 , Request for a Certificate of Eligibility.
11	Uniform Residential Loan Application (URLA)
12	Explanation of the reason(s) for the loan delinquency, including appropriate documentation to verify the cause
13	Documentation to verify that the cause of the delinquency has been corrected
14	Credit report (in-file credit report is acceptable).
15	Current pay stub and telephone verification of current employment
16	VA Form 26-6393 , Loan Analysis
17	Documentation of the cost of energy efficiency improvements to be included in the loan, if known. See section 3 of chapter 7. For cash reimbursement of the veteran, the improvements must be completed within the 90 days immediately preceding the date of the loan.

- VA will inform the lender of its decision.
- The lender may close the loan in reliance on a VA-issued Certificate of Commitment.

Reference: See section 4 of chapter 5 for further information on the Certificate of Commitment.

How to Report Loan Closing and Request Guaranty

A prior approval IRRRL must be reported (such as, all documentation submitted) to VA within 60 days of closing. A lender that fails to meet this time limit must provide a written explanation. (see order #8).

To report an IRRRL, submit the following documents to VA in the order listed.

<u>Order</u>	<u>Document</u>
1	Lender's cover or transmittal letter (if used).
2	VA Form 26-0286 , VA Loan Summary Sheet
3	Funding fee receipt (unless exempt)

4	If the loan amount has increased beyond the amount indicated on the Certificate of Commitment, an updated VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet.
5	VA Form 26-1820 , Report and Certification of Loan Disbursement
6	Closing Disclosure
7	VA Form 26-0503 , Federal Collection Policy Notice
8	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time.
9	Any other necessary documents. (See section 6 of chapter 5.)

Treatment of Late Payments and Late Charges

- All late payments and late charges (and reasonable costs if legal action to terminate the old loan has commenced) can be rolled into the new loan.
- If the amount of late payments, late charges and legal costs is significant, the proposed monthly payment will be adversely impacted.
- Carefully analyze whether the IRRRL would benefit the veteran and not create unacceptable risk to the Government in light of the new monthly payment.

QUICK REFERENCE TABLE FOR IRRRLs VERSUS CASH-OUT REFINANCES
--

Feature	IRRRL	Cash-Out Refinance
Entitlement	Veteran re-uses the entitlement used on the existing VA loan - the IRRRL does not impact the amount of entitlement the veteran has in use.	Must have sufficient available entitlement - if existing VA loan on the same property is being refinanced, entitlement can be restored for the refinance.
Fees and Charges in the Loan	All allowable fees and charges, including up to <i>two discount points</i> , may be included in the loan.	Allowable fees and charges and points may be paid from the loan proceeds.
Cash to Borrower	Not permitted.	Borrower can receive cash for any purposes acceptable to the lender.
Lien/Ownership	Must be secured by first lien-veteran must own property.	Must be secured by first lien - veteran must own property
Refinance of Other Liens	Cannot refinance other liens - can only refinance the existing VA loan	Can refinance any type of lien(s).
Maximum Loan Term	Existing VA loan term plus 10 years, not to exceed 30 years + 32 days.	30 years + 32 days.
Occupancy	Veteran or spouse of an active duty servicemember must certify to prior occupancy.	Veteran or spouse of an active duty servicemember must certify as to intent to occupy.
Appraisal	No appraisal is required.	Appraisal is required.
Credit Underwriting	No underwriting is required except in certain cases.	Full credit information and underwriting are always required.
Automatic Authority	All lenders can close IRRRLs automatically, except if the loan being refinanced loan is 30 days or more past due, prior approval is always required.	Only lenders with automatic authority can close these loans automatically.
Law	38 U.S.C. 3710(a)(8)	38 U.S.C. 3710(a)(5)

VA REFINANCE TRANSACTIONS LOAN ORIGINATOR'S RESPONSIBILITIES

Now that you know the basic guidelines for VA refinance transactions, it's time to learn what your responsibilities will be at the time of loan application:

1. **Compute Estimated New Loan Amount.** The new loan amount will include the following:

- Unpaid Principal Balance
- Plus Accrued Interest to the day of closing
- Late payments & late charges (delinquent loans must be prior approved by VA)
- Equals Payoff
- Plus Closing Costs, Discount Points (no more than 2), and Prepays

There is a worksheet on the next page which may be used for this purpose.

2. **Prepare Fees Worksheet/Loan Estimate.** If the estimated closing costs and prepaids that you estimated on your "VA Refinance Worksheet" were higher than the actual figures calculated on the Loan Estimate, resulting in cash back to the veteran, simply explain to the veteran that cash back in excess of \$500 is not permitted (other than reimbursement for the credit report and appraisal, if ordered). When the actual payoff is received, the Loan Processor can adjust the loan amount downward to ensure no cash back.
3. **Complete the Loan Application.** If the loan is an IRRRL, the sections on income, assets, and liabilities do not have to be completed.
4. **Get All Disclosures Signed.** Have the veteran sign and date the same disclosures that are provided on a VA purchase transaction, including the VA Rate Reduction Certification (to be discussed later) and HUD/VA Addendum to the Uniform Residential Loan Application, VA Form 26-1802a.
5. **"Request for Certificate of Eligibility," VA Form 26-1880 and "Verification of VA Benefits," VA Form 26-8937 (if applicable)** must also be completed and signed by the veteran, as in the case of a purchase transaction.
6. **Obtain Original "Certificate of Eligibility."** Instruct the veteran to provide his/her original "Certificate of Eligibility." If the veteran cannot find the original, request a duplicate from VA.

LOAN ORIGINATOR'S RESPONSIBILITIES (Cont'd)

7. **Get a Copy of the HUD-1 Settlement Statement/CD.** Ask the veteran to bring the original HUD-1 Settlement Statement (or Closing Disclosure if the loan was closed within the past few years) that he/she received when the loan was originally closed. This should have the old VA case number, which is required in order to obtain a new VA case number. This will help the Loan Processor when the new case number is ordered.
8. **Collect a Check for Appraisal and Credit Report.** IRRRLs do not require a credit report or appraisal for VA approval purposes. An in-file credit report is acceptable for verifying the mortgage payment history. Check with your lender to determine if it is required.

PLEASE NOTE: On an Interest Rate Reduction Refinance Loan (IRRRL), the lender may charge a 1% origination fee that may not exceed one percent of the existing VA loan balance of the loan being refinanced plus the cost of any energy efficient items.

