

Regional Office
155 Van Gordon
Box 25126
Denver, CO 80225

**Department of
Veterans Affairs**

**Information
Bulletin**

December 17, 1999

Loan Guaranty Letter 99-30
264-13

SUBJ: Electronic Loan Guaranty

PAPERLESS GUARANTY PROCESSING: VA is pleased to announce the availability of Electronic Data Interchange (EDI) 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. At the same time, lenders will be notified when a case is selected for review and a full loan package must be submitted to VA. This new procedure will have a major impact on the way business is done with VA. We view this as a significant 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 (unless selected for review)
- Ability to deliver final documents to investors quicker. This enables investors to purchase pool loans faster and thus reduces costs of carrying the loan

HOW IT WORKS: The process will work as follows:

Transmitting loan data. Once the VA funding fee has been paid, lenders will transmit loan origination data (the same data that is currently on the VA Form 26-0286), electronically direct to VA's Austin Data Processing Center. Once the data transmission passes certain edits and the Loan Guaranty Funding Fee System verifies that the proper funding fee was received (unless the veteran is exempt) an electronic LGC will be issued.

Electronic Loan Guaranty Certificate. Lenders will receive an electronic LGC usually within 2 business days, which they can print for their records. The electronic LGC will not resemble the traditional LGC. Instead, it will be a listing of the data elements specific to that particular loan. VA has been assured by the Government National Mortgage Association that this will be acceptable for their purposes. If a loan has been selected for review by VA, the lender will be advised at the same time the electronic LGC is received that the full origination package must be submitted to VA for review. Please note there still may be instances where VA offices will write and request a copy of the origination package.

Error messages. If the data is not accepted (i.e., it fails to successfully pass the edits) the lender will receive an error message. The lender can correct and resubmit it (unless it is a critical error such as an insufficient funding fee), or forward the case to the appropriate regional loan center for routine processing.

Submission to VA. Once a loan has been successfully submitted, the lender need only submit to VA the Certificate of Eligibility (COE), which can be sent one at a time or in batches. It is critical that the COE(s) be accompanied by a cover memorandum or letter and mailed to the appropriate regional loan center within 10 days after the lender receives the electronic evidence of guaranty. The memorandum or letter must include the 12 digit VA loan number and the number of the electronic loan guaranty certificate. Lenders who fail to forward COEs timely may lose their privilege of using EDI. Also, please note that if the case was identified as one needing review by VA, lenders must submit the full origination package.

LOANS THAT CANNOT BE SUBMITTED VIA EDI: The following types of loans cannot be processed electronically. They are: (a) loans that were submitted for prior approval, (b) loans for properties listed on a Master Certificate of Reasonable Value (commonly called ONE cases - see Item 25 on the Loan Summary Sheet), (c) loans which include funds for energy efficient improvements, and (d) lenders on probation.

REQUESTING DUPLICATE & CORRECTED LGCs: Requests for corrected or duplicate evidence of guaranty cannot be processed electronically. Lenders will need to mail any such requests to the appropriate regional loan center.

ROUTINE GUARANTY SUBMISSIONS: Although we strongly encourage lenders, especially those with large volume, to use electronic loan origination, it is **not mandatory**. Lenders not electing to utilize it may still submit their requests for guaranty by mail.

GETTING STARTED: To take advantage of this opportunity for electronic loan origination, lenders can contact Ms. Dana Shields, who is the Project Manager. Ms. Shields' phone number is (202)273-7406. Her e-mail address is: LGYDSHIE@VBA.VA.GOV.

/s/

VLINDA A. CHILDS
Loan Guaranty Officer

Distribution:
Program Participants