
**Immediate
Change in
Procedures**

This announces three changes to VA procedures which are discussed in-depth below. The areas affected are :

1. Submission of VA Form 26-8937, Verification of VA Benefit-Related Indebtedness;
2. Credit Alert Interactive Voice Response System (CAIVRS) requirement for Interest Rate Reduction Refinancing Loans (IRRRLs); and
3. Mandatory electronic transmission of the VA funding fee.

**Change in
Debt Letter
Procedure**

Effective immediately, lenders will be required to submit VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, to VA for completion **only** in the following instances:

- When the veteran is receiving VA disability benefits;
- When the veteran indicates he/she would be entitled to receive VA disability benefits but for the receipt of retired pay;
- When the veteran indicates he/she has received VA disability benefits in the past;

OR

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

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

**Reason for
Debt Letter
Procedural
Change**

The primary reason the form was developed was to determine if the veteran had any VA benefit-related indebtedness. Now, however, outstanding indebtedness of overpaid VA benefits, including compensation and pension, are included in the CAIVRS system. Lenders are required to access this information in connection with the processing of most VA loans so completion of the form is in a sense redundant.

Continued on next page

**Reason for
Debt Letter
Procedural
Change
(continued)**

Previously lenders were required to have VA Form 26-8937 completed by VA for all cases **before** they could close the loan. This resulted in loan closings being delayed pending receipt of the completed form from VA. The fact is that the overwhelming number of forms reveal no evidence of receipt of VA benefits, VA debt, or anything else that would impact the loan process. Reducing the instances when the form is required will streamline the loan process for lenders and result in quicker delivery of the home loan benefit to veterans.

It is still necessary to have the form submitted in certain cases (as described above) so it can be determined if:

- The veteran is exempt from funding fee;
- The veteran has been rated incompetent by VA;
- The veteran is in receipt of pension (which means loan must be processed by VA);

OR

- The veteran is currently on a repayment plan with VA because of a prior debt.
-

**CAIVRS
Requirement
for IRRRL
loans**

Lenders will now be required to access the CAIVRS system on IRRRLs. Previously, a CAIVRS check was not required for these types of loans. For IRRRLs, the CAIVRS confirmation code will be entered on VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet, by the word "Note", which is located near the bottom of the form.

Should the CAIVRS check reveal a "hit," lenders should follow the procedures in paragraph 5.16 of the Lender's Handbook.

**Reason for
IRRRL
Procedural
Change**

Since VA Form 26-8937 will no longer be routinely required (unless the veteran indicates current or past receipt of VA disability benefits), the CAIVRS check will serve the purpose of revealing any Federal debts, including past VA-related debts.

**Electronic
Payment of
the Funding
Fee**

As of January 1, 1998, all lenders are required to pay the VA funding fee by electronic transfer. Instructions are found in Appendix B of the Lender's Handbook. VA will no longer accept funding fee payments by check. Lenders are required to enter the full **12-digit** VA loan number when transmitting the funding fee payment.

Continued on next page

**Reason for
Funding Fee
Procedural
Change**

Electronic payment of the funding fee eliminates problems of lost mail and manual data entry by VA personnel. It reduces costs for both lenders and VA.

**Insert
Revised
Handbook
Pages**

VA Pamphlet 26-7, VA Lender's Handbook, is changed as follows:
(Please note that brackets [] are used to indicate revised material.)

Remove	Insert
Existing page ii	Insert page ii
Existing pages 4-1 and 4-2	Insert pages 4-1 and 4-2
Existing pages 4-3 through 4-6	Insert pages 4-3 through 4-6
Existing pages 4-13 through 4-16	Insert pages 4-13 through 4-16
Existing pages 5-41 through 5-46	Insert pages 5-41 through 5-46a
Existing pages 6-7 through 6-12	Insert pages 6-7 through 6-11
Existing pages A-1 through A-6	Insert pages A-1 through A-5
	Insert pages B-i and B-ii
	Insert pages B-1 through B-19

By Direction of the Under Secretary for Benefits

Keith Pedigo
Director, Loan Guaranty Service

Distribution: Per VA Forms 3-7225 and 3-7225a

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CHAPTER 4. LOAN PROCEDURES

4.01 DOCUMENTS EXECUTED BY BRANCH MANAGERS AND OTHERS

Branch managers, employees, and agents, of the lender or holder may execute VA forms in the name of and on behalf of the principals.