If an origination fee is charged, lenders may *NOT* assess veterans any other fees other than:

- Appraisal and compliance inspections (for construction loans)
- Recording fees
- Credit report
- Prepaid taxes and insurance
- Hazard insurance
- Flood determination
- Survey
- Title examination
- Title insurance
- Special mailing fees for refinancing loans (courier fee)
- MERS (Mortgage Electronic Registration System)

VA REFINANCE WORKSHEET

Original Purchase Price	\$ <u>97,900.00</u>	
Closing Date/First Payment Date	<u>9-10/11-10</u>	
Original Loan Amount	\$ <u>99,850.00</u>	
Current Interest Rate	<u>7.5</u> %	Proposed <u>4.5</u> %
Unpaid Principal Balance	\$ <u>94,144.35</u>	Proposed \$ <u>98,768.00</u>
Current Principal and Interest	\$ <u>695.72</u>	Proposed \$ <u>500.44</u>
Second Mortgage - Unpaid Balance	\$ _____	Mo. Savings \$ <u>192.28</u>
Is There a Prepayment Penalty?	_____	
Amount of Penalty	\$ _____	How many years would it take to recoup the cost of refinancing versus the monthly savings?
Estimated Current Value	\$ <u>N/A - Rollover</u>	
Regular or Cash-Out - Max LTV 100%	\$ _____	
		Closing Costs \$ <u>2,368.12</u>
		Divide by Mo. Sav. \$ <u>192.28</u>
		Mos. To Recoup Cost \$ <u>12 (1 year)</u>
<u>ESTIMATED NEW LOAN AMOUNT</u>		
Unpaid Balance on First Mortgage	\$ <u>94,144.35</u>	
Plus <u>30</u> Days' Accrued Interest @ <u>7.5</u> %	\$ <u>580.34</u>	
Equals Estimated Payoff	\$ <u>94,724.69</u>	
Plus Unpaid Balance on Second Mortgage	\$ _____	
TOTAL	\$ <u>94,724.69</u>	
Plus Closing Costs and Points, Estimated @ <u>2.5</u> % x TOTAL Above	\$ <u>2,368.12</u>	(.50% - Interest Rate Reduction Refinance)
Plus Prepays @ <u>1.25</u> % of Subtotal Above	\$ <u>1,184.06</u>	
TOTAL NEW LOAN AMOUNT	\$ <u>98,276.87</u>	
Plus VA Funding Fee (.50%)	\$ <u>491.38</u>	
TOTAL LOAN INCLUDING FUNDING FEE	\$ <u>98,768.25</u>	

The Fees Worksheet on the next page was pretty close to the estimate for closing costs and prepaids shown above. The credit to the borrower of \$224.30 is acceptable. When the actual payoff is received, the Loan Processor can firm up the final loan amount when completing the **VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet**.

FEES WORKSHEET

Fee Details and Summary

Applicants: **VA Rollover**
Prepared By:

Application No: **VA Rollover**
Date Prepared:
Loan Program:

This "Fees Worksheet" is provided for informational purposes ONLY, to assist you in determining an estimate of cash that may be required to close and an estimate of your proposed monthly mortgage payment. Actual charges may be more or less, and your transaction may not involve a fee for every item listed.

Total Loan Amount: \$ 98,768

Interest Rate: 4.500 %

Term/Due In: 360 / 360 mths

Fee	Paid To	Paid By (Fee Split**)	Amount	PFC / F / POC
ORIGINATION CHARGES				
Loan Origination Fee		Borrower	\$ 947.25	✓
OTHER CHARGES				
Credit Report Fee		Borrower	\$ 15.00	
Flood Certification Fee		Borrower	\$ 20.00	
VA Funding Fee		Borrower	\$ 491.39	✓
courier fee		Borrower	\$ 50.00	
Lender's Title Insurance		Borrower	\$ 246.92	
Abstract/Title Search Fee		Borrower	\$ 500.00	
		Borrower	\$ 65.00	
	Intangible	Borrower	\$ 284.77	
	Ga Res Mtg Tax	Borrower	\$ 10.00	
Hazard Insurance Reserves		Borrower	\$ 33.33 x 2 mth(s)	\$ 66.66
County Property Tax Reserves		Borrower	\$ 106.00 x 6 mth(s)	\$ 636.00
Daily Interest Charges		Borrower	\$ 12.35 x 7 day(s)	\$ 86.45
Hazard Insurance Premium		Borrower	\$ 33.33 x 12 mth(s)	\$ 399.96

CHECKLIST FOR VA REFINANCE TRANSACTIONS

Before turning in the loan application to be processed, the Loan Originator should review this checklist to make sure the Loan Processor is receiving everything needed to process the loan:


- _____ VA Refinance Worksheet
- _____ Fees Worksheet/Loan Estimate
- _____ Copy of Warranty Deed (Check names to make sure they agree with borrowers' names)
- _____ Copy of Homeowners Insurance Policy and Premium, and Copy of Tax Bill
- _____ Copy of original HUD-1 Settlement Statement/CD (If borrowers can find it)
- _____ VA Case Number on the Old Loan (it will be shown on the HUD-1/CD)
- _____ Breakdown of Debts to be Paid Off, if Cash-Out Refinance
- _____ Letter Stating Purposes of Refinance, if Cash-Out Refinance
- _____ Completed Uniform Residential Loan Application, Signed by Borrower(s)
- _____ Completed VA Pre-Qualification Worksheet, if Regular or Cash-Out Refinance
- _____ VA Disclosures, Signed by Borrower(s)
- _____ Request for Determination of Eligibility, Completed and Signed by Veteran
- _____ Original Certificate of Eligibility Showing the Loan to be Paid Off
- _____ Check for Appraisal and Credit Report, if Applicable

VA REFINANCE TRANSACTIONS LOAN PROCESSOR'S RESPONSIBILITIES

When the application is turned in to be processed, follow this procedure:

1. **Check Credit Alert** to determine if the borrower or co-borrower have defaulted on any Federally-insured loans. This is required for all VA refinance transactions, including IRRRLs.
2. **Order the VA Case Number and VA Appraiser, if Required.** You must have the Case Number on the old loan before they will issue a new case number.
3. **Update the Certificate of Eligibility.** Log on to VA's **WebLGY** to request an updated Certificate of Eligibility.
4. **Obtain a Credit Report.** An in-file credit report is acceptable for IRRRLs.
5. **Obtain a Pay-Off of the Current Mortgage.** The in-file credit report will reflect the Veteran's payment history on the current mortgage. However, you must obtain the actual pay-off information from the current lender before the loan can be worked up for submission.
6. **Order Employment and Deposit Verifications.** If the loan is a Regular or Cash-Out, it must be fully documented. Use Alternative Documentation whenever possible.
7. **Prepare VA Request for Determination of Reasonable Value.** Regular and Cash-Out Refinances will require an appraisal. This form is now completed at the time of Case Number Assignment.
8. **Complete the Interest Rate Reduction Refinance Worksheet, VA Form 26-8923.** If the loan is an IRRRL, this form will be completed to "tighten up" the final loan amount. Refer to the original Good Faith Estimate for closing costs and prepaids to complete this form.⁸
9. **Complete the VA Loan Comparison Form.** This form compares the old loan terms with the new loan terms. The veteran and co-borrower may sign this form at loan closing.
10. **Complete the Uniform Residential Loan Application.** A new loan application must be prepared, and may be signed by the veteran and co-borrower at loan closing.

