



VA Home Loans Training Guide



**Presented by:
Cleveland Regional Loan Center**

Revised January 2005

Introduction

The purpose of this training guide is to provide a basic overview of the VA home loan program. It is designed to give the reader a general understanding of the steps involved in the processing, underwriting and closing of a VA loan.

It should be understood that the only true source for processing VA home loans is VA Pamphlet 26-7, Lenders Handbook, Revised January 1, 2001. Please also keep in mind that there have been 4 changes added to this Handbook since January 2001, that must be incorporated into the Lenders Handbook.

This training guide is not all inclusive and does not cover every topic discussed in the Lenders Handbook.

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Chapter 1: Loan Basics

Introduction. The Cleveland Regional Loan Center (RLC) is one of nine nationwide locations handling Loan Production (LP) activities. The Cleveland RLC provides loan guaranty services for six states: Delaware, Indiana, Michigan, New Jersey, Ohio and Pennsylvania. The purpose of this user guide is to provide certain information that will facilitate the processing of home loans that are to be guaranteed by VA. VA's complete instructions to lenders and others is found in the VA Lender's Handbook, VA Pamphlet 26-7.



Other sources of VA information available on the internet are:



- **VA National** website: www.va.gov
- **VA National Loan Guaranty Information** website: www.homeloans.va.gov
- The **Cleveland, Ohio** website: <http://www.vba.va.gov/cleveland-rlc.htm>
- Information concerning **Certificates of Eligibility**: www.homeloans.va.gov/eligibility.htm
- Direct access to **VA Lender's Handbook**: www.homeloans.va.gov/handbook.htm
- Website to **E-mail Various VA offices**: www.homeloans.va.gov/contact.htm
- To **Download Various VA Forms**: www.vba.va.gov/pubs/forms1.htm
- **VA Information Portal**: <http://vip.vba.va.gov>

Lender Participation. Lenders must contact VA to obtain approval and a VA Lender Identification number prior to accepting a veteran's loan application. VA Lenders are classified by the following definitions:

- **Supervised Lender** - is subject to periodic examination and supervision by a federal, state or territorial agency. A supervised lender can close VA loans without prior approval underwriting by VA.
- **Non-supervised Lender** - any lender that is **not** a supervised lender. A non-supervised lender **cannot** close loans without prior approval underwriting by VA unless granted automatic authority (see next bullet).
- **Non-supervised Automatic Lender** – non-supervised lender who, after applying to VA for authority to close loans on an automatic basis, has been formally granted such authority by VA.
- **Agent** - person or entity that performs any portion of the work involved in originating and closing a VA-guaranteed loan on behalf of, or in the name of, a sponsoring lender.

Entitlement: Every veteran receives **\$36,000** of basic home loan entitlement provided they meet service requirements (discussed in Chapter 2). As of December 10, 2004, the President signed into law The Veterans Benefits Act of 2004. The law changes the maximum guaranty amount for certain loans in excess of \$144,000, **to an amount equal to 25 percent of the Freddie Mac conforming loan limit determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence**, as adjusted for the year involved. For 2005, the maximum loan amount would be \$359,650. These amounts will change annually as Freddie Mac adjusts its maximum conforming loan amount, without additional approval from Congress. Also, under Freddie Mac's charter, maximum original loan amounts are 50 percent higher for first mortgages on properties located in Alaska, Hawaii, Guam and the U.S. Virgin Islands. This change in maximum loan amount in those areas would also apply to VA loans in those areas.

Loan Types And Amounts. VA does not set maximum loan amounts. Provided that a veteran has the full \$36,000 of basic entitlement available, VA will issue a minimum of a 25 percent guaranty on any mortgage amount up to the maximum loan limit as set by Freddie Mac's conforming loan amounts as they are set annually (as long as it is supported by the appraisal).

VA's basic loan types and loan amounts (loan amounts are typical for secondary market requirements) are:

- ◆ To build or purchase an existing home, multiple-unit property (up to 4 units) or a condominium in a VA accepted project up to \$359,650.
- ◆ Regular (Cash-out) refinance of an existing home loan or refinance of a construction loan and land sale contract, \$144,000
- ◆ Interest Rate Reduction Refinancing Loan (Streamline) of a VA guaranteed home loan. This loan is to reduce the interest rate of the existing VA loan or convert an existing VA adjustable rate mortgage loan to a fixed rate; VA will give a 25% guaranty on any loan amount up to \$359,650.
- ◆ To purchase and improve a home consecutively. Maximum loan amount will be \$359,650 for this type of purchase.
- ◆ Energy Efficient Improvements, see VA Lenders Handbook, Section 7.03; and Chapter 4 of this training guide for specifics.

Purchase a single family home, townhouse or condo. A veteran can purchase a home, condo, townhouse or manufactured home provided it meets certain guidelines:

- It is titled as real estate
- It doesn't exceed more than 4 units (and veteran will occupy at least 1 unit)
- It is a VA approved condo or townhouse development
- It is affixed to a permanent foundation
- It meets VA's minimum property standards of safe, sanitary and sound
- All appraisal compliance issues are repaired prior to closing unless 1 ½ times the cost of repairs is placed into escrow



New Construction. Proposed construction requires specifications and blue prints, as well as an appraisal to determine reasonable value. An automatic lender's Staff Appraisal Reviewer can review the plans and specs. The builder must be VA approved. The lender issues all draws of money to construct. Typically the lender and municipality complete inspections for all draws of money, and to ensure compliance with local housing codes.

There are 2 rules for the builder warranty:

- Builder needs to provide 1 year builder warranty if property was inspected at least 3 times during construction process

or

- Builder needs to provide 10 year HUD warranty if property was proposed construction, but was not inspected until completion of the home.

Interest Rate Reduction Refinance Loans (IRRRL's or VA streamline). Any veteran who has an existing VA loan can obtain a VA IRRRL. There is no credit report, income or deposit verifications, or appraisal required. The lender must certify either:

- the interest rate and principal and interest payment is decreasing or,
- the term of the loan is decreasing

Exceptions to above rule:

- ⇒ the veteran is refinancing a VA ARM to a VA fixed rate loan
- ⇒ the veteran is refinancing a VA graduated payment mortgage to a VA fixed rate loan

20% P&I Increase on IRRRL's:

In the event the new mortgage payment is increasing by 20% or more, the lender's underwriter must certify that the veteran qualifies for the increased monthly payment.

What amounts can be included in an IRRRL?

VA allows the lender to finance:

the existing VA loan payoff

- + allowable closing costs
- + VA funding fee
- + up to 2 discount points

Who can obtain an IRRRL?

- ◆ original veteran who still owns the home
- ◆ surviving spouse (veteran deceased)
- ◆ original veteran and new spouse
- ◆ new veteran who substituted entitlement

Who can not obtain an IRRRL?

- ◆ veteran holding a conventional home loan
- ◆ veteran's previous spouse (if divorced and spouse still in home)
- ◆ spouse who is not signed on original VA loan (if veteran divorced or deceased)
- ◆ non veteran (if closed as a joint loan and original veteran quit claims interest in property)

IRRRL Special Circumstances:

An IRRRL for an existing VA loan that is 30 days past due at the time of application or closing must be sent to VA for prior approval underwriting.

The veteran can not receive more than \$500 cash back at closing on an IRRRL

If the veteran receives cash back, the lender must be able to document the overage.

The lender must document the number of months it will take to recoup the closing costs for an IRRRL. Typical formula is: Total closing costs divided by costs savings in Principal and Interest per month

Cash-Out Refinancing Loans. A cash-out refinancing loan is a VA-guaranteed loan which refinances any type of lien or liens against the secured property. It also allows for additional cash to be distributed to the veteran provided they qualify. The liens to be paid off may be from any source, such as

- Tax or judgment liens, and
- VA, FHA, or conventional mortgage.

The maximum loan amount is 90 percent of the Notice of Value amount plus the cost of any energy efficiency improvements plus the VA funding fee.

The loan must be secured by a first lien on the property.

Loan proceeds beyond the amount needed to pay off the lien(s) may be taken as cash by the borrower for any purpose acceptable to the lender.

The maximum guaranty is for cash out refinances is \$36,000, regardless of Freddie Mac's adjusted conforming loan amounts. This typically results in a maximum loan amount for cash out purposes of \$144,000 (don't forget the 25% guaranty provision).

Reference: VA Lenders Handbook, Section 6.03

Exceptions to Cash Out Rules. These consist of loans to refinance:

- Construction loans
- Installment land sales contracts
- Loans assumed by veterans at interest rates higher than that for the proposed refinance.

These above loan types are like cash-out refinances in all respects except:

- The loan amount is not limited to 90% of the value
- These loans may not exceed the lesser of the NOV

or

- the sum of the outstanding balance of the loan to be refinanced plus allowable closing costs and discount points.

REFINANCE COMPARISON

	Regular Refinance (Cash-out Refinance)	IRRRL VA Streamline Refinance
Cash out allowed?	Yes (within 90%)	No
Loan limit	90% of NOV + funding fee + up to \$6,000 for energy efficient improvements*	Payoff of previous VA loan + allowable closing costs + funding fee + up to \$6,000 for energy efficient improvements
Must veteran own property?	Yes	Yes
Must veteran occupy property?	Yes	No (must have occupied at time of purchase)
Maximum loan term	30 years	Existing VA loan term + 10 years (not to exceed 30 years).
Maximum interest	Negotiated Rate	Rate must be lower than rate on present VA loan, unless refinancing ARM to fixed rate. <u>GEM Loans</u> : Rate MUST be lower than existing rate
Lien of record required?	Yes	Yes
OK to refinance other liens?	Yes	No
Appraisal required?	Yes	No
Credit package required?	Yes	No, unless 30 or more days past due
OK for automatic processing?	Yes, automatic lenders	Yes, all lenders, unless existing VA loan is 30 or more days past due

Consecutive Purchase and Improvement. A veteran can use his existing entitlement to purchase a home and also make consecutive improvements. The veteran must provide specifications and blue prints to the lender. An appraisal must be completed that certifies the improvement will result in a dollar for dollar increase in the appraised value.

Energy Efficient Mortgages (EEM's). EEM's are loans to cover the cost of making energy efficiency improvements to a dwelling. Funds for energy efficiency improvements are considered part of the total loan. They can be made in conjunction with:

- A VA loan for the purchase of an existing dwelling, or
- A VA refinancing loan secured by the dwelling.

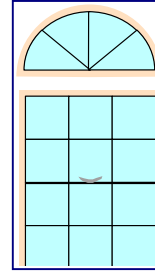
The mortgage may be increased by:

- Up to \$3,000 based solely on the documented costs of the energy improvements, **or**
- Up to \$6,000 provided the increase in 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.

If the labor is to be performed by the veteran, the loan increase will be limited to the amount necessary to pay for materials.

EXAMPLES OF ENERGY EFFICIENT IMPROVEMENTS

- ◇ Solar heating and cooling systems
- ◇ Furnace replacement or efficiency modifications
- ◇ Clock thermostats
- ◇ New or additional ceiling, attic, wall and floor insulation
- ◇ Water heater insulation
- ◇ Storm windows and/or doors/vapor barriers
- ◇ Heat pumps



What Items Can Not Be Considered EEM Improvements?

- New roof or shingles
- Vinyl siding
- Air Conditioning units

VA will guaranty 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.

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

Reference: VA Lenders Handbook, Section 7.03.

Guaranty Limits On Joint Loans. The term "joint loan" generally refers to any loan for which a veteran and any person other than the veteran's spouse are liable. VA classifies a joint loan as a loan with two veterans both using their certificates of eligibility **or** a loan between a veteran and person other than a spouse who does not have a certificate of eligibility.

If a veteran is purchasing with a person who is not a spouse and who does not have home loan benefits, the guaranty is calculated based on the veteran's portion of the loan.

Example - Loan amount = \$136,000 (funding fee paid in cash)

1. Veteran & spouse obligors = \$36,000 guaranty
 2. Two veteran obligors (both with full entitlement) = \$36,000 guaranty
 3. Veteran and sister (not eligible for VA home loan benefits) = \$27,200 (20%) guaranty
- Calculation: $\$136,000/2$ (vet's portion) = \$68,000. Guaranty = \$27,200 (*this amount may not be sufficient to meet secondary market requirements - check with your investors*).

Occupancy. VA requires the veteran to occupy the subject property as his/her primary residence. The normal guideline is within 60 days from the date of closing. However this may be extended to 12 months if the veteran has a specific date that s/he will be moving in **and** a particular reason/future event that is causing the delay. Use of the property as a second home or seasonal vacation home does not satisfy the occupancy requirement.

For active duty military personnel who are deployed from their permanent duty station considered to be in a temporary duty status and able to provide a valid intent to occupy, the spouse can fulfill the occupancy requirement. Other circumstances are addressed in VA Lender's Handbook, Section 3.05, or can be discussed with the Regional Loan Center with jurisdiction over the property.

Exception: The veteran does not have to occupy the property for interest rate reduction refinance loans (IRRRL's), just certify that they previously occupied the home.

Loan Approval Requirements. The basic requirements for a VA loan are:

- The veteran must have sufficient eligibility/benefit (see Chapter 2 of the VA Lender's Handbook)
- The loan must be for an acceptable purpose
- The occupancy requirement must be met
- The veteran (and spouse, if applicable) must have sufficient, stable income and acceptable credit. (see Chapter 4 of the VA Lender's Handbook)

Chapter 2: How To Obtain A Certificate Of Eligibility.

ACE, Automated Certificate of Eligibility & OnLine Loan Status Inquiry:

ACE is an Internet based application that allows lenders to obtain a COE in a matter of 10-15 seconds. It issues COE's for most first-time users who served full-time active duty military or will give a certificate if the veteran has an existing VA loan (for use with an IRRRL). It also allows lenders to check on status of loans submitted for guaranty. The program was implemented in June 2002. The system can be accessed as a link within the Veterans Information Portal located at:

vip.vba.va.gov

Go to the **ACE** Link located on the left hand toolbar. You will need a lender i.d. to use this system.

Eligibility Center:

If you do not obtain a valid certificate of eligibility from this system, you should have the veteran complete:

- VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits, and
- Submit it along with proof of military service to VA's Winston-Salem, NC, Eligibility Center.

Eastern Eligibility Center Contact Information (East of Mississippi, excluding Louisiana)

Standard Mailing Address	P.O. Box 20729, Winston-Salem, NC 27120
Overnight Mailing Address	251 N. Main St., Winston-Salem, NC 27155
Telephone Number	(888) 244-6711
E-Mail Address	NCELIGIB@vba.va.gov

Western Eligibility Center Contact Information (West of Mississippi, including Louisiana)

Standard Mailing Address	P.O. Box 240097, Los Angeles, CA 90024
Telephone Number	(888) 487-1970
E-Mail Address	vavbalan/igyeli@vba.va.gov

VA Form 26-1880 can be obtained at www.vba.va.gov/pubs/forms1.htm, by calling/writing/e-mailing the Eligibility Center, from a local VA Regional Office, or from a lender who participates in the VA home loan program.

Walk-In Applicants:

Veterans who require walk-in service can visit the nearest Veterans Service Center or the Regional Loan Center in Cleveland, Ohio from 8 am to 4:30 pm ET, Monday through Friday. In some cases, a COE may be obtained at other VA Regional Offices; however, most VA Regional Offices provide limited walk-in service, if any, and veterans should phone a specific office prior to making a trip.