4.02 STEPS IN LOAN PROCESSING

a. Determination of the veteran's entitlement and the reasonable value (appraisal) of the property may be initiated simultaneously or separately by the lender. Either or both processes may be started before other actions in connection with the loan. A veteran may at any time submit a request to VA for a determination of eligibility for loan guaranty benefits on VA Form 26-1880, Request for Determination of Eligibility and Available Loan Entitlement, together with his or her discharge or separation papers, to obtain a certificate of eligibility that shows the amount of entitlement available. Similarly, the veteran, lender, or seller may at any time request VA to appraise a property and issue a CRV, VA Form 26-1843, Certificate of Reasonable Value or MCRV, VA Form 26-1843a, Master Certificate of Reasonable Value. Because the amount of a VA loan, Energy Efficient Mortgages excepted, may not exceed the reasonable value of the property that will secure the VA loan, authorized lenders processing loans under the automatic procedure, and when authorized, Lender Appraisal Processing Program (LAPP) need to know the reasonable value of the property prior to making the loan. Consequently, a loan to be processed under the automatic procedure requires a CRV, MCRV, or LAPP NOV prior to closing and reporting the loan to VA for guaranty.

b. Use of Uniform Residential Loan Application and HUD/VA Addendum. The URLA (Uniform Residential Loan Application) and VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application, are required for all VA loans except interest rate reduction refinancing loans. The completed URLA and addendum are considered acceptable if signed and dated anytime from the date of initial application to the date of loan closing. For prior approval loans, the signed forms must be part of the submission to VA for commitment. (See par. 5.15 for guidance regarding debts which are not divulged on the application.) The URLA and addendum should bear the date they were actually signed but need not be signed on the same date since some items on the addendum usually cannot be certified at the initial interview. VA does not require that the URLA and addendum be typed provided they are properly completed and legible.

4.03 PRIOR-APPROVAL LOANS

a. Requirements. Lenders who are not supervised and have not been approved for automatic processing authority must submit loans to VA for prior approval before the loan is closed. The following loan types must be submitted for VA's prior approval, regardless of automatic authority: joint loans, supplemental loans, loans to veterans receiving VA nonservice-connected pension, loans to veterans rated incompetent by VA, and interest rate reduction refinancing loans in which the veteran is three or more payments in arrears.

b. Application Procedure. The following loan documentation, in sequence, must be submitted under the prior-approval procedure:

- (1) Lender's cover letter (if used);
- (2) VA Form 26-8320, Certificate of Eligibility (if unavailable, provide VA Form 26-1880, Request for Determination of Eligibility and Available Loan Guaranty Entitlement, with supporting evidence of service);
- (3) URLA (Uniform Residential Loan Application) with revised VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application;
- (4) Interest Rate and Discount Disclosure Statement;
- (5) VA Form 26-0592, Counseling Checklist for Military Homebuyers (if applicable);
- (6) VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet (if applicable);
- (7) VA Form 26-8937, Verification of VA Benefit-Related Indebtedness [(if applicable)];
- (8) VA Form 26-6393, Loan Analysis;
- (9) Original credit report on veteran-applicant and spouse or other joinder (if applicable), and any related documents (e.g., proof of debt payment, explanations, etc.);
- (10) VA Form 26-8497a, Request for Verification of Deposit, and other related documents (Alternative: Original or certified true copies of the last two bank statements.);
- (11) VA Form 26-8497, Request for Verification of Employment (or equivalent), and other verifications of income (e.g., pay stubs, tax returns, see par. 5.12);
- (12) Purchase/earnest money contract;

c. Closing Documents. After an application has been approved and the loan closed, the following documentation, in the prescribed order, must be submitted to report loan closing and request evidence of guaranty:

(1) Lender's cover or transmittal letter (if used);

(2) VA Form 26-0285, VA Transmittal List (fig. 4.01);

(3) VA Form 26-0286, VA Loan Summary Sheet (figs. 4.02 and 4.03);

(4) VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or if applicable, 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 (see par. 6.07 regarding exemptions);

(5) VA Form 26-8923, Interest Rate Reduction Refinance Worksheet (if applicable);

(6) VA Form 26-1820, Report and Certification of Loan Disbursement;

(7) Lender's quality certification per 38 CFR part 36 and 38 U.S.C. chapter 37 (see step 7 of the Lender Procedures in par. 5.11);

(8) HUD-1, Settlement Statement;

(9) Evidence of compliance with CRV/MCRV or LAPP/NOV requirements (e.g., final compliance inspection, termite certification, warranty, etc.);

(10) Any other necessary documents.