OMB Control No. 2900-0386
Respondent Burden: 10 minutes

 Department of Veterans Affairs		
INTEREST RATE REDUCTION REFINANCING LOAN WORKSHEET		
<p>PRIVACY ACT NOTICE: VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 38, Code of Federal Regulations 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. Your obligation to respond is voluntary; however, failure to complete the form could result in your making a loan in excess of the allowable amount.</p> <p>RESPONDENT BURDEN: This information is needed to help you determine the appropriate amount of the VA-guaranteed loan you intend to process. Title 38, United States Code, allows us to ask for this information. We estimate that you will need an average of 10 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page www.whitehouse.gov/omb/library/OMBINV.VA.EPA.html#VA. If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.</p>		
NOTE - Submit this form when requesting guaranty on an Interest Rate Reduction Refinancing Loan.		VA LOAN NUMBER
SECTION I - INITIAL COMPUTATION		
LINE NO.	ITEM	AMOUNT
1.	EXISTING VA LOAN BALANCE (PLUS COST OF ENERGY EFFICIENT IMPROVEMENTS)	\$ 94,724.69
2.	SUBTRACT ANY CASH PAYMENT FROM VETERANS	-
3.	TOTAL	\$ 94,724.69
SECTION II - PRELIMINARY LOAN AMOUNT		
4.	ENTER TOTAL FROM LINE 3	\$ 94,724.69
5.	ADD _____% DISCOUNT BASED ON LINE 4	+
6.	ADD <u>1.000</u> % ORIGATION FEE BASED ON LINE 4	+ 947.25
7.	ADD <u>0.500</u> % FUNDING FEE BASED ON LINE 4	+ 473.62
8.	ADD OTHER ALLOWABLE CLOSING COSTS AND PREPAIDS	+ 2,380.76
9.	TOTAL	\$ 98,526.32
SECTION III - FINAL COMPUTATION		
10.	ENTER TOTAL FROM LINE 9	\$ 98,526.32
11.	ADD _____% DISCOUNT BASED ON LINE 10	+
12.	SUBTOTAL	= 98,526.32
13.	SUBTRACT AMOUNT SHOWN ON LINE 5	-
14.	SUBTOTAL	= 98,526.32
15.	SUBTRACT AMOUNT SHOWN ON LINE 7	- 473.62
16.	SUBTOTAL	= 98,052.70
17.	ADD <u>0.500</u> % FUNDING FEE BASED ON LINE 16	+ 490.26
18.	TOTAL - MAXIMUM LOAN AMOUNT	\$ 98,542.00*
<p>NOTE: *MAXIMUM LOAN AMOUNT MAY BE ROUNDED OFF, BUT MUST ALWAYS BE ROUNDED DOWN TO AVOID CASH TO THE VETERAN. ROUND-OFF AMOUNTS OF LESS THAN \$50 DO NOT REQUIRE RECOMPUTATION.</p>		
DATE	NAME OF LENDER	SIGNATURE AND TITLE OF OFFICER OF LENDER

VA FORM 26-8923
JUN 2009EXISTING STOCKS OF VA FORM 26-8923, SEP 2006,
WILL BE USED.

Calyx Form - Varw.frm (06/11)

SECTION II - PRELIMINARY LOAN AMOUNT

Line No. 8 states to add other allowable closing costs and prepaids. To calculate this amount, use the following formula:

From Fees Worksheet (Page 2-20)

Estimated Closing Costs	\$2,138.94
Minus 1% Origination Fee	- <u>947.25</u>
Balance of Closing Costs	\$1,191.69
Plus Prepaids	+ <u>1,189.07</u>
Other Allowable Closing Costs & Prepaids	\$2,380.76

VA LOAN COMPARISON

APPLICANT(S): Timothy E. Adams Amanda B. Adams	NEW LOAN NUMBER: PRESENT LOAN NUMBER:
PROPERTY ADDRESS: 673 Winding Hills Lane Marietta, GA 30066	

Gentlemen:

I/we, the undersigned, are mortgagors on the above captioned property.

Our loan closed 06/25/2008 through Mortgages R Us.
 We currently reside at the property and intend to continue residing there.

We wish to refinance our existing loan with a new loan at the current interest rates through
 _____. The following represents a comparison of our
 existing loan and the proposed loan:

Description	Existing Loan	Proposed Loan
Loan Amount	\$ 94,724.69	\$ 99,148
Interest Rate	7.500 %	4.500 %
Term	216 months	360 months
Monthly Principal & Interest	\$ 695.72	\$ 502.37
Monthly Principal & Interest & Taxes & Insurance	\$ 935.05	\$ 641.70

Time to Recoup Closing Costs:

Total Closing Costs: \$ 4,023.22
 Monthly Payment Increase/Decrease: \$ 293.35
 Time to Recoup Costs: 14 Months

Thank you,

 Borrower Date Co-Borrower Date

Lender Certification:

☐ The lender hereby certifies that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.

 Lender Signature Date

Calyx Form - valocom.frm (06/05)

STACKING ORDER

Order	Document
1	Lender's cover or transmittal letter (if used)
2	VA Form 26-0286 , VA Loan Summary Sheet
3	VA Form 26-8320 (or 26-8320a) , Certificate of Eligibility, or a request for a duplicate certificate on VA Form 26-1880, Request for a Certificate of Eligibility
4	Funding fee receipt (unless exempt)
5	<p>VA Loan Comparison Form</p> <p>The statement must show the interest rate and monthly payments for the new loan versus that for the old loan.</p> <p>The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing).</p> <p>If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more.</p>
6	VA Form 26-8923 , Interest Rate Reduction Refinancing Loan Worksheet
7	VA Form 26-1820 , Report and Certification of Loan Disbursement (if applicable)
8	VA Form 26-8937 , Verification of VA Benefits (if applicable)
9	Closing Disclosure
10	VA Form 26-0503 , Federal Collection Policy Notice
11	Lender's certification that the prior loan was current (not 30 days or more past due) at the time of loan closing
12	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate.
13	<p>Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan.</p> <p>Reference: See section 3 of chapter 7.</p>
14	Any other necessary documents (see section 6 of chapter 5).

VA REQUIREMENTS FOR NEW CONSTRUCTION PROPERTIES SECTION 3

VA REQUIREMENTS FOR NEW CONSTRUCTION PROPERTIES

New construction properties refer to any property that is ***less than 12 months old and has never been owner-occupied***. In other words, new communities in which homes are currently under construction.

