



DEPARTMENT OF VETERANS AFFAIRS

Regional Office
1240 East Ninth Street
Cleveland, OH 44199

April 2, 1998

In Reply Refer To: 325/26
Information Letter 26-98-2

TO: ALL LENDERS

SUBJ: CHANGE TO VERIFICATION OF VA BENEFIT-RELATED INDEBTEDNESS
FORM SUBMISSION REQUIREMENTS

1. In our continuing efforts to reduce paperwork burdens, and to speed processing and reduce needless delay, VA has made the following change. **In most cases**, VA has eliminated the requirement to secure indebtedness letters (VA Form 26-8937 Verification of VA Benefit-Related Indebtedness) from VA. Change 36 to VA Pamphlet 26-7 explains the change (as well as certain other changes) in detail.
2. Previously lenders were required to have VA Form 26-8937 completed by VA for all cases **before** they could close the loan. This resulted in loan closings being delayed pending receipt of the completed form from VA. The fact is that the overwhelming number of forms reveal no evidence of receipt of VA benefits, VA debt, or anything else that would impact the loan process. Reducing the instances when the form is required will streamline the loan process for lenders and result in quicker delivery of the home loan benefit to veterans.
3. Effective immediately, lenders will be required to submit VA Form 26-8937 **only** in the following circumstances:
 - When the veteran is receiving VA disability benefits; **OR**
 - When the veteran indicates he/she would be entitled to receive VA disability benefits but for the receipt of retired pay; **OR**
 - When the veteran indicates 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.
4. Lenders are responsible for asking the veteran if they fall 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.
5. It is still necessary to have the form submitted in certain cases (as described above) so it can be determined if:
 - The veteran is exempt from funding fee; **OR**
 - The veteran has been rated incompetent by VA; **OR**
 - The veteran is in receipt of pension (which means loan must be processed by VA); **OR**
 - The veteran is currently on a repayment plan with VA because of a prior debt.
6. Your interest and participation in our program is greatly appreciated.

/s/

JAMES L. BRUBAKER, JR.
Loan Guaranty Officer