4.04 AUTOMATIC PROCEDURE

a. Requirements. Lenders who are supervised (par. 1.03) or have been approved as non-supervised lenders to process loans on the automatic basis (par. 1.05) may develop all exhibits, make a credit determination, approve and close a VA loan without first submitting it to VA for prior approval. (See pars. 1.03c and 1.05n.)

b. General Procedure. The following loan documentation must be submitted in sequence, for loans processed under the automatic procedure:

(1) Lender's cover or transmittal letter (if used);

(2) VA Form 26-0285, VA Transmittal List (fig. 4.01);

- (3) VA Form 26-0286, VA Loan Summary Sheet (figs. 4.02 and 4.03);
- (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, if applicable, VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage and VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage of Mortgagee, or evidence borrower is exempt (see par. 6.07 for information on exemptions);
- (6) VA Form 26-6393, Loan Analysis;
- (7) Loan Prospector Feedback Certificate, if applicable (for Loan Prospector cases, acceptable variations on the documentation required in items 17, 18, and 19 below, are explained in paragraph 5.18);
- (8) VA Form 26-1820, Report and Certification of Loan Disbursement;
- (9) Lender's quality certification per 38 CFR part 36 and 38 U.S.C. chapter 37 (see step 7 of the Lender Procedures in par. 5.11);
- (10) VA Form 26-8937, Verification of VA Benefit-Related Indebtedness [(if applicable)];
- (11) HUD-1, Settlement Statement;
- (12) Evidence of compliance with CRV/MCRV or LAPP/NOV requirements;
- (13) If loan is submitted more than 60 days after loan closing, lender's request for waiver and certification that 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) Uniform Residential Loan Application (URLA) with revised VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application;
- (17) All credit reports obtained in connection with the loan and any related documentation;

(18) VA Form 26-8497, Request for Verification of Employment (or equivalent), and other verifications of income (e.g., pay stubs, tax returns, see par. 5.12);

(19) VA Form 26-8497a, Request for Verification of Deposit, and other related documents (Alternative: Original or certified true copies of last two bank statements.);

(20) Purchase/earnest money contracts;

(21) VA Form 26-1843, Certificate of Reasonable Value; or

(22) VA Form 26-1843a, Master Certificate of Reasonable Value (MCRV), with applicable endorsements and/or change orders (VA Forms 26-6363 and/or 26-1844 or VA computer-generated form). Highlight to show lot and block identification, house type valuation and optional equipment applicable to veteran's purchase; or

(23) LAPP Notice of Value (NOV) and any special requirements or conditions applicable to the property.

(24) The original Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report (URAR) including all addendums, photographs and any document(s) revising or correcting the fee appraiser's original URAR. (**NOTE:** The URAR and attending information is **NOT** required when VA Form 26-1843a, MCRV, is submitted.)

(25) Any remaining pertinent documents;

c. (IRRRLs) Interest Rate Reduction Refinancing Loans. These loans may be closed on the automatic basis by any VA lender, provided the loan is not in default. A loan on which 3 or more payments are due may not be processed on the automatic basis. Such loans must be submitted to VA on the prior approval basis. The loan report for IRRRLs closed on the automatic basis require the following exhibits:

(1) Lender's cover or transmittal letter (if used);

(2) VA Form 26-0285, VA Transmittal List (fig. 4.01);

(3) VA Form 26-0286, VA Loan Summary Sheet (figs. 4.02 and 4.03);

(4) VA Form 26-8320 (or 26-8320a), Certificate of Eligibility, or a request for a duplicate certificate on VA Form 26-1880, Request For Determination Of Eligibility And Available Loan Guaranty Entitlement;

(5) VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or (if applicable) 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 (see par. 6.07 regarding exemptions);

(6) Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. (The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.);

(7) VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet;

(8) VA Form 26-1820, Report and Certification of Loan Disbursement;

(9) VA Form 26-8937, Verification of VA Benefit-Related Indebtedness [(if applicable)];

(10) HUD-1, Settlement Statement;

(11) VA Form 26-0503, Federal Collection Policy Notice;

(12) Documentation of the cost of energy efficient improvements included in the loan. Such improvements must have been completed no more than 90 days prior to the date of the loan.