Providing VA financing for these new construction properties requires some preliminary work up front before handling the financing, and should be handled as follows:

1. The first step is to get the ***community*** VA approved. Only condominiums require VA approval. PUDs and single-family properties do not require VA approval.
2. The second step is to make sure the ***builder*** is approved. ***VA requires that builders register with them and maintains a registered builder list***. The approved builder list and approved condominium lists for the entire United States can be accessed through the VA website. ***NOTE:*** The Atlanta VA Regional Office Home Page at www.vageorgia.gov will also give you access to all approved lists and appraisal assignment. It is one of the most useful and informative VA websites available.
3. The third step is to make sure the ***structure*** is approved. Each home must meet VA minimum property standards, which involves providing plans and specs on each home, and having each property inspected during the construction process, either by the local county or municipality, or a VA inspector, to ensure it is being built per these standards.

If the builder is offering an approved 10-year warranty, then the only inspection required will be a final inspection. If the property is ***fully constructed*** at the time of the appraisal, ***no plans and specs are required, and no inspection is required***.

4. The fourth step is to ensure that the correct documentation, such as the builder's warranty and soil treatment guarantee, are provided at the time of closing.

Each one of these steps will be explained in detail, so your new construction loans can flow smoothly.

ACCEPTABLE PUDs AND CONDOMINIUMS

- **New or Existing Planned Unit Developments (PUDs).** *VA no longer requires prior PUD approval nor processes project approvals for PUDs.* They now require that the lender determine that the property meets title and lien requirements per VA regulations. This means that the title must be no less than fee simple and it must not be subject to unreasonable restrictions on use and occupancy. ***See VA Loan Guaranty Bulletin No. 305 for additional information.*** There are limited exceptions to this policy. Contact the VA office having jurisdiction over the property if you have a question regarding exceptions.
- The VA loan must be the first lien on the property. The mandatory homeowner association assessment must be subordinate to the VA loan. There is no specific VA requirement that lenders maintain evidence in the loan file that these requirements are met. It is recommended that you check with your investor or underwriter to determine what documentation, if any, you will be required to provide.
- **New or Existing Condominium Projects.** ***NOTE: VA has no provision for spot loan approvals in condominium projects, whether new or existing. The entire project must be either FHA or VA approved in order to make a new VA loan.***
- Shown on the next page is a Checklist of Required Documents needed to obtain condominium project approval.
- **THE VA WEBSITE, <http://vaas.vba.va.gov/prod/vaas/indexnew.cfm> WILL PROVIDE A COMPLETE LIST OF APPROVED PUD AND CONDOMINIUM COMMUNITIES.**

CHECKLIST OF DOCUMENTS NEEDED FOR CONDOMINIUM PROJECT APPROVAL

- _____ By-Laws Setting Up Homeowners Association - Two Copies
- _____ Articles of Incorporation Including State Charter - Two Copies
- _____ Recorded Declaration of Condominium - Two Copies
- _____ Breakdown of Budget and Monthly Assessment
- _____ Floor Plans with Architect Certification on Plans - Two Copies
- _____ Description of Materials for Each Floor Plan - Two Copies
- _____ Developer's Schedule and Plan of Development of the Phases
- _____ Description of Amenities - Amenities Must be Completed
- _____ Sample Sales Contract
- _____ Sample Blanket Title Policy
- _____ Attorney Certification that Documents Conform to VA Requirements

ACCEPTABLE BUILDERS

Builders are not approved by VA. They need only to register with VA to obtain a **VA Builder ID** number. Thus, there is no lengthy processing time and, in most cases, an ID number can be issued within five (5) business days.

To obtain a Builder ID number, four items need to be submitted to the Construction and Valuation unit of the local VA Regional Loan Center having jurisdiction over the area in which the builder will construct property. These items are:

- Builder information and certification on builder's letterhead
- **VA Form 26-421 Equal Employment Opportunity Certification**
- **VA Form 8791 VA Affirmative Marketing Certification**
- Copy of the builder's license, if required by a state or local authority

These forms are shown on the next pages.

Also, a list of registered VA builders with ID numbers is available at <https://vip.vba.va.gov/portal/VBAH/Home> under “Featured Items” in the “Builder Locator.”

[on builder's letterhead]
Builder Information and Certifications
VA Loan Guaranty Program

1. This is to certify that this company:
 - a) Will not use any marketing practices or sales contracts which include features considered by VA to be unfair or prejudicial to veteran-purchasers per Section 9.08 of the VA Lenders Handbook. I understand that the closing of the loan denotes that the builder has determined that the contract is acceptable to VA.
 - b) Will construct every property which is to become the security for a VA-guaranteed loan to substantially conform to applicable building codes, applicable VA requirements and the standards of quality as measured by acceptable trade practices.
2. In cases processed by VA as "proposed or under construction", I understand that all construction must equal or exceed that shown or described in the construction exhibits used by VA to appraise the property and that, in any conflict between those construction exhibits and the applicable VA minimum property requirements, the latter will govern; and that VA will consider changes to those exhibits to be binding only when they are listed on a properly executed VA Form 26-1844, Request for Acceptance of Changes in Approved Drawings and Specifications; and that I will be proceeding at my own risk in changing or deviating from those exhibits without advance VA approval.
3. A fully executed VA Form 26-421, Equal Employment Opportunity Certification, and VA Form 8791, VA Affirmative Marketing Certification, is either attached or was previously submitted to VA.
4. Names of all persons who have a controlling or proprietary interest in this company or are principal shareholders, officers or directors. This company agrees to keep this list updated with VA:

Name (*Type or print*) _____

Title _____

Signature _____

Date _____



Department of Veterans Affairs

EQUAL EMPLOYMENT OPPORTUNITY CERTIFICATION

The undersigned understands and agrees that it is the "applicant" within the meaning of 38 CFR 36.4391.

To induce the Department of Veterans Affairs (VA) to act on any request submitted by or on behalf of the undersigned for establishment by VA of reasonable value(s) relating to proposed construction, the undersigned hereby agrees that it will incorporate or cause to be incorporated into any contract for construction work or modification thereof, as defined in the rules and regulations of the Secretary of Labor relating to the land or housing included in its request to VA, the equal opportunity clause contained in 38 CFR 36.4392 and printed on the reverse of this form.

The undersigned further agrees that it will be bound by the equal opportunity clause in any federally assisted construction work which it performs itself, other than through the permanent work force directly employed by an agency of Government.

The undersigned agrees that it will cooperate actively with the administering agency and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary, that it will furnish the administering agency and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it will otherwise assist the administering agency in the discharge of the agency's primary responsibility for securing compliance. The undersigned further agrees that it will refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, subpart D of Executive Order 11246 and will carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon the contractors and subcontractors by the administering agency or the Secretary of Labor pursuant to Part II, subpart D of Executive Order 11246.