Eligibility Verification via E-mail for streamline, IRRRL cases:

Veterans who do not have their original Certificate of Eligibility do not need that document for an Interest Rate Reduction Refinance Loan. VA has approved the use of an automated e-mail based eligibility verification site that any lender can use to verify the veteran's current existing VA loan. **This e-mail serves as the Certificate of Eligibility.** You can access this site at:

[www.http://www.vba-roanoke.com/rlc/GILoans.asp](http://www.vba-roanoke.com/rlc/GILoans.asp)

Proof Of Military Service. Acceptable documentation of military service depends on whether the veteran served on regular active duty or in the Selected Reserves or National Guard, or whether the veteran remains on regular active duty or in the Selected Reserves or National Guard.

- A. For a veteran discharged from regular active duty after January 1, 1950, a copy of DD 214 Certificate of Release or Discharge from Active Duty should be included with VA Form 26-1880. If discharged after October 1, 1979, Copy 4 of DD 214 should be submitted.
- B. If the applicant is on regular active duty and has not been previously discharged from active duty service, a statement of service which includes the name of the issuing authority (base or command) and is signed by or at the direction of an appropriate official is required. The statement must include the service member's name, SSN, date of entry on active duty and the duration of any time lost. If on active Selected Reserve duty, the statement of service should be from the unit Commanding Officer and should cite the length of time served with the reserve unit. (Faxed copies and photocopies are not acceptable.)
- C. If veteran was discharged from the Selected Reserves or the National Guard, include copies of documentation of at least 6 years of honorable service. If discharged from the Army or Air Force National Guard, submit NGB Form 22, Report of Separation and Record of Service, or NGB Form 23, Retirement Points Accounting, or its equivalent. If discharged from the Selected Reserve, submit a copy of the latest annual points statement and evidence of honorable service. Unfortunately, there is no single form used by the Reserves or National Guard similar to the DD Form 214. It is veteran's responsibility to furnish adequate documentation of at least 6 years of honorable service.
- D. If the veteran is still serving in the Selected Reserves or the National Guard, include an original statement of service signed by the veteran's Commanding Officer or Personnel Officer. It should show the date of entry into veteran's current tour of duty, list all previous service, and all previous service numbers. It must be identified with the veteran's social security number and date of birth. (Faxed copies and photocopies are not acceptable.) At least 6 years of honorable service must be documented.

NOTE: If the veteran has been discharged from regular active duty, it may be possible to make a determination without the veteran providing evidence of military service. However, it is best to provide such evidence with VA Form 26-1880 to prevent possible delays in processing the request.

Department of Veterans Affairs
VA-335-0087351

CERTIFICATE OF ELIGIBILITY FOR LOAN GUARANTY BENEFITS

NAME OF VETERAN (Print, Include Inmate, Last) **JEFFREY M. SHUNBERG** SERVICE NUMBER/SOCIAL SECURITY NUMBER **111-11-1111**

ENTITLEMENT CODE **4** BRANCH OF SERVICE **NAVY** DATE OF BIRTH **11/09/1969**

Is eligible for the benefits of Chapter 37, Title 38, U.S. Code, and has the amount of entitlement shown as available, subject to the statements (if checked) and prior usage shown below.

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

Excluded entitlement previously used for VA LIN _____ as shown herein is available only for use in connection with the property which secured that loan.

Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is _____.

Not eligible for any loan to purchase a manufactured home unit until veteran disposes of unit purchased with manufactured home loan number VA LIN _____.

Entitlement previously used for VA LIN _____ has been restored without disposal of the property, under provision of 38 U.S.C. 3702n(4). Any future restoration requires disposal of all property obtained with a VA loan.

LOAN NUMBER (Exclude amount of Direct Loans)	USED	RESTORED	AVAILABLE*	DATE AND INITIALS OF VA AGENT
	3710	0	\$34,000	

*The amount shown is increased by up to \$14,750 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25%.

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, see VA Pamphlets 26-4 and 26-71-1, or contact the nearest VA office for further information.

Available entitlement is subject to reduction if VA incurs actual liability on loan on the loan(s), if any, listed below, obtained by the veteran with the assistance of loan benefits derived from military service in WWII or the Korean conflict.

OUTSTANDING LOAN NUMBER(S)	DATE	INITIALS OF VA AGENT	REMOVED	DATE	INITIALS OF VA AGENT

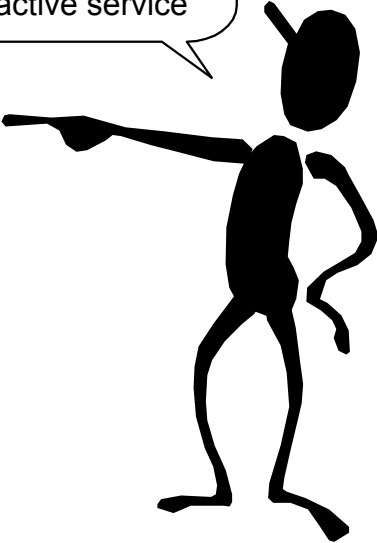
SAFEGUARD THIS DOCUMENT FOR FUTURE USE

St. Paul, MN 55111
(Issuing Office)
11/03/1999
(Date Issued)

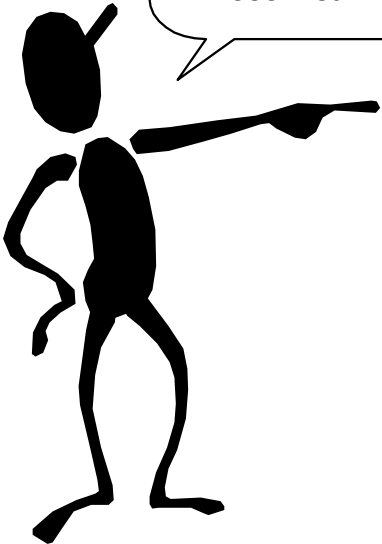
SECRETARY OF VETERANS AFFAIRS
Grace Cooper
(Signature of Authorized Agent)

VA FORM AUG 1995 CG26-8330 SUPERSEDES VA FORM 26-8330, FEB 1996, WHICH WILL NOT BE USED.

This is a sample of a COE for entitlement based on active service



This is a Sample of a COE for a National Guard or Reservist



Department of Veterans Affairs
VA-335-0087351

CERTIFICATE OF ELIGIBILITY FOR LOAN GUARANTY BENEFITS (Reserve/National Guard)

NAME OF VETERAN (Print, Include Inmate, Last) **JEFFREY M. SHUNBERG** SERVICE NUMBER/SOCIAL SECURITY NUMBER **111-11-1111**

ENTITLEMENT CODE **11** BRANCH OF SERVICE **NAVY** DATE OF BIRTH **11/09/1969**

Is eligible for the benefits of Chapter 37, Title 38, U.S. Code, and has the amount of entitlement shown as available, subject to the statements (if checked) and prior usage shown below.

Valid unless discharged or released subsequent to date of this certificate. A certification of continuous service in the Reserves or National Guard as of date of note is required.

Excluded entitlement previously used for VA LIN _____ as shown herein is available only for use in connection with the property which secured that loan.

Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is _____.

Not eligible for any loan to purchase a manufactured home unit until veteran disposes of unit purchased with manufactured home loan number VA LIN _____.

Entitlement previously used for VA LIN _____ has been restored without disposal of the property, under provision of 38 U.S.C. 3702n(4). Any future restoration requires disposal of all property obtained with a VA loan.

LOAN NUMBER (Exclude amount of Direct Loans)	USED	RESTORED	AVAILABLE*	DATE AND INITIALS OF VA AGENT
	3710	0	\$34,000	

*The amount shown is increased by up to \$14,750 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25%.

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, see VA Pamphlets 26-4 and 26-71-1, or contact the nearest VA office for further information.

IMPORTANT
RESERVE/NATIONAL GUARD ELIGIBILITY
INCREASED FUNDING FEE REQUIREMENT
ELIGIBILITY EXPIRES SEPTEMBER 30, 2001

SAFEGUARD THIS FORM FOR FUTURE USE

SECRETARY OF VETERANS AFFAIRS

St. Paul, MN 55111
(Issuing Office)
11/03/1999
(Date Issued)

Grace Cooper
(Signature of Authorized Agent)

VA FORM AUG 1995 CG26-8330 SUPERSEDES VA FORM 26-8330, OCT 1993, WHICH WILL NOT BE USED.

Military Records. GSA Standard Form 180, Request Pertaining to Military Records, is used to apply for copies of military service records regardless of whether the veteran served on regular active duty or in the Selected Reserves/National Guard. This form is NOT processed by VA. Standard Form 180 is completed and mailed to the appropriate custodian of military service records. Instructions are provided on the reverse of the form to assist in determining the correct mailing address. Additional information is available at National Personnel Records Center (Military Personnel Records NPRC [MPR]): www.nara.gov/regional/mpr.html.

Personnel Reserve Centers. If a reservist needs to obtain copies of point statements or other documentation that reflects 6 years participation with evidence of honorable discharge contact:

Branch	Type of Form	Telephone
Army/Air National Guard	NGB 22, Report of Separation & Record of Service	(314) 592-0123
Army Reserve	DARP FM 249-2E or ARPC FM 606, Chronological Statement of Retirement Points	(314) 592-0123
Navy Reserve	NRPC 1070-124, Annual Retirement Point Record	(800) 966-9174
Air Force Reserve	AF 526, Point Summary Sheet	(800) 525-0102 ext. 388 or 403
USMC Reserve	NAVMC 798	(314) 538-4200 or 4147
Coast Guard Reserve	CG 4175	(314) 538-4200 or 4147

Processing Time - Eligibility Center. All applications are processed in order by receipt date regardless of mode of submission.

- Turnaround time (including mailing time) for complete applications not requiring development normally runs about 14 days.
- Telephone contact personnel at the Center only have access to records of processed applications. So, it is best to wait at least 10 days after mailing before calling for the status of an application.
- A relatively small percentage of applications require development which can extend the processing period. This development might involve return to the requester for additional information or it might involve development internal to VA. In some cases, it will be necessary to research information regarding a previous VA loan(s) or resolve such issues as character of discharge, service-connected disability, or surviving spouse benefits. When a delay for internal VA development is required, the requester is always advised by letter.

QUICK REFERENCE CHART FOR ELIGIBILITY

ERA	DATES	MINIMUM SERVICE*
WWII	09/16/40 - 07/25/47	90 continuous days
Peacetime	07/26/47 - 06/26/50	181 days
Korean	06/27/50 - 01/31/55	90 days
Post-Korean	02/01/55 - 08/04/64	181 days
Vietnam	08/05/64 - 05/07/75	90 days
Post-Vietnam	05/08/75 - 09/07/80	181 days
Post-Vietnam	09/08/80 - 08/01/90	2 years
Persian Gulf	8/2/90 - undetermined	2 years or period called to active duty, not less than 90 days

(Veterans eligibility requires honorable service)

**A veteran who has served less than the minimum required period of service or was discharged because of a service-connected disability, may be eligible for home loan benefits. Other information concerning eligibility and/or exceptions can be found in VA Lenders Handbook, Chapter 2.*

OTHER ELIGIBLE PERSONS	MINIMUM SERVICE REQUIRED
Active duty member**	90 continuous days (181 during peacetime)
Active Reserve or National Guard	6 years in Selected Reserves
Unmarried surviving spouse***	No time requirement. Veteran must have died on active duty or from a service-connected disability.
POW/MIA spouse	Veteran must have been POW or MIA 90 days.

***Certificate only valid while veteran remains on active duty*

****For IRRRL's only, the surviving spouse of a deceased veteran may do an IRRRL using the veteran's Certificate of Eligibility if the spouse was a co-borrower on the existing VA loan. The spouse, in this case, does not have separate entitlement.*

Detailed information regarding qualifying criteria is available on the Internet at www.homeloans.va.gov/elig2.htm. A description of what is acceptable proof of military service can be found at www.homeloans.va.gov/faqelig.htm as part of a list of frequently asked questions regarding eligibility for a home loan.

Updating a COE. There is no need to update a COE that has never been used (regardless of the type or when it was issued) unless it is a conditional certificate issued to active duty service member who was subsequently discharged. While VA realizes that entitlement changes have occurred over the years, the maximum loan amount changes are afforded the veteran provided he has a full \$36,000 of entitlement available.

Basic entitlement is \$36,000 minus any entitlement previously used (unless previously used entitlement has been excluded and entitlement restored). This is the maximum amount available for regular (cash-out) refinance loans.

The Veterans Benefits Act of 2003 has now extended Reservist and National Guard eligibility indefinitely. A higher funding fee rate applies if entitlement is derived from service in Selected Reserves/National Guard.

Previously Used Benefit. A blank certificate is not *always* an indication that the veteran has full entitlement. There are several ways to determine previous usage: credit report; VA Form 26-1880, item 8; and VA Form 26-1802a, item 23.

Eligibility For Unmarried Surviving Spouse. An unmarried surviving spouse of a veteran who died on active duty or as the result of a service-connected disability is eligible for home loan benefits.

- VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses, must be completed and submitted to the Eligibility Center.
- A loan obtained with a surviving spouse Certificate of Eligibility requires an affidavit at closing that the surviving spouse is not married.

Restoration Of Previously Used Entitlement. Entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once restored it can be used again for another VA loan. Restoration of previously used entitlement is possible if:

- The property which secured the VA guaranteed loan has been sold, **and** the loan has been paid in full, **or**
- An eligible veteran buyer has agreed to assume the outstanding balance on a VA loan and substitute his or her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements of the law.

Special Restoration. In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a previous VA loan under any of the following circumstances:

- The previous VA 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 previous VA loan, or

Note: This includes refinancing situations in which the previous loan will be paid off at closing from a VA refinancing loan on the same property.

- The previous VA loan has been paid in full, but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the previous loan in order to purchase a different property one time only. Once such restoration is effected, the veteran's COE will indicate the one-time restoration. It will also advise that any future restoration will require disposal of all property obtained with a VA loan.

How to Apply for Restoration. The veteran must complete and send VA Form 26-1880, Request for a Certificate of Eligibility, to the appropriate Eligibility Center. If the veteran has evidence of payment in full of any previous loans (HUD-1, settlement statement, etc.), a copy should be included. Additionally, any previously issued COE's should be included.

If the veteran is applying for restoration in order to obtain another VA loan on the same property (as described above in "Special Restoration Cases"), the veteran should include a copy of the loan application submitted to the lender along with VA Form 26-1880. Unmarried surviving spouses applying for restoration of entitlement also need to complete VA Form 26-1880 supplying the deceased veteran's military service data and VA claims file number.

Foreclosure of a Previous VA Guaranteed Home Loan. When a veteran's previous VA guaranteed loan has been terminated by foreclosure, deed in lieu of foreclosure or compromise sale (short sale), VA may have sustained a loss because of a claim payment to the lender. Even if the

veteran was released from liability on the loan and/or the debt was waived, the Government may still have suffered a loss on the loan. The law does not permit restoration of the veteran's eligibility until the Government's loss has been repaid in full.

Previous VA Loan Was Assumed. Entitlement is not automatically restored with an approved Assumption/Release of Liability. A veteran's entitlement can only be restored if the assumer is also an eligible veteran who will occupy the property as a personal residence and is willing to substitute his or her available entitlement for that of the original veteran. Otherwise, the original veteran cannot have entitlement restored until the assumer has paid the loan in full.

