



DEPARTMENT OF VETERANS AFFAIRS
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LOAN GUARANTY INFORMATION LETTER NO. 26-01-34

TO: ALL LENDERS

SUBJECT: Military Activation/Deployment And Impact On Loan Originations

1. Purpose.

The recent activation of members of the Reserves and National Guard; and the deployment of both Reserve members and active duty personnel have generated questions on the issues of powers of attorney, income, and occupancy for loans in process. This Information Letter will address those concerns and serve to:

- Require that lenders ensure that veterans are not subject to activation to military duty before approving and/or closing a loan based upon the veteran's **income** from *civilian* employment.
- Remind lenders of the requirements for loans closed with use of a power of attorney due to the absence of the veteran-applicant.
- Clarify occupancy requirements with respect to deployed active duty service members.

2. Income Verification.

When activated with the Reserves or Guard, veterans whose loans are in process or ready to close may be subject to a sharp reduction in income. It's important to recognize that activated reservists whose incomes are reduced may be unable to qualify for the loan they're seeking. Therefore, except in cases where the veteran is currently serving on active duty and qualifying income is derived from such service, lenders must determine if a veteran is a member of a Reserve or National Guard unit. If so, lenders must ascertain if the veteran has been notified of a mobilization of his or her unit. If the veteran is in a unit with actual orders for mobilization, the loan must be underwritten on the basis of the veteran's income on active duty.

Effective immediately lenders must obtain a statement which affirms that a veteran-applicant's status relative to membership in the Reserves or Guard, has been ascertained and considered. The statement should be made part of the origination package and submitted in the event the loan is selected for full review by a VA office.

3. Power of Attorney.

Activation and/or deployment of United States Armed Forces to distant locations may cause some loans to be ready to close with the service person not available to sign the documents. In such instances, loans may be closed with the use of a power of attorney. A general power of attorney, in lieu of one specifically referencing the use of an individual's VA entitlement, may be used if the service person has signed the purchase contract and the loan application indicating the intention to obtain a VA loan.

For loans being closed under a power of attorney, lenders must continue to obtain verification that the service person was alive and not in a missing in action status on the date of loan closing. This applies to service persons who are temporarily deployed in the same way as service persons who are permanently stationed overseas. A statement from the casualty assistance office at the military facility from which the service member is deployed which confirms that the service person is not listed on a casualty or missing in action list will satisfy this requirement. Reference: VA Lender's Handbook (VA Pamphlet 26-7, Chapter 9) at <http://www.vba-roanoke.com/rlc/Lenders.html>.

Regional Loan Centers will provide every possible assistance to spouses and lenders in connection with the use of powers of attorney, including establishing liaison with military installations in order to facilitate obtaining verification that a service person is alive and not missing in action.

4. Occupancy.

Service members, married or single, while deployed from their permanent duty station, are considered to be in a temporary duty status and able to provide a valid intent to occupy certification without regard to whether or not a spouse will be available to occupy prior to the veteran's return from deployment.

/s/

W.D. Hogan
Loan Guaranty Officer