In addition, the undersigned agrees that if it fails or refuses to comply with these undertakings such failure or refusal shall be a proper basis for cancellation by VA of any outstanding master certificates of reasonable value or individual certificates of reasonable value relating to proposed construction, except in respect to cases in which an eligible veteran has contracted to purchase a property included on such certificates, and for the rejection of future requests submitted by the undersigned or on his or her behalf for appraisal services, until satisfactory assurance of future compliance has been received from the undersigned, and for referral of the case to the Department of Justice for appropriate legal proceedings.

NAME OF FIRM		ADDRESS OF FIRM	
SIGNATURE		TITLE	DATE

VA FORM
NOV 1980

26-421

EXISTING STOCKS OF VA FORM 26-421, SEP 1985,
WILL BE USED.

DEPARTMENT OF VETERANS AFFAIRS
VA AFFIRMATIVE MARKETING CERTIFICATION

To induce the Department of Veterans Affairs to act on any request submitted by or on behalf of the undersigned applicant for a master certificate of reasonable value on proposed or existing construction or for appraisals of individual existing housing, not previously occupied, the undersigned hereby agrees:

1. That neither the applicant nor anyone authorized to act for it will decline to show or sell any property included in such request to a prospective veterans purchaser because of his or her race, color, religion, sex, handicap, familial status or national origin;
2. To apprise minority and female veteran homebuyers of the availability of the housing offered by the applicant by conforming all advertising to the VA Advertising Guidelines for Fair Housing;
3. To maintain a nondiscriminatory hiring policy and provide all marketing staff with written instructions on land training in affirmative marketing techniques;
4. To prominently display the Equal Housing Opportunity poster in each place of business where the housing is offered for sale by the applicant;
5. To incorporate the equal housing opportunity logo, slogan or statement as outlined in the VA Advertising Guidelines for Fair Housing in all advertising, including outdoor signs, radio, television, newspaper and other printed materials;
6. That noncompliance with the foregoing requirements may constitute a basis for the Secretary to refuse to appraise properties with which the applicant is identified. The Secretary may also refuse to appraise where the applicant has been denied participation in HUD programs.



SIGNATURE

DATE

NAME (Type or print)

TITLE

COMPANY

ADDRESS OF COMPANY

SEE REVERSE FOR VA ADVERTISING GUIDELINES FOR FAIR HOUSING

VA FORM 26-8791
JAN 1991

ACCEPTABLE VA NEW CONSTRUCTION PROPERTIES

New construction properties refer to any properties less than 12 months old. Historically, VA has required fee compliance inspections at the foundation, framing, and final stages of construction for all proposed and under construction cases. When the VA inspection requirement was established, few local authorities had acceptable building standards and/or performed inspections during construction of residential properties.

Over the years, however, many local authorities (building departments) adopted comprehensive residential building codes, developed intensive inspector training programs, and implemented thorough inspection programs. It is not unusual for local building departments to perform mandatory inspections equivalent to those required by VA at the foundation, framing, and final stages of construction.

The requirement for a first and second stage VA inspection is waived in all proposed or under construction cases in which both of the following requirements are met:

- The property is located in an area where the inspection procedures of the local building authority are acceptable to the Department of Housing and Urban Development (HUD) for loan insurance purposes, and
- a third stage (final) VA compliance inspection is performed by a VA fee inspector assigned by the VA office of jurisdiction.
- For each loan processed under this provision, the lender's loan origination file must include both a properly executed clear third stage (final) compliance inspection report on *VA Form 26-1839*, and
- an occupancy permit or other appropriate documentation issued by the locality to verify that all construction has been acceptably completed.
- If the local authority does not perform the required inspections or issue a CO, then a VA inspector must perform the inspections.
- If the local authority does not perform the required inspections, but the builder provides an acceptable 10-year warranty, only a final inspection must be performed by a VA inspector.

ACCEPTABLE VA NEW CONSTRUCTION PROPERTIES (Cont'd)**CONSTRUCTION EXHIBITS**

Construction exhibits must be uploaded by the lender into WebLGY the same day the case number is assigned. The exhibits must include:

- survey or plot plan,
- plans sufficient to allow the appraiser to establish market value,
- foundation or basement plan,
- exterior elevations,
- wall section, and
- specifications, on either **VA Form 26-1852, Description of Materials**, **HUD Form 92541**, or another format that provides essentially the same information in sufficient detail.

WARRANTY REQUIREMENTS

Warranty requirements will be determined by whether or not the local building authority performs construction inspections:

- If the local authority performs foundation, framing and final inspections, VA will accept the certificate of occupancy as evidence of local authority inspections and satisfactory completion of construction in compliance with local building code requirements.
- If the local authority does not issue a certificate of occupancy, copies of the three satisfactory inspection reports or a written statement from the local authority confirming the three inspections were completed and that the construction was found to be satisfactory will be acceptable.
- The builder must provide the Veteran with a 1-year warranty on **VA Form 26-1859, Warranty of Completion of Construction**. VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the required 1-year VA builder's warranty period.
- If the local authority does not provide construction inspections, the builder must provide both a 1-year builder's warranty on **VA Form 26-1859, Warranty of Completion of Construction** and a 10-year insurance backed warranty. The lender must certify that the property is complete (both on-site and off-site improvements), and that it meets VA MPRs for existing construction (see Chapter 12 of the VA Handbook).
- VA assistance with construction complaints will be limited to defects in equipment, material, and workmanship reported during the required 1-year VA builder's warranty period.

MANUFACTURED HOMES CLASSIFIED AS REAL ESTATE

The following inspections are required on manufactured homes classified as real estate.

First and third (final) inspections:

- To verify that the manufactured home is properly attached to the permanent foundation as specified in the construction exhibits, and that all onsite and offsite improvements are properly completed.

Special inspections:

- As discussed in the topic Inspection Stages in this chapter, and as necessitated by the construction of other onsite improvements financed with the VA guaranteed loan.

Note: Second stage inspections are not generally required since manufactured homes are factory fabricated.

In cases involving a ***used manufactured home*** moved to the purchaser's lot to be affixed to a permanent foundation, all of the following additional manufactured home inspection reports are required to ensure the safety of the dwelling:

- Water-Plumbing Systems Inspection Report, VA Form 26-8731a
- Electrical Systems Inspection Report, VA Form 26-8731b
- Fuel and Heating Systems Inspection Report, VA Form 26-8731c, and certification that the roof was coated after set-up on the site.

These reports must be completed by qualified third-party inspectors, for example, experienced plumbers, electricians, heating and air-conditioning contractors and manufactured home service personnel, following the installation and setup of the manufactured home on the lot. The roof coating certification can be made by the lender.

While inspectors will perform only those inspections for which they are qualified, licensed manufactured home service personnel will be permitted to perform any of the required inspections.

Lenders must order the inspections and retain the original of the reports in their loan origination file. No loan on a manufactured home with unsatisfactory inspections is eligible for VA guaranty.