Entitlement Codes:

Entitlement Code	Use the separation, effective, or discharge date to determine the code as follows:
01	World War II
02	Korean War
03	Post-Korean
04	Vietnam War
05	Entitlement Restored
06	Un-remarried Surviving Spouse
07	Spouse of POW/MIA
08	Post World War II
09	Post-Vietnam
10	Gulf War
11	Selected Reserves

Chapter 3: Getting Started

Once a veteran provides a VA Certificate of Eligibility, VA home loans, like most conventional and FHA home loans, require a variety of loan documents that are required in order to close a VA loan. The following documents should be completed upon the initial interview with a veteran home buyer:

1. **An original Certificate of Eligibility with sufficient entitlement**
2. A signed, purchase contract
3. Fannie Mae Standard Form 1003, Uniform Residential Loan Application
4. VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application
5. Good Faith Estimate (as required by RESPA)
6. Equal Credit Opportunity Act certification
7. Certification regarding status relative to membership in the Reserves or National Guard
8. General verification authorization form (usually company specific)
9. VA Form 26-8497, Request for Verification of Employment
10. VA Form 26-8497a, Request for Verification of Deposit
11. Interest Rate and Discount Disclosure Statement
12. Federal Collection Policy Notice
13. VA Funding Fee Exemption Memo (discussed in Chapter 5)
14. VA Form 26-8937, Verification of VA Benefit - Related Indebtedness (see item #11)
15. Counseling Checklist for Military Home Buyers (**only if veteran is serving active duty**)

Typically, a lender will usually require a variety of income paycheck stubs, tax forms, and bank statements as part of the initial process as well.

Copies of all of the VA specific forms (in bold) are provided in Appendix A of this Training Guide.

Once you've received the Certificate of Eligibility and the veteran signs the above mentioned forms, you are ready to order a VA appraisal. Chapter 4 covers ordering an appraisal.

Chapter 4: VA Appraisals/Lender Appraisal Processing Program (LAPP)

Appraisal Assignments

- Federal Law requires all appraisals for VA guaranteed loans must be completed by a fee appraiser on a rotational basis from a panel of approved fee appraisers.
- All assignments are made through The Appraisal System (TAS). The appraisal system is located in our VA Information Portal at:

<http://vip.vba.va.gov>

- If you have never ordered an appraisal or logged into TAS, you must first self register at the initial Portal website. Once you've been given a user name and password, you can get into the Main Portal Website. TAS is located in the left hand tool bar.
- If you are obtaining a new Log-on select "Lender" from TAS, you can do so in the User Registration area. **(VA does not have access to your password so it should be written down.)**
- The VA Information Portal has been enhanced to provide each user with an individual logon. Each individual user is asked to sign in under User Registration. The user will be asked to provide their First name, MI, Last name, SSN (VA has installed banking industry standard security matching that is used by the banking industry for on-line banking. We are employing SSL (Secure Socket Layer) technology with 128 bit Encryption) and e-mail address. Once submitted, the user will be given their own individual ID. They will use this new ID from that point on.

Log in screen >>>>>>>>>> VA Information Portal

User type: Typically, most users are considered lenders or agents

Enter your Lender ID Number: A VA lender i.d. must be obtained from VA

Enter your PIN Number (If Known): *(Note: The default PIN is last four digits of the Lender ID after you delete the last banking digit (i.e. 123456-00-00-9). Contact your Lender Administrator or RLC for the PIN if you are having problems registering.)*

First MI Last Name:

Social Security Number: Please DO NOT USE A BOGUS NUMBER

Email Address: In case there are problems

USER IDs LOCKED AFTER 5 FAILED PASSWORDS....Your user ID is locked the fifth time someone tries to logon with the wrong ID or invalid password. Once locked, the User account can only be unlocked by the local VBA Regional Office having jurisdiction (e.g. Cleveland Regional Loan Center will unlock for, Ohio, Michigan, Indiana, Pennsylvania, Delaware, New Jersey) or the Philadelphia IT Support Center (215-381-3050). The failed password count is cumulative and applies to each person attempting to logon with that ID, even on separate machines, separate offices, or at different times. The failed logon attempt count is reset to zero with each successful logon.

RULES FOR PASSWORDS....When you change your password you must enter a strong password which consists of at least 8 characters with at least one uppercase letter, one lowercase letter, one digit and, one special character (all within the first 8 characters). Special characters are any character on the keyboard which is not a letter or digit, such as !, \$, &,), +, or, ?. Passwords are case sensitive. Examples of passwords meeting this criteria are: Bank!234, Flrst4you, and Vhp2C?#Pxxxx. Note: Please do not use these sample passwords!

Agents ordering appraisals under the Lender Appraisal Processing Program (LAPP) for a LAPP approved sponsor will need to set up their account too.

Requesting A VA Appraisal

- Once you've self registered and set up your login i.d. and password, a VA appraisal can be ordered by inputting the following URL into your Internet Explorer: **<http://vip.vba.va.gov>**
- Once you've entered the website, you will see TAS on the left hand toolbar:
- Click on the **TAS** link
- Go to the **Requestor** link on the toolbar
- Select **Assignments**
- Select **Single Property** or **VA Loan Number Only** (IRRRL cases)
- Enter required data
- The system is designed to generate a **Request for Determination of Reasonable Value, VA Form 26-1805-1**. Items in italics are mandatory fields and must be completed; otherwise, you will not be able to obtain your appraisal request. Do not provide bogus legal descriptions or bogus case numbers. Make sure you complete the portion of the form regarding assignment of a compliance inspector if property is under construction or proposed.
- **Certifications For Submissions To VA**
On receipt of "Certificate of Reasonable Value" or advice from the Department of Veteran's Affairs that a "Certificate of Reasonable Value" will not be issued, we agree to forward to the appraiser the approved fee which we are holding for this purpose.
- **Make sure that the appraisal fee is collected. Appraisers do not collect at the door. Appraisers earned fee must be paid timely.**
- Click once on the submit button when you have completed the form and a VA Form 1805-1 will appear on the screen. Scroll down to find the name, address and phone number of the appraiser/inspector. (Because the hour glass does not always appear, if you click twice on the submit button you will get an error message. Clicking the "back" button on your browser will get you back to your data entry screen, you will have to resubmit the data in order to obtain a VA Form 26-1805-1.
- If for any reason you are uncertain of your success in getting an assignment, go under **All Users** function and search to see if you obtained a case number and appraiser or call VA for assistance.

- Do not panic if the appraisal assignment is not immediately granted. There are numerous users nationwide, and system access may be slow at various intervals.

Note: Duplicate appraisal assignments will be charged to the Requester, make sure that you have only one appraisal assignment in progress. Shopping for an appraiser is prohibited. IRRRL cases do not require an appraisal.

VA has specific allowable appraisal costs that are designated by each Regional Loan Center. You can find allowable appraisal costs at the end of your Training Binder in the section that contains local Information Letters.

Please keep in mind that regardless of what you have been charged by the appraiser, the allowable appraisal fees can not be exceeded. Should you have problems with a certain appraiser charging more than the allowable cost, please notify the Regional Loan Center of jurisdiction over that state.

VA has made significant changes and mandated certain expectations from its appraisers. VA realizes the importance of a good working relationship between its appraisers and its lenders. We also realize that many of the negative aspects of the program revolve around the appraisal process.

You will also find a copy of VA Circular 26-03-11, New Procedures For Improving Communication With Fee Appraisers And Streamlining Reconsiderations Of Value, at the end of this Training Binder. This is an extremely important document as it relates to our appraisers and significant amount of time has been spent acclimating our appraisers to these requirements. If for any reason that you believe an appraiser is not being cooperative, you must contact the Construction and Valuation section of Loan Guaranty to address these problems with VA staff.

Common Appraisal/Appraiser Problems That Must Be Addressed:

- Untimely appraisal – it should not take any longer than a conventional appraisal
- Failure of an appraiser to notify the lender that they are unable to complete an appraisal
- Overcharges for completing the appraisal
- Failure of the appraiser to consider other sources of information if the value is less than purchase price
- Incomplete appraisal report
- Failure to address repair issues that are obvious to the buyer, seller, or realtor
- Overvaluation to accommodate purchase price

Lender Appraisal Processing Program (LAPP)

Processing Fees

Lenders requesting LAPP authority are required to pay a one time processing fee of \$100 for **each** staff appraisal reviewer (SAR). If a SAR changes employers, the processing fee must be paid by the new employer. Additional SAR's must be approved by VA and also require a \$100 fee.

Approval of Staff Appraisal Reviewer requires the fees mentioned above along with the Lender Application filled out (Attachment 1).

Lender Quality Control System

To participate in LAPP, the lender must have an effective quality control system to ensure the adequacy and quality of the staff appraisal reviews.

Upon request, the lender must furnish VA with findings and information about the quality review system. SAR's need not be appraisers, but should be familiar with appraisal theory. As part of the quality control system, the lender's senior officer must certify that their system includes the following elements:

- Desk reviews of a representative sampling of each SAR's appraisal reviews. The sampling size should be no less than 5 percent of the monthly volume of cases processed under LAPP, and should be done on a regular basis.
- Written notice to senior management on at least a quarterly basis of deficiencies noted in the quality reviews. Senior management should promptly initiate and document corrective actions taken.
- Random field reviews of VA fee appraisers should be performed by SAR's or an independent appraiser. Any substantive negative findings should be reported to the VA Regional Office where the appraiser is a member of the fee panel.
- Assurance that all VA releases, information letters, etc. are made available to all quality control personnel and SAR's
- The lender's quality control system for LAPP must be independent of the loan production operation.

Training and Case Review by VA or Experienced SAR

Once VA has approved a staff appraisal reviewer's (SAR) basic LAPP qualification requirements, they must fulfill the SAR Training and Initial Case Review requirements.

VA Conducts Training:

- a 1 day training session at the VA Regional Office
- at least 5 cases must be submitted to VA for review and approval
- satisfying any deficiencies noted in cases submitted to VA

Once those requirements have been met, VA will formally notify the lender that the SAR has been approved to process Notices of Value.

SAR Conducts Training:

An experienced SAR can teach a journeyman SAR only upon formal approval from the VA Regional Office of jurisdiction.

- Senior Officer of Lender sends VA office a signed notice with Name and SAR ID of trainer and trainee
- a letter stating that VA LAPP requirements were covered
- five (5) cases were successfully completed by the trainee

Note: Once VA determines that a SAR has satisfied LAPP training, this authority extends to case reviews for all states that the lender does business in. It is important that SAR's be aware of the need to stay informed about local VA processing requirements.

Ceasing Employment or SAR Work

Lenders must promptly notify VA Regional Offices when a SAR ceases employment or work as a SAR. If the staff appraisal reviewer was the only LAPP reviewer, then that lender's LAPP authority is canceled until such time that a new SAR can be certified.

When a SAR changes employers, the new employer must submit the processing fee and application to VA. The SAR will only need to be re-trained if they have not processed LAPP cases in the past 12 months.

Staff Appraisal Reviewer's Role in LAPP

Sound judgment should be exercised in the review of appraisal reports. Accurate value estimates have a huge impact on the viability of the VA Loan Guaranty program.

General requirements of the SAR include, but are not limited to:

1. Verify the appraisal report form (URAR) is completed in full and factual data is correct (Appraisers will use either a Single family appraisal form, an Individual Condominium appraisal form or a Small Residential Income appraisal form (two-four living units))
2. Determine that the appraisers methodology is appropriate.
 - Sale comparison approach should be used in all cases. VA relies on it exclusively.
 - Multi-family case (2, 3, and 4 family) the income approach, as well as the sales comparison approach will be used
 - Appraisers do not have to report the cost approach unless it is applicable to the appraisal (in very unusual events involving unique property, no comparable sales, etc. most times it is only used to support the sales comparison approach since the real estate market does not base its decisions on replacement/reproduction cost).
3. Use reasonably available information to determine if the appraisers conclusions are similar to recent cases.
4. Verify compliance with current VA appraisal instructions, directives and guidelines

Specific Appraisal Review Guidelines

- Timeliness - appraisal should be completed within the normal time frames that a conventional appraisal is completed, which is typically five (5) business days from date of receipt of assignment
- Location Familiarity - a recognition of geographic trends and demographics

- Photographs - mandatory for subject and comparable properties. No black and white in this day and age
- Selection of comparable properties - use of a quality mix of comparable properties, the age and proximity of comparable subjects should be considered
- Range of comparable sales pricing - wide variance in comparable subjects is not acceptable
- Adjustments to comparable properties - sales comparison approach used in conjunction with quality competitive comparable sales minimizes the need for adjustments
- Contract Sales/Unsettled Sales/Listings - Appraisers will analyze to determine if market condition has changed. Appraiser certifies:

1) The statement "I have considered relevant competitive listings and/or contract offerings in the performance of this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report."

2) Market trending information - the extent to changes in the amount of time to market properties and the ratio of the average listing price to sales price. (e.g. in the last three months the listing period of subjects market area decreased from 180 days to 90 days or increased from 90 days to 180 days)

- Time adjustments - if time adjustments are made, they must be noted on an addendum to the URAR.
- Sales/Financing Incentives - the fee appraiser must consider and report the effects of such incentives on the sale price of the comparable properties.
- Adjustment considerations - the amount of any adjustment should generally be based on the real estate market's reaction to such incentives and not actual cost.
- Accommodating the sales price - **is always unacceptable**. (Pressure on the appraiser to reach sales price when value is made by inflating numbers, unjustified adjustments, no market support, etc.
- We expect the SARs and appraisers to discuss in a professional manner appraisal issues with appraiser, especially when there is a controversial issue (e.g. appraiser made very large adjustments without an explanation, unsupported time adjustments, lack of clarity or explanation of appraiser's reasoning, photos of the wrong property, poor exhibits)

Issuing the LAPP Notice of Value (NOV) Letter

An appraisal review must be completed (Previously discussed)

The SAR has 5 days from the date of receipt to provide the veteran-borrower with a copy of the reviewed report. Any delay without documented extenuating circumstances will not be acceptable.

Notice Format for NOV

The notice of value **must** be issued in TAS. Do not make a copy of a NOV, then fill in the data and issue outside of TAS. Call VA if unable to issue because of procedural problem. You can change Lender/Sponsor ID numbers anytime before issuing a NOV. You do not have to call VA to change ID numbers, unless the NOV is issued.

Determining Reasonable Value

The "reasonable value" of a property for VA loan guaranty purposes is the SAR's value recommendation, based on his review and concurrence with the fee appraiser's objective, adequately supported estimate of market value.

No reasonable value shall be issued unless all appraisal review guidelines have been followed and consideration given to the following requirements:

- 1) Lead/Water distribution systems
- 2) Energy Efficient Improvements allowable for eligible loan purposes
- 3) A "Not Inspected /10-Year Insured Protection Plan" acknowledgment is needed
- 4) Wood Destroying Insect Information must be noted and a qualified inspection must be done.
- 5) Energy Conservation Improvements should be noted
- 6) PUD Requirements met (VA does not review PUD docs, Lender responsibility)
- 7) Water/Sewage System acceptability
- 8) Flood Insurance requirements met
- 9) Airport Acknowledgment
- 10) Repairs certified as completed through compliance inspection(s)
- 11) Condominium requirements are met, TAS has listings of approved VA Condominium projects, if you do not see the project in TAS, do not order the appraisal. Contact VA.