(13) Any other pertinent documents.

d. Effect of Guaranty. For loans closed on the automatic basis, the guaranty becomes effective upon compliance with the law and applicable regulations and without issuance of evidence of guaranty. However, VA may at any time, with 30 days notice, require that loans made by any lender or class of lenders be submitted for prior approval. In these instances, no guaranty liability shall exist unless evidence of guaranty is issued by

(10) Refinancing of a VA loan under this program will not preclude restoration of the veteran's entitlement subject to existing requirements.

b. Processing Procedures

(1) Prior-Approval Application. Since no appraisal or credit underwriting is required, and the veteran's eligibility is established by the existence of a previously approved VA loan, no formal application is necessary. Lenders intending to make refinancing loans under this procedure need only submit a written proposal containing the following information:

(a) Full name of the veteran and all other parties obligated on the prior loan and to be obligated on the new loan;

(b) VA loan number and month and year of origination of the loan to be refinanced;

(c) Name and address of lender proposing to make the loan;

(d) Approximate proposed loan amount, interest rate, and term for new loan versus old loan;

(e) Discount to be charged, expressed as a percentage of the loan and a dollar amount;

(f) Statement signed by the veteran acknowledging his or her understanding of the effect of the refinancing loan on the loan payments and interest rate. (The statement must show interest rate and monthly payments for the old loan versus the new loan);

(g) Appropriate certification concerning occupancy signed by the veteran or the spouse of an active-duty service member as follows:

"I have previously occupied the property securing this loan as my home."

(veteran's signature)

or

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

(spouse's signature)

It is the lender's responsibility to assure the accuracy of the information furnished. The written loan proposal must be accompanied by VA Form 26-8937 [(if applicable)] and the veteran's certificate of eligibility or, if unavailable, a VA Form 26-1880 request for a duplicate certificate. (No evidence of military service need be submitted with VA Form 26-1880 and no other exhibits are required with the loan proposal.)

(2) Commitment. After determining that the (a) discount to be charged is reasonable, (b) refinancing loan will result in a reduction in the interest rate (except for an ARM), (c) loan amount and term do not exceed the maximums permitted by law, and (d) debt check indicates no outstanding indebtedness, VA will issue VA Form 26-1866 or 26-1866a for both home and manufactured home and/or lot loans. However, if the existing loan is in serious default, VA will determine the veteran's capability to make the loan payments to preclude approval of a refinancing loan that would be of no real benefit to the interests of either the veteran or the Government. A new loan number will be assigned to the proposed loan.

(3) Loan Report. VA Form 26-1820 will be used to report loan closings processed on a prior-approval basis. Evidence of payment of the VA funding fee must be submitted unless the veteran is exempt.

(4) Automatic Processing. These loans may be closed on the automatic basis by any VA lender, provided the loan is not in default. A loan on which 3 or more payments are due may not be processed on the automatic basis. Such loans must be submitted to VA on the prior approval basis. The loan report for IRRRLs closed on the automatic basis require the following exhibits:

(a) Lender's cover or transmittal letter (if used);

(b) VA Form 26-0285, VA Transmittal List (fig. 4.01);

(c) VA Form 26-0286, VA Loan Summary Sheet (figs. 4.02 and 4.03);

(d) VA Form 26-8320 (or 26-8320a), Certificate of Eligibility, or a request for a duplicate certificate on VA Form 26-1880, Request for Determination of Eligibility and Available Loan Guaranty Entitlement;

(e) VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or (if applicable) 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 (see par. 6.07 regarding exemptions);

(f) A statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. (The statement must show the interest rate and monthly payments for the new loan versus that for the old loan);

- (g) VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet;
- (h) VA Form 26-1820, Report and Certification of Loan Disbursement;
- (i) VA Form 26-8937, Verification of VA Benefit-Related Indebtedness [(if applicable)];
- (j) HUD-1, Settlement Statement;
- (k) VA Form 26-0503, Federal Collection Policy Notice;
- (l) Adjustable Rate Mortgage Disclosure Statement (ARMS only);
- (m) Any other pertinent documents.