VETERAN MAY CONSTRUCT THE HOUSE

A veteran may construct his/her own property and obtain a VA-guaranteed construction-permanent or permanent loan.

The loan may be handled in one of two ways:

- A. The veteran may make application for a VA-guaranteed construction-permanent or permanent loan and have a VA inspector assigned to inspect the property as it is being constructed. The appraisal request must include:
 - any construction exhibits needed for appraisal purposes, and
 - the veteran's written agreement to pay for any special VA fee inspections that may be needed to ensure that the work meets VA Minimum Property Requirements for existing (not proposed) construction; or
- B. If the veteran already built the property before applying for the loan, the property is eligible for financing even though it was not built with VA inspections. Under this condition, VA waives the requirement for VA inspections. The VA appraiser can certify that the property is complete, and the veteran can provide a copy of the Certificate of Occupancy (CO).

If the veteran built on his/her land, the value of the land will be credited toward a down payment, less the payoff of the unpaid balance of the land loan. If the veteran wishes to be reimbursed in cash for the land cost, this will be considered a "cash-out refinance," and the loan will be limited to **100% of the appraised value**.

There is no "seasoning" requirement on VA loans. Regardless of the length of time the veteran has owned the land, the **appraised value** of the land will be used as a credit, not the original purchase price of the land. The Funding Fee will be based on the loan-to-value after the allowed lot credit.

If a veteran wishes to purchase a newly constructed home that was **not built with local or VA inspections**, VA will accept a one-year VA builder's warranty in lieu of inspections. This will:

- allow veterans to purchase new home of their choice, even though that home was not inspected by VA or HUD during construction, and
- provide veterans and the Government with a measure of protection against defects in equipment, material or workmanship.

ACCEPTABLE VA NEW CONSTRUCTION PROPERTIES (Cont'd)

If the property was built without inspections during construction, it must be covered by either:

- a one-year VA builder's warranty, or
- a ten-year warranty protection plan

If the builder will provide a **one-year VA builder's warranty**, then **both** of the following will be required:

- The veteran purchaser's written acknowledgment that, *"I am aware that VA did not inspect this property during construction and that VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported in writing during the one-year VA builder's warranty period."* (Not Inspected Acknowledgment.)
- A one-year VA builder's warranty on **VA Form 26-1859, Warranty of Completion of Construction**.

NOTE: The acceptability of the option of the one-year VA warranty will be determined by VA, not the lender. Acceptance of a builder's warranty in lieu of inspections is a privilege available only to builders who routinely provide good quality construction. Builders who are required to obtain VA inspections during construction will be notified by VA in writing.

If the builder will provide a **ten-year insurance-backed protection plan**, then **both** of the following will be required:

- The veteran purchaser's written acknowledgment that, "I am aware that VA did not inspect this property during construction and that it does not qualify for VA assistance with construction complaints."
- Evidence of enrollment of the property in a ten-year insured plan acceptable to HUD.

Exception: An exception may be made for a veteran who wishes to purchase a new home from a builder who is **not more than occasionally** involved with VA financing and will **not** provide either a one-year VA builder's warranty or a ten-year insured protection plan.

In that situation, ***all*** the following will be required:

ACCEPTABLE VA NEW CONSTRUCTION PROPERTIES (Cont'd)

- The veteran purchaser must acknowledge in writing that, *“I am aware that this property does not qualify for VA assistance with construction complaints since it was not inspected by VA during construction. I am also aware that this new property will not be covered by either a one-year VA builder’s warranty or a ten-year insured protection plan, as is normally required in this situation.”*
- The builder must certify that, *“This company is not more than occasionally involved with VA financing and is aware that this property is being accepted without any VA-required warranty on an exception basis only upon the request of the veteran purchaser. The dwelling was constructed according to standard building practices and is in conformity with all applicable building codes and complies with the energy conservation standards of the 1992 Council of American Building Officials Model Energy Code.”* And,
- The lender must obtain a copy of the documentation issued by the local building authority to verify that construction was acceptably completed, such as a final inspection or occupancy permit. Where local authorities do not perform building inspections, the builder must certify in writing that, *“The dwelling was not inspected during construction by any State, county or local jurisdiction.”*

If the property is currently owner-occupied, it is handled as an “existing property” and new construction guidelines do not apply.

The builder will be required to provide one set of plans and specs for the subject property to the VA appraiser. If a VA inspector must make inspections in lieu of county inspections, one set goes to the VA inspector.

NOTE: If there is a veteran purchaser at the time the appraisal is ordered, both the builder and the veteran purchaser are required to sign Page 4 of the “Description of Materials” (referred to as “specs”) in both sets of plans.

The lender should review plans and specs for completeness before requesting the VA case number and appraiser assignment.

REVIEWING PLANS & SPECS PROVIDED BY THE BUILDER

Construction exhibits are required for properties appraised as “*proposed or under construction.*” They are ***not*** required for properties appraised as either “*new construction*” (complete except for customer preference items) or “*existing construction.*”

Each set of proposed construction exhibits must include:

- survey or plot plan,
- plans sufficient to allow the appraiser to establish market value,
- foundation or basement plan,
- exterior elevations,
- wall section, and
- specifications, on either *VA Form 26-1852, Description of Materials*, *HUD Form 92541*, or another format that provides essentially the same information in sufficient detail.

The appraiser will certify in the appraisal report:

“I hereby certify that the information contained in [specific identification for all construction exhibits, (for example, Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, Description of Materials, plot plan by Jones, Inc.)], was used to arrive at the estimate of reasonable value noted in this report.”

The appraiser will prepare the appraisal report subject to the completion per plans and specifications.

The ***New Construction Review Sheet*** included in this manual may be used as a guide for reviewing the plans and specs to ensure they are complete.

NEW CONSTRUCTION REVIEW SHEET

Borrower(s) _____ Subdivision _____

Property Address _____ S/D Approval No. _____

PLOT PLAN

- _____ Scale - 1" = 20' or 1/16" = 1'
- _____ Lot/Block No. Shown
- _____ Dimensioned length of each boundary
- _____ North Point
- _____ Dimensions of front, back & side yard
- _____ Location & dimensions of garage, carport, other accessory bldgs., incl. footing drains (or other subdrains) & their point of discharge
- _____ Location of streets, curbs, walks, driveways, approach slabs, surfacing and utilities
- _____ Location of steps, terraces, porches, fences, trees, shrubs, retaining walls, slopes and drainage swales, channels, pipes and related facilities
- _____ Location & Dimensions of easements & established setback requirements, if any
- _____ Grade elevations at:
 - _____ First floor, garage/carport floor
 - _____ Finish curb or crown of street
 - _____ Existing & finish grade elevations at each corner of plot

FLOOR PLANS

- _____ 1/4" = 1 Foot Scale
- _____ Elevations (Front, Back & Side)
- _____ Foundation Plan (Slab, Crawl or Basement - Circle One)
- _____ Floor Plan with Electrical Outlets
- _____ Cabinet Details (Front View)
- _____ HVAC Layout
- _____ Wall Section (From Bottom of Footing Through Tip of Roof, Unless Truss)