Changing the Reasonable Value Estimate

- SAR's can not change the fee appraiser's market value estimate by more than 5% either up or down. The only exception would be a downward adjustment of more than 5% that the fee appraiser provides written justification to the SAR.
- Any value increase must be clearly warranted and fully supported by real estate market conditions. The SAR's clearly written justification for the increase must be signed, dated and attached to the original appraisal report.
- **The VA Regional Office must issue any value increase of more than 5%**

Penalty For Value Change Abuse

Lender authority to change values up to 5% must not be used indiscriminately or without valid justification. VA quality control procedures are responsible for the review of all value changes. If VA finds any value was changed without ample justification, lenders may be asked to sign indemnification agreements for the amounts believed to have cause additional loss to VA.

Maximum Loan Amount

The loan for purposes of VA guaranty shall not exceed the "reasonable value" determined by the SAR or the revised reasonable value after processing an appeal, plus the funding fee (if it is to be included in the loan).

Validity Period of Notice of Value (NOV)

The appraisal shall be valid for the lesser of 6 months or the validity period specified in a local release by the VA Regional Office of jurisdiction.

Copy of Appraisal Report and Notice of Value

- The SAR must send a copy of the NOV and a copy reviewed appraisal report to the veteran within 5 business days of the lender's earliest receipt appraisal report. **Do not hand this to the veteran on the day of closing.**

- All Lenders should be issuing their NOVs in TAS, do not send Construction and Valuation (C&V) a copy of the NOV or appraisal report unless requested by C&V. This does not have anything to do with your closing package documents that you send to Loan Processing.

Chapter 5: Funding Fee

VA Funding Fee. The veteran must pay a funding fee to help defray costs of the VA home loan program. The lender must:

- Verify the status of any veteran who may be exempt from paying the funding;
- Determine the amount of funding fee owed any non-exempt borrower;
- Collect the appropriate fee from all non-exempt borrowers at loan closing;
(*Note: The funding fee may be paid from loan proceeds or borrower cash*)
- Remit the funds to VA in a timely manner;
- Obtain proof of payment of the funding fee; and
- Submit proof that the funding fee is paid or that the veteran is exempt with the closed loan package.

NOTE: On July 1, 2002, VA implemented a new web-based Funding Fee Payment System (FFPS). **Lenders must pay funding fees through FFPS.** FFPS is a fully automated system accessible via the Internet. The web-site address is <https://www.pay.gov.va>.

Who is Exempt from Paying the Funding Fee? Lenders should inquire with veterans, using their own letterhead/memo, the following questions:

1. Is the veteran receiving VA disability benefits ?
2. Would the veteran be entitled to receive VA disability benefits but for the receipt of retired pay?
3. Has the veteran received VA disability benefits in the past?
4. Are you a surviving spouse of veteran who died in active duty or as a result of a service-connected disability.

This memo can be titled: **Funding Fee Exemption Questionnaire.**

Veterans who answer “yes” to any of these questions will require the lender to submit VA Form 26-8937, Verification of VA Benefit - Related Indebtedness.

How To Verify Exempt Status. One of the following may be used to verify exempt status:

1. A properly completed and signed **VA Form 26-8937, Verification of VA Benefit-Related Indebtedness**, indicating the borrower’s exempt status (see Chapter 3, Loan Processing Steps);
2. An award letter issued within 1 year of the date of the loan application indicating the veteran is entitled to receipt of VA disability compensation;
3. For a veteran who elected service retirement pay instead of VA compensation, a copy of the original VA notification of disability rating and documentation of the veteran’s service retirement income, or
4. Indications on the Certificate of Eligibility that the borrower is entitled as an unmarried surviving spouse.

The Veterans Benefits Act of 2003 makes changes to the percentage of funding fees charged to veterans. The following funding fee schedule is currently in effect.

VA FUNDING FEE SCHEDULE

	10/01/2004 - 09/30/2011	
	Funding Fee %	Reservist FF %
Purchase Loan Zero Down (includes HARMS)	2.15%	2.4%
Subsequent Loan (incl. HARMS)	3.3%	3.3%
5% Down (includes HARMS)	1.5%	1.75%
10% Down (includes HARMS)	1.25%	1.5%
IRRRL	.5%	.5%
NADLP	1.25%	1.25%
Assumption	.5%	.5%

PLEASE NOTE: If funding fee is submitted late (more than 15 days from date of closing), a late fee of 4% will be assessed. If you have any questions on whether the funding fee is short, late, etc., please call the Regional Loan Center.

Refunding Overpayments. A refund is appropriate if:

- An exempt veteran paid a funding fee; or
- A miscalculation caused an overpayment of the funding fee

All requests for refunds must be submitted through FFPS to the VA office where the loan was or will be submitted for guaranty. Provide all pertinent facts, including the reason for the request and how the lender calculated the amount to be refunded.

If the veteran was overcharged, the following applies:

- A veteran who paid cash for the funding fee receives a cash refund for the amount of the overpayment.
- In the case of a veteran who paid the funding fee out of loan proceeds, the lender must apply the overpayment against the loan balance. Submit evidence to VA that the refund was applied against the principal balance of the loan.

Chapter 6: Underwriting

VA loans involve a veteran's benefit. Therefore, lenders are encouraged to make VA loans to all qualified veterans who apply. VA's underwriting standards are intended to provide guidelines for lenders' underwriters as well as VA's underwriters. Underwriting decisions must be based on sound application of the underwriting standards, and underwriters are expected to use good judgment and flexibility in applying the guidelines.

By law, VA may only guaranty a loan when it is possible to determine that the veteran

- is a satisfactory credit risk, and
- has present and anticipated income that bears a proper relation to the contemplated terms of repayment.

Lenders are responsible for

- developing all credit information
- properly obtaining all required verifications and the credit report
- ensuring the accuracy of all information on which the loan decision is based
- complying with the law and regulations governing VA's underwriting standards, and with VA's underwriting policies, procedures, and guidelines, and
- certifying as to compliance with all of the above.

VA's underwriting standards are incorporated into VA regulations at [38 CFR 26.4337](#) and are explained in detail in VA Lenders Handbook, Chapter 4.

For training purposes a summary of the current credit standards follows.

Income Summary, Standard Documentation.

- Income claimed by an applicant that is not or cannot be verified should not be given consideration.
- A minimum of two years' employment must be verified (including past employers if needed).
- Verification of employment forms should be originals (no faxes or photocopies) and should be dated within 120 days of the note, 180 days for new construction.
- An original or certified true copy of the applicant's pay stub must be provided.
- The employment verification should be compared with the pay stub and any other income information in the file for consistency. Discrepancies must be resolved.

Alternative Documentation.

- Generally, applicants should be with the employer for 12 months or have related experience to use alternative documentation.
- Telephone verifications should be obtained and be similar in content to the employment verification form. Phone verifications should show the person contacted, their position, phone number and date contacted.

- Furnish the original pay stub(s) covering the most recent 30 day period together with W-2 forms for the previous 2 years.
- If documents are questionable in authenticity or consistency, or if the employer is unwilling to provide a verbal verification, then a standard verification of employment form is required.
- Alternative documentation can be used in conjunction with verification of employment forms to meet the two year coverage.
- “Full” verifications of employment through “The Work Number for Everyone”, a service of the TALX Corporation. (No pay stub is needed with the TALX verification).
- Verifications through VIE, Inc. VIE verifications must be supplemented by a pay stub or telephone verification of the applicant’s current employment. For telephone verification, document the date of verification and the name, title and telephone number of the person with whom employment was verified.

Active Duty, Reservists and National Guard Applicants.

- A certified copy or original Leave and Earnings Statement (LES) is required to verify military employment. The LES must be no more than 120 days old (180 days for new construction). The LES takes the place of the VOE and pay stub.

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

- Veterans who have less than one year remaining time in service (ETS date) must certify that they are going to re-enlist, along with their commander certifying that they are eligible to re-enlist. If the applicant does not plan to continue with the military, s/he must provide a firm job commitment or contract from the new employer verifying the job position, rate of pay, starting date, hours scheduled per week and probability of continued employment. Document sufficient retirement income if this will be the income source.
- The continuation of Military Allowances must be determined to count as income. If the duration of allowances (pro-pay, flight pay, hazardous duty pay, etc.) cannot be determined then the allowances will only be used to offset intermediate debts of 24 months or less. It is the lender’s responsibility to separate allowances into taxable and tax-free categories. **Clue:** allowances containing the word “pay” are taxable such as base pay and sea pay, while BAH and BAS are not.

Lenders must determine if a veteran is a member of a Reserve or Guard unit. If so, the lender 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. Lenders must obtain a statement which affirms whether or not veteran-applicant’s Reserve or National Guard unit has been mobilized.

Self-Employment Income.

- Income from self-employment may be used when the applicant has been self-employed for at least **two** years. If the applicant has related experience and/or extensive specialized training, consideration may be given after **one** year.
- Copies of the past two years’ business and/or individual tax returns must be provided.

- The current year-to-date profit and loss statement and balance sheet are required. These exhibits can be prepared by the business or the veteran, if adequate information is provided. If discrepancies exist, the underwriter may still request financial be prepared by an accountant.
- Depreciation may be “added-back” to the net profit or bottom-line figure.
- On partnerships and corporations, furnish a list of the primary owners and their percentage in the business. This can usually be found on the K-1 Forms for partnerships and sub-chapter S corporations or on the 1120 Form, Schedule E, for standard corporations.
- Taxable Income listed on the bottom of a corporate tax return (IRS Form 1120) may be divided by the veteran’s percentage of ownership and then used as additional income (subject to tax).

Commission Income.

- When all or a major portion of an applicant’s income is from commissions, additional information is needed. The employer must verify year-to-date commissions, the basis for computing commission, and how frequently commissions are paid to the applicant.
- Generally commission income can be considered stable after the applicant has received it for **two** years. Commissions can be considered after **one** year, if the applicant has prior related experience or extensive specialized training. Income should be averaged over a 12- to 24-month period.
- The previous two years’ income tax returns (additional periods if needed) must be provided with W-2’s and 1099-MISC forms. These individuals returns must be complete with all schedules, signature and dates included.
- Commission income received for less than **one** year can rarely be counted. To conclude the stability of “short-term” commissions, the lender would be required to do an in-depth development and verify stability.

Rental Income.

Multi-Family Housing. If the veteran is purchasing multi-family housing, the applicant’s previous landlord experience and evidence of cash reserves equaling 6 months PITI would have to be documented. Both of these conditions must be met to include rental funds in income. *If rental income is not required for qualification purposes, you do not need to address past landlord experience or reserves.*

- The amount of rental income used on existing units would be based on 75% of the verified previous rent, unless a higher percentage can be documented.
- If the units are proposed property, then VA would require a letter from the appraiser stating the “fair rental value” and a vacancy/operating cost reduction of that rental figure (a 25% reduction would be acceptable).

Rental of Existing Property. Rental of an existing single-family property may be used to “off-set” the mortgage payment if there is a positive cash-flow, and there is no indication the property will be difficult to rent. A copy of the lease must be furnished. The mortgage debt should still be listed on the loan analysis, but shown as a “rental offset”. If the existing single family has a negative cash flow, this must be considered as a debt.

Other Rental Property. If the applicant has other rental property, the same conditions apply as in multi-family housing with the exception of cash reserve requirement. In this case reserves equaling

three months' PITI are needed instead of six months. The strength of the local rental market should be evaluated to determine the property will not be difficult to rent. Depreciation and interest may be added back if tax returns are used to determine effective income. Without previous rental experience, it is unlikely rental income can be used.

Stability and Use of Income.

- The applicant must generally be employed 12 months or longer to count the income. Related training or experience may be substituted to satisfy this 12 month requirement. Employment used with less than 12 months on the current job should be addressed by the underwriter in the "Remarks" section of the loan analysis form.
- Generally, income from overtime, part-time work, second jobs or bonuses is not considered reliable unless the applicant has received this income for 2 years. However, income from these sources can be used after 1 year of documented receipt to off-set debts with less than 24 months remaining.
- Temporary income such as VA educational allowances and unemployment compensation do not represent stable and reliable income and as a general rule, are not considered as income. The exception would be seasonal income or unemployment compensation that has a documented history of receipt and is likely to continue. The underwriter must carefully document and address the use of this income in the remarks section on loan analysis form.
- Generally automobile allowances are paid to cover specific expenses related to applicant's employment and may be used to offset a corresponding car payment.
- Generally foster care income is to be used only to balance the expenses of caring for the foster child(ren) against any increased residual requirements.
- Income from Worker's Compensation, Public Assistance, Social Security, Alimony and Child Support may be considered if they have been verified as consistently paid and are likely to continue. Public assistance programs and social security must continue for a minimum of 3 years from the date of closing to be counted.

Assets.

The applicant(s) must have sufficient cash to cover:

- closing costs or points which are their responsibility and are not financed in the loan;
- the down payment, if any; and
- the difference between the sales price and loan amount, if the sales price exceeds the reasonable value established by VA or the Lender (LAPP).

VA does not require the applicant to have additional cash to cover a certain number of mortgage payments (reserves) unless income from rental property is needed to qualify.

Liquid assets must be verified to the extent that are needed to close the loan. A verification of deposit form or two months bank statements (originals or lender certified "true" copies) are acceptable forms of documentation. Verifications must be no more than 120 days old (180 days for new construction).

Debts & Obligations.

Debts and obligations of the applicant must be rated and a credit report must be obtained. When a pay stub or leave-and-earnings statement indicates an allotment, the lender must investigate the nature of the allotment and determine if it is related to a debt.

Include written explanation for any obligation that is not rated. All credit reports and verifications must be no more than 120 days old (180 days for new construction).

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

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

Revolving Accounts With a Zero Balance.

VA does not require a minimum payment to be calculated for revolving accounts with a zero balance. However, all revolving accounts reflecting a balance must be considered in monthly debt. (The 10 month rule does not apply to revolving charges.)

Child Care Expenses.

Expenses for care of children 10 years old or younger must be included in the debt section of the loan analysis form. A letter from the veteran stating the cost, name and address of the provider or explanation of why no expense is incurred is acceptable documentation.

Co-Signed Loans.

If there is evidence that loan payments are being made by someone else for a co-signed loan and there is no reason to believe that the applicant will have to repay the loan, the lender may exclude the payment.

Credit History.

General Rule. A borrower with no derogatory credit within the last twelve months can generally be considered to have acceptable credit. Exceptions are:

- Outstanding judgments
- Unresolved Federal debts

VA will accept a three-file Merged Credit Report or a Residential Mortgage Credit Report. The reports should be no more than 120 days old (180 days for new construction). VA requires the lender to submit **all** credit reports obtained during processing.

No Credit. Lack of references is not a reason for disapproval. If possible, obtain references from non-traditional sources of credit or evidence of payment for utility services.

Rental or Mortgage Payment History.

VA requires the last 12 months of rental or mortgage history be verified and rated. Past housing payment history is often the best indicator of how motivated the applicant is to make timely mortgage payments in the future.

Collection Accounts.

Payment of collection accounts at or near the time of the loan application does not affect the credit worthiness of the borrower. A borrower with unacceptable credit history does not become acceptable simply by paying collection accounts. Conversely, a borrower with an overall favorable history may be considered acceptable with an isolated unpaid collection account.

Judgments and Debts Owed to the Federal Government.

A loan cannot be approved with an unpaid judgment or debt to the Federal Government unless the veteran is on an acceptable repayment plan.

Consumer Credit Counseling.

- If entered before delinquency, a positive or neutral factor.
- If entered after delinquency, need 12 months of acceptable history and the approval from the credit counselor.

Bankruptcy

Chapter 13 - need a satisfactory history for 12 months on payment plan and approval from the court.