(5) Loan Guaranty Certificate. VA Form 26-1899, Loan Guaranty Certificate, will be issued upon a determination that the loan was closed in accordance with the terms of the commitment (if prior-approval), the fees and charges paid by the veteran are proper and allowable, and the loan otherwise meets the requirements of the law and regulations.

c. Specific Instructions

(1) Loan Payments Not Reduced. Certain circumstances could result in a new mortgage payment equal to or greater than the original loan. The veteran's statement will signify his or her awareness that loan payments will not be reduced.

(2) Effect of Fixed Guaranty on Refinancing Loan Amount

(a) Increased Loan Amount. Since the refinancing loan amount will in some cases exceed the original amount of the VA loan to be refinanced, the dollar amount of guaranty is computed as follows:

1. For loans up to \$45,000, 50 percent of the loan or the amount of guaranty used on the VA loan being refinanced, whichever is less (25 percent minimum guaranty).

2. For loans of \$45,001 to \$56,250, \$22,500 or the amount of guaranty used on the VA loan being refinanced, whichever is less (25 percent minimum guaranty).

3. For loans of \$56,251 to \$144,000, 40 percent of the loan up to the amount of guaranty on the existing VA loan, whichever is less (25 percent minimum guaranty). The maximum guaranty on joint loans in this dollar range involving the use of two or more veterans' entitlement may not exceed \$36,000.

4. For loans above \$144,000, 25 percent of the loan.

A higher refinancing loan may have a lesser percentage of guaranty than the loan being refinanced. However, guaranty of an interest rate reduction refinancing loan will not be less than 25 percent despite the fact that the entitlement transferred from the prior loan may not be 25 percent of the refinancing loan. For instance, if an existing VA loan which was originally made for \$110,000 with a guaranty of \$27,500, or 25 percent, is refinanced with a loan of \$112,000, the guaranty on the new loan is \$28,000, or 25 percent.

(b) Reduced Loan Amount. A refinancing loan may be less than the old VA loan. In such cases, the application of the previous guaranty amount may result in an increase in the percentage of guaranty. However, in no event may the guaranty exceed 50 percent of the loan for home loans up to \$45,000, or \$22,500 for loans of \$45,001 to \$56,250, or 40 percent of the loan for loans above \$56,250 up to \$144,000, or 25 percent for loans above \$144,000. If the application of the existing guaranty amount would result in guaranty coverage in excess of these limits (50 percent, \$22,500, 40 percent, or 25 percent), the dollar amount of guaranty will be adjusted downward. Any reduction in the dollar amount of guaranty will not affect the amount of entitlement charged to the veteran. For example, if an original home loan of \$42,000 with \$25,000 guaranty coverage is refinanced with a \$40,000 loan, only \$20,000, or 50 percent of the new loan, is guaranteed, despite the fact that \$25,000 of the original loan was guaranteed. The difference in entitlement used on the two loans, \$5,000 in this case, cannot be excluded from use until the new loan is paid in full and the veteran has disposed of the property, or the home is purchased by a veteran who agrees to substitute his or her entitlement.

(3) Loan Obligation Requirements. The veteran must still own the property. The party(ies) obligated on the original loan must be the same on the new loan. The addition or deletion of a spouse of the original veteran obligor or substitution of entitlement by another veteran will not preclude guaranty of the new loan. This includes a different spouse, if there has been a termination of the marriage that existed at the time of the original loan. All other cases should be referred to VA Central Office (264) for a determination of eligibility and application of the guaranty.

(4) Closing Costs. Allowable closing costs for loans to refinance existing VA home loans will be the same as those permitted in connection with other VA refinancing loans.

5.15 Debts and Obligations, Continued

Applicant as Co-obligor on Another's Loan

The applicant may have a contingent liability based on co-signing a loan.

IF

- There is evidence that the loan payments are being made by someone else

AND

- There is no reason to believe that the applicant will have to participate in repayment of the loan

THEN

- The lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis.
-

Pending Sale of Real Estate

In some cases, the determination that the income and/or assets of a veteran are sufficient to qualify for the loan depends upon the consummation of the sale of presently owned real property. Sales proceeds may be necessary to:

- Clear the outstanding mortgage(s) against the property
- Pay off outstanding consumer obligations

AND/OR

- Make a downpayment or pay closing costs on the VA loan.