- _____ Stair Details (If Applicable)
- _____ Perimeter Slab Insulation, If Slab
- _____ Truss Detail with Engineer Seal if Built with Pre-Fab Truss
- _____ Fireplace Details (If Applicable)
- _____ Builder Certification Form with Original Signatures
- _____ Copy of Septic Tank Permit, If Applicable

DESCRIPTION OF MATERIALS

- _____ Top of Description of Materials Completed with Property Address, Mortgagee Name & Builder's Name & Address to Agree with Builder Certification
- _____ Siding (Type & Grade)
- _____ Windows and Trim
- _____ Wall Finish
- _____ Plumbing (Make & Model Nos.)
- _____ Hot Water Heat Information
- _____ Furnace Information (Input, Output, Make & Model Nos.)
- _____ Air Conditioning Make & Model Nos.
- _____ Insulation to Meet HUD Requirement:
 - _____ Ceiling R-24
 - _____ Walls R-11
- _____ Appliances - Make & Model Nos. Incl. Smoke Detector
- _____ Driveway (Width & Material)
- _____ Specs Signed & Dated by Builder (Original Signature of Builder & Veteran Required)

Builder is Approved to Offer 10-Year Warranty through

Name of Warranty Company _____

Telephone Number _____

Builder Registration Number _____

Verified by _____

SIZE OF FLOOR PLANS - Should be no larger than 18" x 24", 8½" x 14" acceptable & lettering is no smaller than 1/16".

COMPLIANCE INSPECTION REPORTS

For VA properties, if the local county or municipality does not inspect the property during construction and a VA inspector must be assigned.

As the on-site inspection is conducted, the VA inspector will compare the plans and specs to the house being built. If the plans and specs deviate in any way from the house being built, the VA or VA inspector will indicate the changes on the face of the inspection report.

On proposed construction cases, in addition to any local building authority inspections, the lender must have the VA-assigned fee appraiser visit the property and

- certify that construction substantially complies with the certified construction exhibits upon which the appraisal was based and
- that the improvements comply with any conditions of the sales contract (for example, landscaping, decking, or fencing).

**Warranty of Completion
of Construction**

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0059
(Expires 11/30/2010)

This information is required to obtain a HUD-insured single family mortgage. Public reporting burden for this collection of information is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and you are not required to respond to, a collection of information unless that collection displays a valid OMB control number. HUD collects this information to determine the insurability of a mortgage on the captioned property and may use it to make a final determination as to whether a defect exists and whether the builder must remedy the defect.

Privacy Act Notice: The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Lender's Name, Address and Phone Number (Include Area Code)	Name(s) of Purchaser/Owner
FHA/VA Case Number	Property Address

For good and valuable consideration, and in accordance with Section 801 of the Housing Act of 1954, and Public Law 85-857 (38 U.S.C. 3705), the undersigned Warrantor hereby warrants to the Purchaser(s) or Owner(s) identified in the caption hereof, and to his/her successors or transferees, that:

The dwelling located on the property identified in the caption hereof is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein) which have been approved in writing by the Federal Housing Commissioner or the Secretary of Veterans Affairs on which the Federal Housing Commissioner or the Secretary of Veterans Affairs based the valuation of the dwelling: **Provided, however,** That this warranty shall apply only to such instances of substantial nonconformity as to which the Purchaser(s)/Owner(s) or his/her (their) successors or transferees shall have given written notice to the Warrantor at any time or times within one year from the date of original conveyance of title to such Purchaser(s)/Owner(s) or the date of initial occupancy, whichever first occurs: **Provided further, however,** That in the event (1) the Purchaser(s)/Owner(s) acquired title to the captioned property prior to the completion of construction of the dwelling thereon, such notice of nonconformity to the Warrantor may be given any time or times within one year from the date of completion or initial occupancy of such dwelling, whichever first occurs, or (2) where it has been necessary to postpone improvements such notice of nonconformity to the Warrantor as to such incomplete items may be given at any time or times within one year from the date of full completion of each of such items.

The term "dwelling" as used herein shall be deemed to include all improvements or appurtenances set forth in the plans and specifications upon which the Federal Housing Commissioner or the Secretary of Veterans Affairs has based the valuation of the property, excepting those constructed by a municipality or other government authority.

The undersigned Warrantor further warrants to the Purchaser(s)/ Owner(s) or his/her (their) successors or transferees, the property against defects in equipment, material, or workmanship and materials supplied or performed by the Warrantor or any subcontractor or supplier at any tier resulting in noncompliance with standards of quality as measured by acceptable trade practices. This warranty shall continue for a period of one year from the date of original conveyance of title to such Purchaser(s) or from the date of full completion of each of any items completed after conveyance of title. The Warrantor shall remedy, at the Warrantor's expense, any defect(s) of equipment, material, or workmanship furnished by the Warrantor. Warrantor shall restore any work damaged in fulfilling the terms and conditions of this warranty.

If a manufactured (mobile) home was erected on this property, the Warrantor further warrants that (1) the property (other than the manufactured unit itself) complies with the submitted construction exhibits; (2) the manufactured home sustained no hidden damage during transportation and erection; and (3) if the home was manufactured in separate sections, the sections were properly joined and sealed.	Manufacturer's Name, Address & Phone Number (Include Area Code)
---	---

This warranty shall be in addition to, and not in derogation of, all other rights and privileges which such Purchaser(s)/ Owner(s) or his/her (their) successors or transferees may have under any other law or instrument, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the Purchaser(s)/ Owner(s), and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or other writing executed by the Purchaser(s)/ Owner(s) or his/her (their) successors or transferees heretofore or contemporaneously with the execution of this agreement or prior to final settlement.

This warranty is executed for the purpose of inducing the Federal Housing Commissioner or the Secretary of Veterans Affairs to make, to guarantee or to insure a mortgage on the captioned property, and the person signing for the Warrantor represents and certifies that he/she is authorized to execute the same by the warrantor and by his/her signature the Warrantor is duly bound under the terms and conditions of said warranty. The FHA Commissioner or the Secretary of Veterans Affairs reserves the right to make a final determination as to whether a defect exists and whether the builder must remedy the defect.

Warrantor		Purchaser(s) Acknowledgement	
Warrantor's Title		Signature of Purchaser	Date (mm/dd/yyyy)
Signature	Date (mm/dd/yyyy)	Signature of Purchaser	Date (mm/dd/yyyy)
Builder's Name and Address		Builder's Phone Number (Include Area Code)	

Purchaser Note: Any notice of nonconformity must be delivered to the warrantor within the period or periods set forth above.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802) Provide completed copies of this warranty to both the homebuyer and the builder, at closing. Include a copy of this warranty in the case binder when sent to HUD.