Chapter 7 or 11- If the bankruptcy was due to circumstances beyond the borrower's control (i.e. job loss or medical reasons), 12 months from the date of discharge with no derogatory credit and documentation of circumstances is required. If the bankruptcy was for any other situation, VA requires two years from the date of discharge with re-established credit. Divorce is not considered beyond a borrower's control.

Foreclosures - Apply the guidelines provided for bankruptcies.

Note: If a previous VA loan was involved assure there is sufficient entitlement for the new loan and no unresolved debt to the Government.

Divorce Situations - You may disregard obligations and delinquent payments made after assignment of responsibility to an ex-spouse by the courts.

Automated Underwriting. (Also see Lenders Handbook, Section 4.08)

VA has approved Freddie Mac's Loan Prospector, Fannie Mae's DU, (and the pmiAura System for VA), the CLUES System (for use with loans originated by Countrywide) and Chase Manhattan Mortgage's Zippy automated underwriting systems (AUS) for use in connections with VA guaranteed home loans. These systems incorporate VA's credit standards and processing requirements.

Lenders may use certain reduced documentation requirements on cases processed with approved AUS's. The level of reduced documentation depends on the risk classification assigned.

Data Integrity. It is imperative that the data entered into the AUS be accurately verified. The data utilized by the system must be supported by source documentation obtained by the lender. Invalid or unverified data will result in invalidation of the risk classification. Under certain circumstances it could also result in a finding of material misrepresentation, which could affect the validity of the guaranty. Care should be taken to assure the final terms are accurate, that assets are properly listed (i.e. checking, savings or CD's are considered depository accounts, 401K's are not, etc.), whether the veteran is active duty military or not, and that the proper family size is indicated.

Special Documentation.

- Underwriter certification (in addition to the standard lender certification) specified in VA Lenders Handbook, Section 4.08;
- Complete copy of the feedback sheet(s); and
- Documentation required by the feedback sheet to support the loan.

VA Form 26-6393 and Residual Income

Remember to consider the following items when completing VA's Loan Analysis Form:

- Change 2 to VA Lender's Handbook established a nationwide figure for maintenance and utility costs rather than local charts. Effective immediately, **lenders should use \$.14 per square foot of GLA.**
- The underwriter must consider job related expenses such as child care expenses or extraordinary commuting costs.
- Taxes should be based on IRS Circular E and appropriate state income tax charts.
- CAIVRS clearance authorization must be obtained for all applicants. List the authorization numbers in item 47 or 48 on VA Form 26-6393 (CAIVRS procedure is described in VA Lender's Handbook, Section 4.06.).
- All members of the household, regardless of the nature of the relationship, should be counted when determining "family size".
- Underwriters should comment on marginal credit (lates within the past year) or income issues (stability or increase/decreases) in section 48 of loan analysis form. Unusual circumstances should be addressed in a written format.

To calculate Residual Income,

Take the total of lines 38 and 39 on VA Form 26-6393. Subtract all debts listed in Section D (line 31). Subtract Monthly Shelter Expense (line 22). This will give you what VA calls "Balance Available for Family Support". Compare this figure with the Residual Income Guideline based on the tables below.

TABLE OF RESIDUAL INCOMES

For loan amounts of \$79,999 and below

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75 for each additional member up to a family of 7			

For loan amounts of \$80,000 and above

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

Debt-To-Income Ratio. (Also see VA Lenders Handbook, Sections 4.09 and 4.10)

VA considers the debt-to-income ratio a method to assist in the assessment of the potential risk of the loan. It is a guide and, as an underwriting factor, is secondary to the residual income. It should not automatically trigger approval or rejection of a loan.

**VA Debt to Income Ratio
(Using VA Form 26-6393, Loan Analysis)**

$$\text{VA Income Ratio} = \frac{\text{Item 15} + 16 + 17 + 18 + 21 + 41}{\text{Item 32} + 39}$$

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

In the case of borrowers relying on tax-free income to qualify, "grossing up" is allowable as a compensating factor only. The actual ratio should be listed on the loan analysis sheet in box 45 and the ratio based on the "grossed up" income annotated in the "remarks" section of the loan analysis form if the lender chooses.

A ratio greater than 41% requires close scrutiny unless the residual income exceeds the guideline by at least 20%. Include a statement justifying the reason for approval, signed by the underwriter's supervisor, unless the residual income exceeds the guideline by 20% when the ratio is in excess of 41%.

Compensating Factors. (Also see VA Lenders Handbook, Section 4.10)

Compensating factors are useful when reviewing loans that are marginal. ***They cannot be used to compensate for unsatisfactory credit.*** These factors include, but are not limited to the following:

- ★ Excellent long-term credit history
- ★ Conservative use of consumer credit
- ★ Minimal consumer debt
- ★ Long-term employment
- ★ Significant liquid assets
- ★ Down payment or the existence of equity in refinancing loans
- ★ Little or no increase in shelter expense

- ☆ Military benefits
- ☆ Satisfactory home ownership experience
- ☆ High residual income
- ☆ Low debt-to-income ratio
- ☆ Tax credits for child-care
- ☆ Tax benefits of home ownership



Chapter 7:

Loan Submission/Post Closing

Fees And Charges. The VA home loan program involves a veteran's benefit. VA policy has evolved around the objective of helping the veteran to use his or her home loan benefit. VA regulations limit the fees that the veteran can pay to obtain a loan. Lenders must **strictly** adhere to the limitations on borrower-paid fees and charges when making VA loans. The veteran can pay a maximum of

- Reasonable and customary amounts for any or all of the "Itemized Fees and Charges" designated by VA, plus
- A 1% flat charge by the lender (origination fee), plus
- Reasonable discount points

NOTE: Special provisions apply to construction, alteration, improvement and repair loans.

Itemized Fees and Charges.

Here's What The Veteran Can Pay:

The veteran may pay any or all of the following itemized fees and charges, in amounts that are reasonable and customary:

1. VA appraiser and VA compliance inspectors (obtain the maximum allowable charges from the VA Construction & Valuation office with jurisdiction over the subject property)
2. Recording fees and recording taxes
3. Credit report
4. Prorated taxes and assessments and the initial deposit for the escrow account
5. Hazard insurance
6. Survey/plot plan
7. Title examination and title insurance and an environmental protection lien endorsement
8. Federal Express or Express Mail (permitted for refinance loans only)
9. VA funding fee
10. Discount points

Lenders One Percent Flat Charge. In addition to "itemized fees and charges", the lender may charge the veteran a flat charge not to exceed 1% of the loan amount.

Here's What The Veteran Can Not Pay (when 1% charged):

The lender's flat charge is intended to cover all of the lender's costs and services which are **not** reimbursable as "itemized fees and charges." The following list provides examples of items that must be covered out of the lenders flat fee:

1. Lender's appraisals
2. Lender's inspections (except in construction loan cases)
3. Loan closing or settlement fees
4. Document Preparation Fees
5. Underwriting Fees
6. Pest Inspection Fees
7. Well and Septic Inspection Fees
8. Preparing title company papers or conveyance fees
9. Attorney's services other than for title work
10. Photographs

11. Postage and other mailing charges, stationary, telephone calls, and other overhead.
12. Amortization schedules
13. Escrow fees or charges
14. Notary fees
15. Commitment fees
16. Trustee fees
17. Loan application or processing fee
18. Fees for preparation of the truth in lending statement
19. Fees to loan brokers, finders or other third parties
20. Tax service fee
21. Any other fees, charges, commission or expenses except those listed in Paragraph a above

Allowable fees and charges are discussed fully in VA Lender's Handbook, Chapter 8.

- **If a lender chooses not to charge the 1% origination fee, then all unallowable fees can not exceed 1% of the Purchase Price. However, the veteran can never pay for inspection fees such as the termite, well or septic inspections.**

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

Seller concessions include but are not limited to the following:

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

Seller concessions do not include:

- payment of the buyer's closing costs, or
- payment of points as appropriate to the market.

Maximum Concession.

Any seller concession or combination of concessions which exceeds 4% of the established reasonable value of the property is considered excessive for VA loan purposes.

Do **not** include normal discount points and payment of the buyer's closing costs in total concessions for determining whether concessions exceed the 4% limit.

Obtaining Guaranty. Loans must be reported (that is, all required documentation submitted) to VA within 60 days of closing. If a 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 loans is current must be included in documents submitted for guaranty.

Modified Guaranty Submission Procedure. Lenders must submit copies (except for the COE, which must be an original) of only the items listed below, in the order listed, to VA when requesting guaranty for all loans except Interest Rate Reduction Refinancing Loans (IRRRL's). There are no changes to IRRRL procedures for requesting guaranty.

1. **VA Form 26-0286, Loan Summary Sheet** - A new version of the form was published in February 2002 and is now mandatory. Previous versions of the form are not accepted with any loans closed on or after April 1, 2002. The new form may be downloaded from the Internet at:
<http://www.vba.va.gov/pubs/forms/26-0286.pdf>

NOTE: *It is imperative that this form be filled out completely and accurately. VA uses the data from this form to generate Loan Guaranty Certificate (LGC) issued to lender. If the data is incorrect, the LGC will be invalid. **Guaranty package will be returned to lender if the form is incomplete.***

2. **Certificate of Eligibility** (VA Form 26-8320 or VA For 26-8320a), if not previously submitted in connection with a previous approval loan application
3. **Evidence of payment of funding fee** (VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, **or** VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage **and** VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage to Mortgagee, **or** evidence borrower is exempt
4. **VA's Notice of Value** or Lender's Notice of Value under LAPP
5. **VA Form 26-1820**, Report and Certification of Loan Disbursement
6. **HUD-1 Settlement Statement**
7. **Name and mailing address of lender contact person** to be used when requesting file for full review or post audit
8. **E-mail address**, if available, which may be used to request file in lieu of letter

NOTE: Incomplete loan closing packages will be returned to the lender.

VA offices will identify cases selected for full review or other audit purposes at least weekly usually within 30 days of receipt by VA. Lenders will then be notified of selected cases by letter or e-mail. Lenders must forward the complete origination package to the requesting VA office within 15 days of receiving notification from VA.

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

Web Based Loan Summary Sheet (WBLs). VA Circular 26-04-11 introduces the Web Based Loan Summary Sheet provisions. VA is pleased to announce the availability of new paperless guaranty processing systems to enable participating lenders to electronically submit a VA loan for guaranty and receive an electronically generated Loan Guaranty Certificate (LGC), usually within 2 business days. This system is Internet based, and requires no special software.

Once a loan is identified in WBLs as guaranteed, lenders will be notified when a case is selected for review and a full loan package must be submitted to VA. The lender must submit the full origination loan package to VA within 15 days of the audit indicator showing on a respective case. This new means of guaranteeing VA loans will have a major impact on the way business is done with VA. We view this as an opportunity for both lenders and VA to take a significant step on the road to a paperless environment. VA benefits by the reduction in time expended in keying data into our systems. Lenders benefit in many ways, including:

- Quicker receipt of the LGC (2 days compared to weeks)
- No need to mail paper package to VA for guaranty (unless selected for review)
- Ability to submit loans for guaranty at most hours of the day
- No need to complete VA Form 26-0286, Loan Summary Sheet
- Ability to deliver final documents to investors quicker; this enables investors to purchase pool loans faster and thus reduces costs of carrying the loan.

VA encourages all lenders to use WBLs for submission of VA loans to minimize the time to obtain guaranty. You can find the WBLs system within the VA Information Portal at the TAS/WBLs link located at:

<http://vip.vba.va.gov>

Lenders will have register for the TAS system to obtain access for WBLs. Information on registering for TAS can be found in Chapter 4.

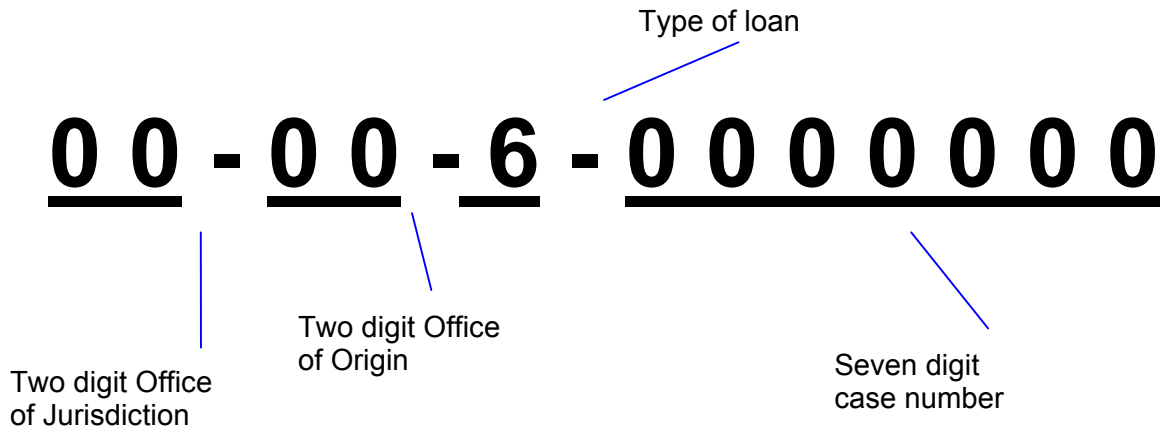
What Should A Full Origination Package Look Like?

1	Lender's cover or transmittal letter (if used)
2	VA Form 26-0285, VA Transmittal List
3	VA Form 26-0286, VA Loan Summary Sheet
4	VA Form 26-8320 (or 26-8320a), Certificate of Eligibility
5	VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or the Funding Fee Payment System Funding Fee Receipt, or evidence borrower is exempt.
6	VA Form 26-6393, Loan Analysis
7	For Loan Prospector cases: Feedback Certificate and underwriter's certification (acceptable variations on the documentation required in items 17, 18, and 19 that follow)
8	VA Form 26-1820, Report and Certification of Loan Disbursement
9	Lender's quality certification per <u>38 CFR part 36</u> and 38 U.S.C. Chapter 37
10	VA Form 26-8937, Verification of VA Benefit-Related Indebtedness_(if applicable)
11	HUD-1, settlement statement
12	Evidence of compliance with LAPP/NOV requirements; such as, final compliance inspection, termite certification, or warranty.