Alternatively, the veteran may intend to sell the property with the buyer assuming the outstanding mortgage obligation.

The lender may disregard the payments on the outstanding mortgage(s) and any consumer obligations which the veteran intends to clear if available information provides a reasonable basis for concluding the equity to be realized from the sale will be sufficient for this purpose.

- See paragraph 4.05g(6) for prior approval loans which depend upon the sale of property for the borrower to qualify.
-

Secondary Borrowing

If the applicant plans to obtain a second mortgage simultaneously with the VA-guaranteed loan:

- Include the second mortgage payment as a significant debt

From an underwriting standpoint, the veteran must **not** be placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA.

5.16 Required Search for and Treatment of Debts Owed to the Federal Government

The Search Requirement

There are **two** separate procedures the lender must follow. Both should be initiated **immediately** upon receipt of a loan application to avoid delays in closing the loan.

(1) [Ask the veteran and any veteran-coobligors (including spouse if a veteran) if he or she:

- Is receiving VA disability benefits;
- Would be entitled to receive VA disability benefits but for the receipt of retired pay;
- Has received VA disability benefits in the past;

OR

- 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, follow the procedures discussed under “Debt Related to VA Benefits” below.]

(2) For all applicants and co-obligors (veteran or nonveteran) on all VA loans [**including**] Interest Rate Reduction Refinancing Loans (IRRRLs), perform a CAIVRS inquiry.

- See the “CAIVRS Procedures “ heading.

Debt Related to VA Benefits

[Before processing a loan involving certain veterans (as described in item (1) above), the lender must submit VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, 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.

- The loan cannot be submitted for prior approval or approved under the automatic procedure until the lender obtains the completed form from VA.
- The lender must submit the completed form with the loan package.

Continued on next page

5.16 Required Search for and Treatment of Debts Owed to the Federal Government, Continued

Debt Related to VA Benefits (continued)

IF the form indicates that the applicant receives nonservice-connected pension or has been rated incompetent by VA, the loan **cannot** be closed automatically.

- Submit the loan for prior approval.

IF the form indicates that the applicant has any of the following:

- An outstanding indebtedness of overpaid education, compensation or pension benefits
- An education or direct home loan in default
- An outstanding indebtedness resulting from payment of a claim on a prior guaranteed home loan

OR

- A repayment plan for any of these debts that is not current,

THEN

One of the following must accompany the loan package:

- Evidence of payment in full of the debt

OR

- Evidence of a current repayment plan acceptable to VA AND evidence that a promissory note has been executed by the veteran for the entire balance of the debt.

NOTE: No promissory note is required in cases referred to the Department of Justice, General Accounting Office, or VA Regional Counsel for judicial enforcement. In these cases, VA will obtain information on the applicant's debt status from these parties and relay pertinent information to the lender.

VA may find a repayment plan acceptable if:

- The veteran has been satisfactorily making payments on a repayment plan in effect prior to the lender's inquiry

OR

Continued on next page

5.16 Required Search for and Treatment of Debts Owed to the Federal Government, Continued

Debt Related to VA Benefits (continued)

- The veteran's overall credit history and anticipated financial capacity after the proposed loan is made indicate a reasonable likelihood that the repayment plan will be honored AND the outstanding amount of indebtedness is not so large that it would prevent payment in full within a reasonable period (approximately one year)

OR

- The case involves unusually meritorious circumstances.
 - ◆ Example: Consideration would be given to a veteran with an outstanding credit history and adequate income whose debt balance is too large to be reasonably paid out in less than 18 months to 2 years.
 - ◆ VA will offer special consideration to a veteran's claim that he or she was not previously aware of an overpayment of benefits.
-

What is CAIVRS?

CAIVRS is a HUD-maintained computer information system which enables participating lenders to learn when an applicant has previously defaulted on a federally-assisted loan. The system's interactive voice response function provides instant credit information.

The database includes default information from the Department of Agriculture, the Small Business Administration, the Department of Education, HUD, and VA.