Previous editions are obsolete. Combines previous HUD-92544-A.

VA form 26-1859

form HUD-92544 (9/2005)
ref. Handbook 4145.1

Subterranean Termite Soil Treatment Builder's GuaranteeOMB Approval No. 2502-0525
(exp. 11/30/2008)

This form is completed by the builder.

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is mandatory and is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. Section 24 CFR 200.926d(b)(3) requires that the sites for HUD insured structures must be free of termite hazards. This information collection requires a licensed Pest Control company to provide the builder a record of specific treatment information in those cases when the soil treatment method is used for prevention of subterranean termite infestation. When applicable, form HUD-NCPA-99-B must accompany the form HUD-NCPA-99-A. Builders, pest control companies, mortgage lenders, homebuyers, and HUD as a record of treatment for specific homes will use the information collected. The information is not considered confidential.

This form is submitted for proposed (new) construction cases when soil treatment for prevention of subterranean termite infestation is specified by the builder or required by the lender, the architect, FHA or VA.

This form is to be completed by the builder. This guarantee is issued by the builder to the buyer. This guarantee is not to be considered as a waiver of, or in place of, any legal rights or remedies that the buyer may have against the builder.

FHA/VA Case No.: _____

Location of Structure(s) (Street Address, or Legal Description, City, State and Zip): _____

Buyer's Name: _____

The undersigned builder hereby certifies that a State licensed or otherwise authorized pest control company (where required by State law) was contracted to treat the property at the location referenced above for subterranean termites. The builder further certifies that the contract with the pest control company required the treatment materials and methods used to be in conformance with all applicable State and Federal requirements. All work required by the contract has been completed. Where not prohibited by applicable State requirements, the buyer, for an additional fee payable to the pest control company, may extend the protection against subterranean termites. Contact the pest control company listed on the attachment for further information.

The builder hereby guarantees that, if subterranean termite infestation should occur within one year from the date of closing, the builder will ensure that a licensed or otherwise State authorized pest control company (where required by State law) or other qualified licensed pest control company will further treat as necessary in the infested area to control infestations in the structure. This further treatment will be without cost to the buyer. If permitted by State law, the buyer may contract directly, at the buyer's expense, with a pest control company to inspect the property on a periodic basis and/or use EPA registered products to control the infestation. The builder will not be responsible for guaranteeing such additional treatment. The builder further agrees to repair all damage by subterranean termites within the one-year builder's warranty period. This guarantee does not apply to additions or alterations that are made by the buyer, which affects the original structure or treatment. Examples include, but are not limited to, landscape and mulch alterations, which disturb the treated area and create new subterranean termite hazards, or interfere with the control measures.

If within the guarantee period the builder questions the validity of a claim by the buyer, the claim will be investigated by an unbiased expert mutually agreeable to the buyer and builder. The report of the expert will be accepted as the basis for disposition of the case. The non-prevailing party will pay the cost of any inspections made to investigate the claim. For further information, contact your State structural pest control regulatory agency.

Type of Treatment: ☐ Bait System ☐ Wood ☐ Soil (HUD-NPCA-99-B required)

Note: Appropriate treatment record must be attached and listed.

Attachments: _____

Builder's Company Name: _____ Phone No.: _____

Authorized Signature: _____ Date: _____

Consumer Maintenance Advisory regarding Integrated Pest Management for Prevention of Wood Destroying Insects. Information regarding prevention of wood destroying insect infestation is helpful to any property owner interested in protecting the structure from infestation. Any structure can be attacked by wood destroying insects. Periodic maintenance should include measures to minimize possibilities of infestation in and around a structure. Factors which may lead to infestation from wood destroying insects include foam insulation at foundation, earth-wood contact, faulty grade, firewood against structure, insufficient ventilation, moisture, wood debris in crawl space, wood mulch, tree branches touching structures, landscape timbers, and wood rot. Should these or other such conditions exist, corrective measure should be taken by the owner in order to reduce the chances of infestations by wood destroying insects, and the need for treatment.

An original and one copy of this guarantee are to be prepared by the builder and sent to the lender. The lender provides one copy to the buyer at closing and includes a copy in the VA loan package or HUD insurance case binder. The builder sends one copy to the licensed pest control company which performed the treatment.

Attached is a copy of the state authorized pest control company's New Construction Subterranean Termite Soil Treatment Record, HUD-NPCA-99-B.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729.3802)

Form NPCA-99-A may still be used

form HUD-NPCA-99-A (04/2003)

New Construction Subterranean Termite Soil Treatment Record

OMB Approval No. 2502-0525
(exp. 11/30/2008)

This form is completed by the licensed Pest Control Company

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is mandatory and is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Section 24 CFR 200.926d(b)(3) requires that the sites for HUD insured structures must be free of termite hazards. This information collection requires the builder to certify that an authorized Pest Control company performed all required treatment for termites, and that the builder guarantees the treated area against infestation for one year. Builders, pest control companies, mortgage lenders, homebuyers, and HUD as a record of treatment for specific homes will use the information collected. The information is not considered confidential.

This report is submitted for informational purposes to the builder on proposed (new) construction cases when soil treatment for prevention of subterranean termite infestation is specified by the builder, architect, or required by the lender, architect, FHA, or VA.

All contracts for services are between the Pest Control Operator and builder, unless stated otherwise.

Section 1: General Information (Treating Company Information)

Company Name: _____
 Company Address _____ City _____ State _____ Zip _____
 Company Business License No. _____ Company Phone No. _____
 FHA/VA Case No. (if any) _____

Section 2: Builder Information

Company Name _____ Phone No. _____

Section 3: Property Information

Location of Structure (s) Treated (Street Address or Legal Description, City, State and Zip)

Type of Construction (More than one box may be checked) ☐ Slab ☐ Basement ☐ Crawl ☐ Other _____

Approximate Depth of Footing: Outside _____ Inside _____ Type of Fill _____

Section 4: Treatment Information

Date(s) of Treatment(s) _____

Brand Name of Product(s) Used _____

EPA Registration No. _____

Approximate Final Mix Solution % _____

Approximate Size of Treatment Area: Sq. ft. _____ Linear ft. _____ Linear ft. of Masonry Voids _____

Approximate Total Gallons of Solution Applied _____

Was treatment completed on exterior? ☐ Yes ☐ No

Service Agreement Available? ☐ Yes ☐ No

Note: Some state laws require service agreements to be issued. This form does not preempt state law.

Attachments (List) _____

Comments _____

Name of Applicator(s) _____

Certification No. (if required by State law) _____

The applicator has used a product in accordance with the product label and state requirements. All treatment materials and methods used comply with state and federal regulations.

Authorized Signature _____ Date _____

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Form NPCA-99-B may still be used

form HUD-NPCA-99-B (04/2003)