13	If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender that identifies the loan and provides the specific reason(s) why the loan was not submitted on time and a certification that the loan is current.
14	Interest Rate and Discount Disclosure Statement.
15	VA Form 26-0592, Counseling Checklist for Military Homebuyers, if applicant is on active duty.
16	<p>Uniform Residential Loan Application (URLA) with revised <u>VA Form 26-1802a</u>, HUD/VA Addendum to Uniform Residential Loan Application.</p> <ul style="list-style-type: none"> • These forms may be signed and dated anytime from the date of initial application to the date of loan closing. • These forms must be properly completed and legible, but do not have to be typed.
17	All original credit reports obtained in connection with the loan and any related documentation
18	VA Form 26-8497, Request for Verification of Employment, and other verifications of income such as pay stubs and tax returns.
19	VA Form 26-8497a, Request for Verification of Deposit, and other related documents (Alternative documentation: Original or certified true copies of last two bank statements).
20	Purchase/earnest money contracts.
21	VA Form 26-1805, VA Request for Determination of Reasonable Value (except in MCRV cases).
22	<ul style="list-style-type: none"> • LAPP Notice of Value (NOV) and any special requirements or conditions applicable to the property • VA Form 26-1843, Certificate of Reasonable Value, or • VA Form 26-1843a, Master Certificate of Reasonable Value (MCRV), with any applicable endorsements and/or change orders (<u>VA Forms 26-6363</u> and/or 26-1844 or VA computer generated form). <p>Highlight to show lot and block identification, house type valuation, and optional equipment applicable to veteran's purchase.</p>
23	<p>The original Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report (URAR) including all addendum's, photographs and any document(s) revising or correcting the fee appraiser's original URAR</p> <p>Note: The URAR and attending information is not required when VA Form 26-1843a, MCRV, is submitted.</p>

24	<p>Any other necessary documents:</p> <ul style="list-style-type: none">• Divorce decrees• Partnership agreements (if self employed)• Bankruptcy documents• Explanations for derogatory credit• Energy Efficient Mortgage documentation• Proof of escrow for future improvements or repairs• Alive and Not Missing In Action Certifications
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The VA Loan Number



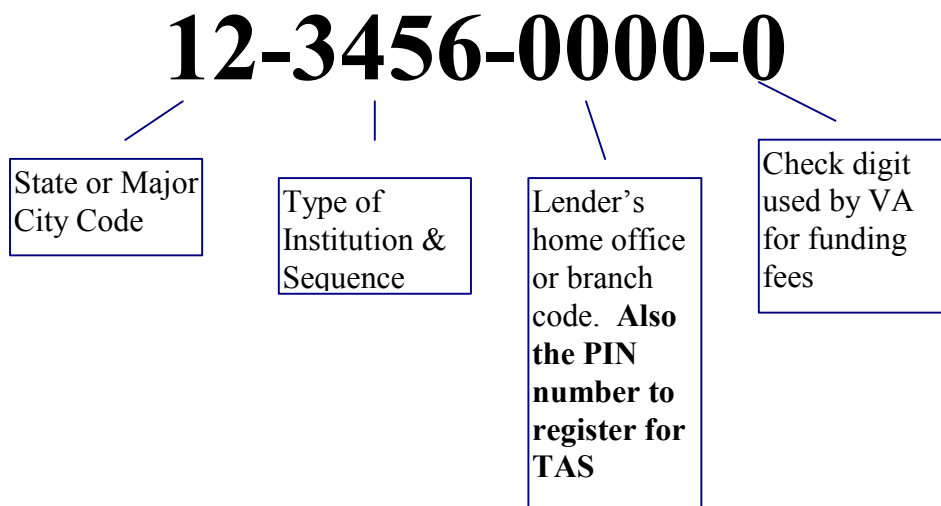
- ◆ VA loan numbers contain **12 digits** with three hyphens to separate the 4 categories of the 12 digits.
- ◆ The first 2 digits of the VA loan numbers refer to the VA “Office of Jurisdiction” or “OJ” and indicate a number assigned by VA to its office which has jurisdiction over the location of the home property.
- ◆ After the 2 “OJ” digits, the VA loan number contains a hyphen and a second set of 2 digits which are labeled “Office of Origin” or “OO” and indicate a number assigned by VA to its office where the appraisal was initially requested and the loan was originated. For example, if a VA loan was originated for a home in Wisconsin and is still serviced by the VA office in Wisconsin, its VA number starts with “30-30-n-nnnnnnn” because “30” is VA’s number for its office in Milwaukee.
- ◆ After the 2 “OO” digits, the VA loan number contains a hyphen and a single digit to indicate type of loan in terms of VA’s legal or financial responsibilities. The 6 that is currently used means the loan was guaranteed by VA to an eligible veteran who purchased the property with the loan from a mortgage lender after January 1, 1990.
- ◆ After the single digit for the loan type, VA loan numbers contain a hyphen and a 7-digit serial number assigned at time of appraisal request. Use of all 7 digits are currently used in only a small number of offices, most VA numbers still need a zero followed by 6 numbers in this last numeric portion of the VA loan number.

Lender Identification Number

VA issues every lender, lender branch and agent a VA identification number. These i.d. numbers are 11 digits in length, but many times the first 10 digits are the more commonly used numbers expressed when identifying what lender i.d. you represent.

The lender i.d. is designed to match up to an exact mailing address. That mailing address is coded into internal VA systems and used to send documents and information to the lender. An example of items mailed to lenders where the lender i.d. is important:

- Loan Guaranty Certificates
- Requests for agent renewal fees
- Information letters and VA circular updates



Office of Jurisdiction Codes

State	Number
AK	63
AL	22
AR	50
AZ	45
CA	43
CA	44
CA	77
CO	39
CT	73
DE	13
DC	72
FL	17
GA	16
HI	59
IA	33
ID	47
IL	28
IN	26
KS	52
KY	27
LA	21
MA	73
ME	73
MD	13
MI	29
MN	35
MO	31
MS	23
MT	39

State	Number
NC	18
ND	35
NE	34
NH	73
NJ	09
NV	45
NM	40
NY	06
NY	07
OH	25
OK	51
OR	48
PA	10
PA	11
PR	55
RI	73
SC	19
SD	35
TN	20
TX	49
TX	62
UT	41
VA	14
VT	73
WA	46
WI	30
WV	14
WY	39

Chapter 8: Special Circumstances

Active Duty Certification:

For veterans who will use active duty income verified on a Leave and Earnings Statement (LES), lenders must certify that the veteran's income will continue for at least the next 12 months. Verification can take these forms:

- Proof of enlistment beyond a 12 month period
- Proof of re-enlistment
- A letter from a commanding officer stating that the veteran is re-enlisting, with a documented number of years stated in the letter

The above certification must be provided if a veteran uses a Certificate of Eligibility that has the box checked stating:

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

Reservist/National Guard members:

As a result of active duty call ups in the military, numerous reservists or national guard members will achieve the required service time for a Certificate of Eligibility by serving 90 days active duty war time service. These veterans will need to produce Form DD214 in order to qualify for home loan benefits after the 90 days has been served.

VA Form 26-0592, Counseling Checklist For Military Homeowners:

Every veteran who obtains a VA loan using active duty income, must acknowledge and sign VA Form 26-0592, Counseling Checklist For Military Homeowners. This form is provided as a means to notify active duty veterans of their responsibilities for the VA home loan while serving active duty. **(See Page 44 for example)**

Department of Veterans Affairs

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 must be repaid 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.
3. 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 the area.
4. 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.
5. "Letting the house go back" is **NOT** an acceptable option. A decision to do so may be considered "bad faith". A foreclosure will result in a bad credit record, a possible debt you will owe the government and difficulty in getting more credit in the future.
6. If unexpected circumstances lead to difficulty in making your payments, contact your mortgage company promptly. It will be easier to resolve any problems if you act quickly and be open and honest with the mortgage company.
7. **YOUR VA LOAN MAY NOT BE ASSUMED WITHOUT THE PRIOR APPROVAL OF VA OR YOUR LENDER.**
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**. You may talk to many people when you are in the process of buying a house. Particularly with a previously occupied house, you may pick up the impression along the way that you need not be overly concerned about any needed repairs or hidden defects since VA will be sure to find them and require them to be repaired. This is **NOT TRUE!** 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. Remember, VA guarantees only the loan **–NOT** the condition.
9. If you have any doubts about the condition of the house which you are buying, it is in your best interest to seek expert advice before you legally commit yourself in a purchase agreement. Particularly with a previously occupied house, most sellers and their real estate agents are willing to permit you, at your expense, to arrange for an inspection by a qualified residential inspection service. Also, most sellers and agents are willing to negotiate with you concerning what repairs are to be included in the purchase agreement. Steps of this kind can prevent many later problems, disagreements, and major disappointments.
10. Proper maintenance is the best way to protect your home and improve the chance that its value will increase.
11. If you are buying a previously owned house, you should look into 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 counseling items set forth above.

(Borrower's Signature) (Date)

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

(Lender's Signature) (Date)

VA Form **26-0592**[

JUN 1995 EXISTING STOCK OF VA FORM 26-0592, JUL 1990, WILL BE USED

Power of Attorney:

In order for a veteran to use a Power of Attorney or attorney-in-fact, the lender must ensure that the POA complies with state law with respect to:

- the mortgage can be legally enforced in that jurisdiction, and
- clear title can be conveyed in the event of foreclosure

General Power of Attorney: its purpose is to express, in writing, an individual's desire to have certain business transactions completed by an assigned individual. It is typically used to give an individual the ability to transact certain categories of transactions such as the ability to perform banking functions, trade stock, sign documents, etc.

Specific Power of Attorney: its purpose is to express, in writing, an individual's desire to have specific transactions completed by an assigned individual. It specifies the exact transactions to be completed such as the ability to purchase property located at..., the ability to withdraw sums of money to pay for..., the ability to trade stocks in xx type of brokerage account, etc.

For purposes of a VA home loan the following would apply when using a Power of Attorney:

- A **“general” power of attorney** can be used only when the veteran has signed the Purchase Agreement and Uniform Residential Loan Application
- A **“specific” power of attorney** must be used for any transaction involving a VA home loan where the veteran has not signed a Purchase Agreement and URLA. It must specify which property they are allowing the POA to sign for, what type of loan they intend to apply for, etc.

Alive and Not Missing In Action Certification:

In addition to the Power of Attorney document, lenders are required to certify on the date of closing that the veteran is alive, and if on active military duty, not missing in action.

Lenders must also provide the following certification:

“The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran’s behalf by the attorney-in-fact.”

Proof of the veteran being alive and not missing in action can take 3 forms:

- An e-mail, fax or letter from the veteran dated the same date as the date of the note. This document must be easily identifiable as coming from the veteran, or
- An e-mail, fax, or letter from the veteran's commanding officer dated the same date as the date on the note. This letter will clearly express the commanding officer's position and relationship to the veteran
- In extreme cases, the lender can certify conversation with the commanding officer and document who they spoke to, when they spoke to, and how the individual was reached in verifying the alive and well status.

Chapter 9: VA Updates

VA Training Initiatives:

There are 3 ways to obtain training from VA:

1. Through A Regional Loan Center
2. VA Central Office Lender Training Broadcasts
3. Internet based training - Hometown USA

Through A Regional Loan Center

VA Regional Loan Centers nationwide can provide lender training on demand. This can be done via:

- a lender's staff coming to the Regional Loan Center
- VA staff visiting lender (as budget and time permits)
- VA staff to present bi-annual training events in 5 areas within our jurisdiction. These events are expected to take place Spring and Fall based on demand.

VA Central Office Lender Broadcast Training

VA's Central Office in Washington D.C. has provided lender training via broadcast for the past 5 years. These broadcasts can be viewed:

- Live at any Regional office or Regional Loan Center nationwide
- Via Internet Streaming Video - at VA's Loan Guaranty Website:

www.homeloans.va.gov

- Through purchase of previous training tapes available at 1-800-800-DUBS

Hometown USA

VA has also provided a method to certify underwriter training that can be accessed at VA's Loan Guaranty website:

www.homeloans.va.gov

The lender would access the Lenders and Servicers link, then click on the Training Link, then click on Hometown USA.

Hometown USA is an 8 hour online training course that is great for anyone wishing to learn more about the VA loan process as well as underwriting. It allows you to bookmark where you left off so you can come back to it, if needed. The training will also satisfy VA's 8 hour underwriter training requirement for newly approved VA underwriters.

VA Hybrid Adjustable Rate Mortgages:

Effective December 10, 2004 through September 30, 2008, VA will run a test program allowing what Traditional Adjustable Rate Mortgages as well as what VA calls Hybrid Adjustable Rate Mortgages. The basics of this program are:

Traditional Adjustable Rate Mortgages:

- Interest rate adjustments annually
- Interest rate adjustments limited to 1 percent annually
- Interest rate increases limited to 5 percentage points over the life of the loan
- Loan must be underwritten at 1 percent above the initial contract rate

Hybrid Adjustable Rate Mortgages (less than 5 year initial fixed term):

- Maximum 1 percent adjustment in interest rate per year after initial fixed term
- Maximum 5 percent adjustment in interest rate over the life of the loan

Hybrid Adjustable Rate Mortgages (5 or more year initial fixed term):

- Maximum 2 percent adjustment in interest rate per year after initial fixed term
- Maximum 6 percent adjustment in interest rate over the life of the loan

Chapter 10:

LOAN PROCESSING STEPS

1. **Obtain a Certificate of Eligibility (COE) from VA.** The determination of the veteran's eligibility should be initiated as soon as possible, preferably prior to the time of loan application. This is especially important if the nature of the veteran's application will require special review or development, i.e. retrieval of military records, etc.
 - Through ACE: <http://vip.vba.va.gov> (go to ACE Link)
 - Through Eligibility Center
 - Possibly via Regional Loan Center or Regional Office (call first)
- **Automated E-Mail Procedure For IRRRL's When COE Is Not Available.** Lenders wishing to confirm the status of an existing VA guaranteed loan for the purpose of processing an IRRRL, can do so by using the automated IRRRL eligibility verification website at:

www. <http://www.vba-roanoke.com/rlc/GILoans.asp>

- a) Lenders will receive an automated e-mail response usually within 24 hours. Most cases typically taking about 30 minutes.
 - b) If the lender receives a response from the automated system confirming the loan they propose to refinance is an active VA guaranteed loan made to the veteran in question, a Certificate of Eligibility will not be required with their guaranty submission. Instead a copy of the e-mail reply from VA must be included in the guaranty submission.
2. **Complete Standard Form 1003, Uniform Residential Loan Application** and have veteran acknowledge and sign various regulatory paperwork (Good Faith Estimate, Interest Rate Disclosure, etc.)
 3. **Develop A Credit Package** - required documents covered in Chapter 4 of this Training Guide.
 4. **Order VA Case Number And Appraisal Assignment.** The appraisal should be ordered as soon as possible after the loan application is initially reviewed, and a decision is made that based on the application information, and perhaps a soft copy credit report, the loan appears feasible. Lenders are strongly encouraged to use VA's Internet based system, The Appraisal System (TAS). The web address is tas.vba.va.gov.

Complete VA Form 26-1805 and send to the appraiser. **The appraisal does not get completed unless the appraiser receives this form.**

5. **Determine if VA Form 26-8937, Verification of Benefit Related Indebtedness, is needed.** Before submitting VA Form 26-8937 you must first determine if the veteran has been or will be receiving VA benefits. There is no specific form for this purpose. Most lenders create their own "Debt Questionnaire" Form. Ask the veteran and any veteran co-obligors (including spouse if a veteran) if he or she:
 1. is receiving VA disability benefits
 2. would be entitled to receive VA disability benefits but waived because in receipt of retired pay
 3. has received VA disability benefits in the past, or

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

If the veteran falls under one of the above categories, **submit VA Form 26-8937 to the VA office where the loan application and/or closed loan package will be sent.** VA will complete and return the form to the lender usually within 48 hours.

If the form indicates the veteran receives VA nonservice-connected pension or has been rated incompetent by VA, **prior approval underwriting by VA is required.**

6. Perform A CAIVRS Screening On Applicant(s). Please see VA Lenders Handbook, Chapter 4 “Required Search for Treatment of Debts Owed to the Federal Government.”

7. Appraisal Completed And Notice Of Value Issued By VA Or Lender (LAPP Lenders).

8. A. Underwrite and approve or disapprove application; or if needed.

B. Submit complete, original, loan package to VA for prior approval underwriting.

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

- Joint loans (the co-borrower is not the veteran’s spouse)
- Loans to veteran in receipt of VA nonservice-connected pension
- Loans to veterans rated incompetent by VA
- Interest Rate Reduction Refinancing Loans made to refinance VA loans more than 30 days past due

Lenders with automatic authority may also elect to submit a loan of a type not on the above list for prior approval when issues or circumstances cannot be resolved by the lender’s own underwriting staff.

- The submission must include the underwriter’s analysis and explanation of why it is being submitted for prior approval.
- Do **not** use this provision to shift the burden of a loan rejection to VA.

9. Lender Closes Loan And Transmits VA Funding Fee, If Applicable. Payment of the funding fee must now be submitted through an Internet based website. This website can be found at:

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

10. Lender Codes Loan Information Into WBLS or Sends Closed Loan Package To VA To Receive Loan Guaranty Certificate.(See Lenders Handbook, Section CI-11). Completion of VA Form 26-0286 is critical if you want accurate Loan Guaranty Certificates.

Submission requirements for a Modified Guaranty Loan Package:

- VA Form 26-0286 properly filled out
- Original Certificate of Eligibility or VA Form 26-8937 (if exempt from funding fee)
- Original, signed VA Form 26-1820, Certification of Loan Disbursement
- Original Notice of Value
- Funding Fee Receipt
- HUD-1 Settlement Statement
- Name, address and e-mail address of person to request full quality review package

Submission requirements for IRRRL Loan Package

- VA Form 26-0285
- VA Form 26-0286
- Certificate of Eligibility or VA approved eligibility e-mail verification
- Funding Fee Receipt or VA Form 26-8937 (if veteran exempt from funding fee)
- “Old vs. New” Statement signed by veteran
- VA Form 26-8923, IRRRL Worksheet
- VA Form 26-1820
- HUD-1 Settlement Statement
- VA Form 26-0503, Federal Collection Policy Notice
- Lender’s certification that the loan was not more than 30 days delinquent at time of closing
- Energy Efficiency Mortgage Documents (if required)
- Name, address, and e-mail address of contact if there are questions

11. Loan Guaranty Certificate Is Issued. Don’t forget, the Loan Guaranty Certificate is issued to the exact address that is represented by the Lender I.D. annotated on VA Form 26-0286, Line 34.

Chapter 11:

Frequently Asked Questions

What is VA's internet site address?

Lenders can reach VA's Lender and Servicer Home Page at www.homeloans.va.gov/lenders.htm. At this site you can download VA's Lender Handbook, find out about recent changes, upcoming satellite training and access other useful information.

What is the VA's maximum loan amount?

VA does not have a maximum loan amount but we understand lenders generally must have at least 25% of the loan guaranteed (backed) by VA in order to sell the loan on the secondary market. Based on this factor the following limits apply:

- *Purchases or construction refinances - For 2005: \$359,650
- *Regular or Cash Out refinances-\$144,000 including VA's Funding Fee
- *Interest Rate Reduction Refinance Loans-VA **will** guaranty 25% of the final loan amount as long as it is in compliance with VA regulations

It is suggested that any deviations on loan amounts for purchases, construction refinances or regular/cash-out refinances listed above be discussed with your secondary mortgage market representative prior to closing to assure you have the proper coverage needed to satisfy your investors requirements. Specifics on loan amounts and guaranty percentages can be found in Chapter 3 of VA's Lender Handbook.

Can a veteran and his fiancée purchase a home together using a VA backed loan?

The veteran can purchase a home with any individual he/she chooses, but VA will only guaranty the portion of the loan attributed to the veteran and a spouse. For example, if the veteran intends to purchase a home with a fiancée prior to their marriage and will share the same interest in the property, VA would only guaranty half of the loan. Questions on the amount of guaranty available should be directed to your office management. If they cannot, assist then contact your local Regional Loan Center. Generally, loan amounts under \$90,000 would have at least 25% guaranty available but there are always exceptions for both higher and lower loan amounts. Specifics on guaranty percentages for joint loans can be found in Chapter 7 of VA's Lender Handbook.

What is the maximum guaranty on a joint loan for two veterans who have never used their Certificates of Eligibility?

The same loan amounts and guaranty percentages listed above. The use of two certificates does not mean you can double the guaranty or loan amount.

Can a veteran refinance over 90% LTV on a cash out refinance?

The loan amount cannot exceed 90% of the appraised value plus the VA funding fee added to that base. For example, if the appraised value of a home is \$115,000, the base loan amount could be up to \$103,500 (90% of the appraised value). To the base you could add VA's Funding Fee, (i.e. 2% for first time use veteran \$2,070) for a total loan amount of \$105,570.00. Also it is our understanding that the loan amount may not exceed \$144,000 to sell the loan on the secondary mortgage market. The exception to this is an addition for an energy efficient improvement loan.

How do you process a loan for a veteran who has been rated incompetent by VA?

Obtain proof that the person signing the documents for the veteran is authorized. Process VA Form 26-8937, Verification of VA Benefit Related Indebtedness. A complete package (including a NOV) **must** be sent to VA for review and acceptance prior to the closing.

Does VA require 3.30% funding fee if the borrower is currently in the reserves or national guard but the veteran has a green certificate?

If the veteran has a green certificate it was obtained because s/he served full time active duty and is subject to the lower funding fee. The fact that a person is in the Reserves or National Guard presently does not mean they automatically have to pay the higher funding fee. Please check the certificate as they may have qualified for the benefit as a veteran with full time active duty service. Reserve/National Guard certificates are clearly annotated as such and list the fact that the veteran is subject to a higher funding fee right on the certificate. Any unusual scenarios may be clarified with the VA Regional Loan Center in your area or questionable certificates addressed with one of the Eligibility Centers. Information concerning VA Funding Fee may be found in VA's Lender Handbook, Chapter 8.

What documentation is acceptable to establish exemption from VA's Funding Fee?

- *VA Form 26-8937, Verification of VA Benefit Related Indebtedness
- *A current award letter dated within the past 12 months
- *Letter from the Veteran Service Center Manager confirming receipt of service connected disability income.
- *Proof that the veteran elected to receive service retirement pay in lieu of VA compensation, such as a copy of the original VA notification of disability rating and proof of receipt of retirement income.
- *A certificate of eligibility which indicates that the borrower is eligible for VA's benefit as a unmarried surviving spouse, this is clearly typed on the COE.

How many properties can a veteran own through VA?

A veteran can reuse the VA benefit multiple times as long as s/he has sufficient benefit to cover the new loan. The new home s/he is purchasing must be their primary residence. If there is less than full benefit remaining for the purchase of the second property, it is suggested the lender consider if the veteran can obtain a restoration or if the remaining benefit will cover the proposed loan amount.

Do we still need the off base housing authorization?

This varies from region to region. You should check with your supervisor, if not contact the VA Regional Loan Center you deal with.

Will VA accept a package for credit approval prior to an appraisal being ordered?

No, to underwrite a loan for commitment VA needs a complete loan package. A listing of required data can be found Chapter 5 of VA's Lender Handbook.

How do I find out information about lender approval, automatic authority, agents or such items?

Chapter 1 of VA's Lender Handbook contains all the information you need concerning requirements for lender approval, authority and agents. You can access this on our Internet site which also has a checklist and specific points to consider when applying for automatic underwriting authority.

Can you give a mortgage for an interest rate reduction refinance (IRRRL) when the veteran no longer occupies the property?

Yes, previous occupancy of the subject property is sufficient. The interest rate reduction refinance loan is the only VA loan where the veteran or his spouse does not have to occupy the property as his primary residence. Specifics on occupancy requirements can be found in Chapter 3 of VA's Lender Handbook.

Assets

Should gift funds be verified in the donor's or applicant's account?

Although there is no specific requirement in VA's Lender Handbook, many lenders do document the donor ability to give and veteran's receipt of funds. This assures the veteran did not obtain other financing to cover the closing costs.

Can the veteran's retirement fund be included as liquid assets?

Retirement funds that are not available to the veteran cannot be included as a liquid asset. Voluntary contributory retirement plans may demonstrate a veteran's ability to accumulate savings and should be considered a compensating factor. If a veteran is taking a loan against the retirement account for sufficient funds to close the loan, you would need to document the withdrawal.

Income

What is considered satisfactory to meet the requirement for experience as a landlord to use rental income?

This answer will address a property in which a veteran is purchasing a multi-family home to occupy as a primary residence. VA requires the lender document reserves and previous landlord experience when the veteran is purchasing a multi-unit home **only when the rental income is needed to qualify** the veteran for the home loan. **If the veteran can support the mortgage without any rental income, neither the landlord experience or reserves is required.** For landlord experience, the veteran must have owned a multi-family home, had previous experience managing rental units or other background involving property maintenance/trades and rental or collections experience. In unusual situations the underwriter should evaluate all the circumstances and contact the regional loan center they deal with for guidance if needed. Any landlord experience or equivalent must be properly documented in the file and unusual situations addressed in the remarks section of the loan analysis form, i.e. perhaps the veteran might initiate a contract with a property manager for a year in lieu of the landlord experience. Acceptance of the years contract combined with the reserves may be noted in the remarks section and accepted by the underwriter on a case by case basis in lieu of the standard regulation. Other types of rental properties and specifics on rental income can be found in Chapter 4 of VA's Lender Handbook.

Does VA require 6 months PITI to use rental income?

If the rental income is need to qualify the veteran for purchase of a multi-family primary residence, 6 months PITI in reserves (after closing) must be documented. **If the rental income is not required to qualify the veteran, then the reserves are not required.** Other types of rental properties, such as other multi-family homes (not the subject property) which the veteran owns (subject to 3 months reserves) and specifics on reserve requirements for rental properties can be found in Chapter 4 of VA's Lender Handbook.

Can you use the income of the non veteran spouse to qualify for the loan, if the veteran is not employed?

If the spouse is on the application, you can use the spouse's income.

Can we use income from a non-qualifying spouse (a spouse not listed on the application) for qualifying the veteran?

If the spouse is not on the application you cannot use his/her income when completing the loan analysis form. However, should the spouse **choose** to provide documentation concerning his/her employment , i.e. pay stub and W-2, the underwriter could consider removing the spouse from the residual requirement (reduce the number of family members by one). The spouse cannot be forced to provide this data. The underwriter must document the exception in the remarks section of the loan analysis form.

Can we use income of a trailing spouse?

This should be considered on a case by case basis and carefully documented if the income is used in any form. Income from a trailing spouse can generally not be considered as the spouse does not have employment in the new location and there is no guaranty of employment when s/he moves. The income could be used to possibly offset the expense of the spouse in his/her current location. In unusual circumstances if the lender can document a demand for the spouse's profession in the new location, the underwriter may consider using the income or offsetting some obligations with the potential income. Use of this income in any form should be considered on a case by case basis and documented in the remarks section of the loan analysis sheet.

Can we consider the income of an applicant who has been on his current job less than one year, and the current job is not related to his previous job?

Generally VA would like to see an applicant on a job for a year. Consideration can be given if there has been a recent change when the applicant is in the same line of work or has specialized training in his/her field. The underwriter should also consider the employer's evaluation of the probability of continued employment, how much of that applicant's income is needed and if there are any compensating factors. Just because the veteran does not have a full year on his/her current job, even if it is not related, does not require an automatic denial. Careful review and judgment, especially on the example noted above, is required by the underwriter. These cases require careful scrutiny and reasons for the decision should be annotated in the remarks section of the loan analysis worksheet. Specifics concerning income stability can be found in Chapter 4 of VA's Lender Handbook. In all cases employment must be verified for a two year period and any gaps of employment addressed by the applicant in a written format.

Can commission income be used if the applicant has not been receiving it for two years?

If the applicant has not been receiving commission income for a two year period, the underwriter must carefully review the applicants previous work experience and commission history. If the applicant has been receiving commission from current employer for at least one full year and has a background in the field, it may be possible to use that income or offset some debt. If the veteran has not been receiving commission for at least a year, it is highly unlike that this source of income may be used. The underwriter should address the use of any income with less than a two year history in the remarks section of the loan analysis and assure there is supportive documentation in the loan file. Specifics on commission income, including the required paperwork, can be found in Chapter 4 of VA's Lender Handbook.

How long does a person have to be self employed before we can consider the income?

VA prefers to see an applicant to be self employed for a two year period. However, the underwriter may consider a candidate that has a full year of documented self-employment and past regular employment or education in the same line of work. Specifics concerning self-employment income can be found in Chapter 4 of VA's Lender Handbook.

What can be added back to net income for a self-employed applicant, i.e., depreciation, interest, etc.

Depreciation claimed on the tax returns and financial statements may be included in effective income. Should the underwriter choose to add back in additional items, they must be specified on the loan analysis form with documentation contained in the file.

For self employed persons, do you put any weight on YTD earnings based on the profit and loss statement? Does the P&L have to be audited or prepared by an accountant?

VA will average the earning based on a year to date profit and loss statement if they are consistent with previous earnings. Generally VA does not require financial statements to be audited however in unusual circumstances the underwriter may feel it is necessary to obtain an audited financial statement to clarify income or resolve discrepancies. See Chapter 4 of VA's Lender Handbook.

Applicant has a full time job, and has also had a part time job for the past 11 months. Why can't income from both jobs be used?

VA requires that overtime, part time and bonus income be documented as consistently being received for a full two year period and likely to continue. This is to show that the income is stable and the veteran is able to work beyond the normal work hours over a long period. If the income has been received consistently for 12 months and is likely to continue, the underwriter may choose to offset debt with this income. Any income received for less than a 12 month period may be considered as a compensating factor by the underwriter. Specifics concerning overtime, second job or bonus income can be found in Chapter 4 of VA's Lender Handbook.

Is there a minimum time required for receiving disability income to use this as a source of income?

There is no time of receipt required to use disability income. The lender must document the funds are currently being received and that this income will continue generally for a three year period or be able to draw the conclusion that it will continue in the foreseeable future. If you cannot document this through the insurance company or social security, you may have to obtain written confirmation from a doctor addressing the applicant's probability of returning to work. If the disability will not continue for a three-year-period ("foreseeable future"), the underwriter may choose to offset some debts. As each case is distinct, the should be considered on a case by case basis. The underwriter's decision of using income in unusual scenarios or considering it as a compensating factor should be documented in the remarks section of the loan analysis form. Specifics concerning disability income can be found in Chapter 4 of VA's Lender Handbook.

Can a veteran buy a home that is over 50 miles away from his place of employment and commute?

Yes, as long as the veteran can commute to his primary residence. If the veteran is going to be making an unusually long commute, the underwriter must consider commuting expenses in the loan analysis. It is the underwriter's responsibility to know what is considered a "normal" commute from the subject property.

Can we use the income from a spouse who is not a US citizen? Do we require a green card?

Yes, you may use the income of a spouse if they are on the loan application even though they are not a US citizen. VA does not require a green card. Lenders should check with their investors to insure that both of these issues are in compliance with the secondary mortgage market.

A veteran is employed by a “temp” agency for more than 9 months with a well established employer, can the income be used?

Generally, it may be difficult to use earnings from temp with less than an established two-year history. Stability of income and a pattern of earnings may be established after a year. However, if a person is a career temp employee, the overall earnings and employment history should be evaluated. Any income used without a year's history should be addressed in the remarks section of the loan analysis form. The underwriter would have to give careful consideration to these scenarios and address how stability and the average income was determined.

How long does child support have to continue for in order to be used as income?

Child support must continue for a three year period or into the foreseeable future. If the support is going to be for a time frame less than that, the underwriter may consider offsetting the child(ren) in the residual guideline if receipt of funds on a consistent basis can be proven. If the underwriter chooses to offset the child in the residual guideline or offset an intermediate obligation, this should be noted in the remarks section of the loan analysis form.

Debts

Does VA consider child-care cost a debt? If so what is required?

Yes, VA continues to consider child-care expenses as a debt. The lender must obtain a letter from the veteran documenting the child-care expense or explaining why no expense is incurred. Also assure the present arrangement will still be logical based on the location of the new home. If applicable, the name and address of the child care provider should be obtained. This expense must be listed on Loan Analysis Section D, line 30, job-related expense.

Do we obligate the veteran for a mortgage that has been assigned to the ex-spouse by the courts?

No, generally you do not have to obligate the veteran for a debt that the courts assigned to an ex-spouse even if that debt is delinquent. This is specified in VA's Lender Handbook, Chapter 4.

For military applicants, do we need to consider separate household expenses if the applicant will be living in quarters and says he will not have any expense?

If the veteran states that he/she will be living in military quarters at no cost and his/her spouse will be living in the subject property, you do not have to consider separate household expenses. However, if a review of the Leave and Earnings Statement shows a withdrawal for housing or there is any indication in the file of current expenses, clarification should be obtained.

The underwriter must consider the following for installments with less than 10 months remaining:

- * The payment must not be so large that it will have a severe impact on the financial situation of the household. The amount of “severe impact” is left to the underwriter's discretion.
- * If the payment is large, the underwriter may consider if there are reserves to cover the debt after closing or a source of income they were unable to use in the analysis.
- * The final determination is the underwriter's and if a debt is not used and the logic is not highly visible, a notation should be made in the remarks section of the loan analysis form.

- * For revolving or open ended accounts with a continued pattern of use, the underwriter must include the regular monthly payment/minimum payment on the loan analysis form.

If a veteran co-signs a loan, how do we not include this as part of his obligations?

In order to disregard a debt that the veteran has co-signed for another individual, there must be proof that the payments are being made by someone else, i.e. canceled checks for a year, and there is no reason to believe this will not continue. See VA's Lender Handbook, Chapter 4.

How does VA look at student loans? 401K loans?

Student loans must be reviewed on a case-by-case basis. The underwriter must consider the whole scenario and use judgment when making this decision. Factors to consider include whether or not the payment is deferred and if there will be new or additional income to offset this expense? Loans deferred for more than a year may generally be disregarded. Should the underwriter choose not to include a student loan(s) as an obligation, a notation should be made in the remarks section of the loan analysis form. 401K loans may be disregarded.

Are union dues, life insurance or medical insurance included in the debt section?

No. Expense for these items is considered in the residual income guidelines. The residual is the net income after shelter, debts and taxes is removed. It is supposed to cover items the veteran and family need such as food, clothing, health care, gas, etc. Additional information concerning residual income may be obtained in VA's Lender Handbook, Chapter 4.

How is child support considered from a credit standpoint as well as a debt consideration?

Child support is considered as a debt and must be listed in section D of the loan analysis form. If late payments appear on the credit report it should be addressed and considered in the overall credit picture.

Credit

Do unpaid obligations, such as collections and charge-offs, listed on a credit report have to be paid off? What about judgments or liens?

Charge-offs and collection accounts are not required to be paid off by VA. The underwriter should obtain the veteran's explanation and supporting documentation if needed. If it has been under a steady repayment plan, this may be considered as a positive factor. If there has not been repayment scheduled, paying them off now does not alter the unsatisfactory credit.

Judgments, Federal debts and liens **must** be paid in full or have a written repayment agreement. Written repayment agreements must be included in the debt section of the loan analysis form. This is specified in VA's Lender Handbook, Chapter 4.

I have a CAIVRS "hit"; what do I do now?

*Contact the veteran or co-applicant regarding the claim, ask them if they are aware of it or have any proof it has been paid in full/resolved.

*If the applicant is not aware of the item or needs to resolve it, someone must contact the federal agency listing the debt. The Lender's Handbook, Chapter 4, has a listing of the agencies and a contact phone number.

*If it is determined that there is no claim against the veteran, the lender should document this by written confirmation from the agency or the lender telephone certification.

*HUD'S CAIVRS line may not update their system quickly so do not hold up an approval or closing for the CAIVRS data to be changed.

*If indeed there is a loss to the government, the lender must obtain proof of payoff or a written repayment agreement.

When can a person with a bankruptcy on their credit report apply for a VA loan?

The guidelines for bankruptcy may be found in VA's Lender Handbook, Chapter 4. The date of the discharge and type of bankruptcy is a determining factor. If a Chapter 7 Bankruptcy was discharged more than 2 years ago, it may be disregarded. If it was discharged between 1-2 years ago, the veteran must have reestablished credit by some means, and the cause of the bankruptcy must be documented as beyond the control of the applicant, i.e. job loss or medical issues. If the bankruptcy was discharged less than a year ago, it will not generally be possible to determine that the applicant(s) are a satisfactory credit risk. Marginal cases should be addressed in the remarks section of the loan analysis.

How do you treat CCCS?

If an applicant is currently in consumer credit counseling, they must have a 12-month history of timely payments under the plan and the counseling agency must approve of the new credit. Occasionally, individuals choose to participate in consumer credit counseling to assist them with their finances although they are not behind in their payments. In these cases consumer credit counseling may be considered a neutral or even a positive factor. Do not treat this as a negative credit item if the veteran entered the consumer credit counseling plan before reaching the point of having bad credit.

Is a veteran eligible for a loan if s/he is behind on their child support payment by \$1,000 or more?

Child support is a credit obligation and if it is in arrears, it must be addressed. The veteran may have a legal action pending and if documented, this should not be considered a derogatory item. However, if they are merely behind due to financial matters, the underwriter must take into account

- * If there is a repayment schedule, how will it be repaid?
- * Consider the reason the payment is delinquent. Will the cause have an impact on the veteran's proposed loan scenario? This is a judgment the underwriter must make on a case-by-case basis.

In determining a satisfactory payment history, how many months do we need to review?

Generally VA requires a 12-month satisfactory payment history. Any lates within the past year should be developed for an explanation and supporting documentation obtained if needed. The underwriter must make a credit decision based on all the documentation of that particular veteran. Comments should be placed in the remarks section of the loan analysis for any loans approved which have lates in the past year. In marginal cases it may be helpful to review the mortgage or rental history carefully as the applicant's past repayment history could establish how motivated the applicant is to make timely mortgage payments in the future. Information on adverse credit or other scenarios such as bankruptcy and foreclosures may be found in VA's Lender Handbook, Chapter 4.

The veteran has been living with his/her parents and does not have any loans or credit cards. What does s/he need to provide to be considered credit worthy?

The underwriter must look at these cases individually considering if there was any past credit or other compensating factors. For VA a lack of credit is not considered a negative factor.

Does VA use credit scoring? If so is there a minimum score?

No VA does not use credit scoring at this time. The underwriter should review the credit of applicant individually. However, VA does recognize that credit scoring is a part of the standard mortgage industry. If the underwriter is using an automated underwriting system such as Loan Prospector, they follow specific guidelines in accordance with the automated underwriting system.

Can payment plans be used on derogatory credit? If so how long do they have to have been established?

If there are derogatory credit issues, i.e. a collection account, IRS lien, past-due child support, but the veteran has been making payments for a full year, the underwriter may consider this a positive factor. Be sure to list the payment as an obligation. If the borrower has been making payments for less than a year, the underwriter must review all factors for the loan to determine if the overall credit is acceptable. The underwriter must use their judgment on a case by case basis. These decisions should be documented in the remarks section of the loan analysis form.

Final Analysis

If a veteran is married and the spouse is not on the application, but that spouse has children living with them, can you use that child support to offset the children in the residual?

Yes as long as you can document the motivation for payment, i.e. court order, and consistent receipt of the funds.

For loans with ratios over 41%, do you consider compensating factors?

VA is a residual-driven program. For VA loans, the ratio is used as a secondary evaluator. The underwriter should consider the following:

- * If the residual in excess of the guideline by more than 20%, a loan with a high ratio but good credit and job stability could be approved.
- * If the loan does not have residual + 20%, the underwriter must review all the compensating factors and their decision should be documented in the remarks section of the loan analysis form.
- * For loans with ratios over 41% and the residual does not exceed the guideline by 20%, the underwriter's supervisor must sign the loan analysis form concurring with the underwriter's determination and the reasoning for loan approval must listed in the remarks section of the loan analysis form.

Specifics on ratios, second signatures and compensating factors may be found in VA's Lender Handbook, Chapter 4.

Can non-taxable income be grossed-up?

Non-taxable income can be grossed-up for determining the ratio only. Item 39 of the loan analysis form must list the actual income, not the grossed up figure. There should be two ratios listed on the loan analysis form if you choose to gross up; the first in box 45 would show the actual ratio and the second in box 48 lists the ratio based on the grossed up income figure.

The loan received and Accept or Approve ranking from AUS (using VA loan designation). Does this mean the loan is acceptable to VA?

The ranking from AUS is only as good as the data entered into the system. It is the lender's responsibility to determine and document income amount and stability, assure all potential debts (i.e. child-care expense and pay allotments) are considered, and all assets (included for analysis) verified.

Remember: Inaccurate or unverified data could affect the validity of loan guaranty from VA.

Appendix A



Loan Processing Forms



VA Form	Title of Form or Description
26-0285	Transmittal Sheet
26-0286	Loan Summary Sheet
26-0500	Notification to Mortgagee of Funding Fee Shortage
26-0503	Federal Collection Policy Notice
26-0551	VA Debt Questionnaire
26-0592	Counseling Checklist for Military Homebuyers
26-1802a	HUD/VA Addendum to URLA
26-1805	Request for Determination of Reasonable Value
26-1817	Request for Determination Unmarried Surviving Spouse Application
26-1820	Report & Certification of Loan Disbursement
26-1880	Request for A Certificate of Eligibility
26-1843	Certificate of Reasonable Value
26-1859	Warranty of Completion of Construction
26-1866	Certificate of Commitment
26-6393	Loan Analysis
26-8261a	Request for Certificate of Veteran Status
26-8375	Termite Soil Treatment Guaranty
26-8497	Verification of Employment
26-8497a	Verification of Deposit
26-8736	Application for Authority to Close Loans on an Automatic Basis Nonsupervised Lenders
26-8736a	Nonsupervised Lender's Nomination and Recommendation of Credit Underwriter
26-8812	VA Equal Opportunity Lender Certification
26-8850	Wood Destroying Insect Certification
26-8923	Refinancing Loan Worksheet
26-8937	Verification of VA Benefit-Related Indebtedness
26-8986	VA Funding Fee Transmittal Form
26-8998	Acknowledgment of Receipt of Funding Fee from Mortgagee
26-8999	Acknowledgment of Funding Fee Shortage

For a complete list of required exhibits and forms please go to VA Pamphlet 26-7, Lenders Handbook. Forms unique to VA loan processing are available on the Internet at:

<http://www.vba.va.gov/pubs/homeloanforms.htm>

Forms in Bold are available at: <http://homeloans.va.gov/lis.htm>

The following 3 pages are samples of Statements and Certifications used in VA loan processing which **are not** available on the Internet. You may follow these statements or certifications on your own internal letterhead.

IRRRL COMPARISON STATEMENT

OLD VA LOAN	NEW VA LOAN
VA Case Number:	VA Case Number:
Date of loan:	
Interest Rate:	Interest Rate:
Term:	Term:
Original Loan Amount	New Loan Amount
Principal & interest payment:	Principal and interest payment:

I hereby acknowledge that I understand the effects of this refinancing loan on my loan payments and interest rate.

Borrower(s)

Date

For IRRRL's with principal & interest payment increasing 20% or more:

<p>" I, (underwriter's name) certify to having determined that the veteran qualifies for the higher payment:</p>	
<p>_____ Underwriter's Signature</p>	<p>_____ Date</p>

**Mandatory Reservist Duty Certification – All Loans
(See VA Pamphlet 26-7, Chapter 4)**

I am not currently serving in the Reserves or National Guard, nor have I received orders to activate my status relative to the Reserves or National Guard.

Veteran

Date

Interest Rate And Discount Disclosure Statement

1. This statement regarding the interest rate and discount points that you may pay on a mortgage guaranteed by VA (Dept. of Veterans Affairs) must be delivered to you prior to the execution of the borrowers certification on the HUD/VA Addendum to the Uniform Residential Loan Application.

2. VA does not establish the interest rate for mortgage loans to be guaranteed, or set either a minimum on the interest rate or on discount points that may be paid by you. This means that you may pay such interest rate and discount points as you and the lender agree upon. The seller may also pay the discount points, or a portion thereof, if you and the seller agree to such an arrangement.

3. It is important for you to understand that the interest rate and discount points and the length of time the lender will honor the loan terms are all freely negotiable with the lender. Lenders may agree to offer the loan terms for a definite period of time (i.e., 30, 60, or 90 days) or may refuse to do so. This arrangement is commonly referred to as a lock-in agreement. Keep in mind that your agreement with the seller will also affect the date you can close your loan.

4. The terms of your agreement with the lender will determine the degree, if any, that the interest rate and discount points may change before closing. An increase of more than 1 percent in the interest rate requires re-underwriting of the loan approval by VA or by the lender. It may be necessary for the lender to obtain your signature on a new application. If, after re-underwriting, it is determined that you remain qualified from a credit risk standpoint, the conditions of your agreement(s) with the lender may require you to complete the transaction or lose your deposit.

Veteran

Co-applicant

LENDER’S LOAN QUALITY CERTIFICATION

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

Lender Signature

Date

VA Case Number

CERTIFICATION FOR AUTOMATED UNDERWRITING CASES

“I, the undersigned lender, hereby certify that case number _____ was processed through _____, and received an ‘ Accept ’ rating. I further certify that all information entered into the system has been verified, and that any credit discrepancies have been reconciled.

Lender Representative

Title

VA OPTION CLAUSE (required attachment to Purchase Agreement)

“It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise or be obligated to complete the purchase of the property established by the Dept. of Veterans Affairs. 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 VA.”

RESERVIST/NATIONAL GUARD CERTIFICATION (required per VA Pamphlet 26-7, Chapter 4-2m)

1. Are you currently a member of the Reserves or National Guard? **Yes or No**
2. Have you received orders to activate as a member of the Reserves or National Guard? **Yes or No**

Appendix B

Acronyms

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

Appendix C

Regional Loan Centers

Atlanta (316) Georgia, Tennessee, North Carolina, South Carolina	(888) 768-2132 (404) 347-7794 (fax)
Cleveland (325) Ohio, Michigan, Indiana, Delaware, Pennsylvania, New Jersey	(800) 729-5772 (216) 522-3101 (fax)
Denver (339) Colorado, Wyoming, Montana, New Mexico, Alaska, Utah, Idaho, Oregon, Washington	(800) 319-9446 (303) 914-5618 (fax)
Houston (362) Texas, Arkansas, Oklahoma, Louisiana	(888) 232-2571 (713) 794-3784 (fax)
Manchester (373) Maine, Massachusetts, Connecticut, Vermont, New Hampshire, Rhode Island, New York	(800) 827-0336 (603) 666-7549 (fax)
Phoenix (345) Arizona, Nevada, California	(888) 869-0194 (602) 237-3221 (fax)
Roanoke (314) Virginia, West Virginia, Washington D.C., Maryland, Kentucky	(800) 933-5499 (540) 857-2893 (fax)
St. Paul (335) Minnesota, Illinois, Iowa, Nebraska, Kansas, Wisconsin, North Dakota, South Dakota, Missouri	(800) 827-0611 (612) 970-5496 (fax)
St. Petersburg (317) Florida, Alabama, Mississippi	(888) 611-5916 (727) 319-7763 (fax)