The VA default information included in the database relates to:

- Overpayments on education cases
 - Overpayments on disability benefits income
 - Claims paid due to home loan foreclosures
-

CAIVRS Procedures

VA assigns an 11-digit VA ID code to each new lender, then automatically forwards the ID code to HUD with a request to grant the lender CAIVRS access. The lender can begin accessing CAIVRS within several weeks of its VA ID Code assignment.

Continued on next page

5.16 Required Search for and Treatment of Debts Owed to the Federal Government, Continued

CAIVRS Procedures (continued)

Perform a CAIVRS screening on each applicant and any co-obligor **immediately** upon receipt of a loan application. [This includes Interest Rate Reduction Refinancing loan applicants.] Step-by-step instructions follow. (See also HUD Mortgagee Letter 92-31).

Step	Action
1	Call CAIVRS using a touch-tone telephone. Dial 301-344-4000 Monday through Saturday 8:00 a.m. to 8:00 p.m. eastern standard time.
2	You will hear, "Welcome to the HUD Voice Response System. To access the Credit Alert System, press 1. To access the Line of Credit Control System, press 2. If you have completed your call, press Zero. Thank you." <ul style="list-style-type: none"> • Enter 1.
3	You will hear, "You have reached the HUD Credit Alert System. Please enter your credit alert access code and then press #." <ul style="list-style-type: none"> • Enter the first 10 digits of your VA lender ID number, then the “#” sign. • CAIVRS will only allow one second attempt to enter an access code. The session is terminated if the second attempt fails.
4	If the lender is authorized to process more than one loan type, you will hear a menu. “If you are processing a HUD Title I loan, press 1, or if you are processing a FHA Single Family mortgage loan, press 2, or if you are processing a HUD 312 LPA, press 3, or if you are processing a Veterans Affairs loan, press 4, or if you are...(etc.)...then press #.” <ul style="list-style-type: none"> • Enter 4, then “#”.
5	You will hear, "Please now enter applicant's Social Security Number and then press * OR the tax identification number and then press #." <ul style="list-style-type: none"> • Enter the appropriate number and symbol.

Continued on next page

5.16 Required Search for and Treatment of Debts Owed to the Federal Government, Continued

CAIVRS Procedures (continued)

6	<p>You will hear, "You have entered Social Security Number -----(repeat of number entered) or tax identification number ----- . Please enter 'Y' if this is correct, or 'N' if not correct."</p> <ul style="list-style-type: none">• Enter "Y" if correct.• If incorrect, enter "N" and repeat step 5.
7	<p>If there is no match, you will hear, "There are no claims, foreclosures or defaults for this borrower."</p> <p>If there is a match, you will hear a message reciting:</p> <ul style="list-style-type: none">• The type of match (For example, "There is a foreclosure on this borrower.")• The case number (For example, "DVA default ----- ")• The point of contact referral message ("For information, please call area code --- --- ---- ") <p>Copy down all pertinent information provided.</p>
8	<p>You will hear, "Credit Alert Confirmation Code is ----- ."</p> <ul style="list-style-type: none">• Copy down the confirmation code for future identification of the particular inquiry.
9	<p>You will hear, "If you would like the access information repeated, press 1, or if you would like to enter another applicant for the same type of loan, press 2, or for a different type of loan press 3."</p> <ul style="list-style-type: none">• Enter 1 (To have the applicant's information repeated) <p>OR</p> <ul style="list-style-type: none">• Enter 2 (Then return to step 5) <p>OR</p> <ul style="list-style-type: none">• Enter 3 (Then return to step 4) <p>OR</p> <ul style="list-style-type: none">• Hang up (if you are finished).

Continued on next page

5.16 Required Search for and Treatment of Debts Owed to the Federal Government, Continued

CAIVRS Procedures (continued)

10	<p>If you remain on the line you will hear, "To return to the main menu press zero. If call completed, you may hang up now. Thank you for using the HUD Voice Response System."</p> <ul style="list-style-type: none"> • Enter O <p>OR</p> <ul style="list-style-type: none"> • Hang up.
11	<p>Enter the CAIVRS confirmation code on VA Form 26-6393, Loan Analysis, as evidence the screening was performed.</p> <ul style="list-style-type: none"> • Enter the code in the space to the right of the "NO" block in item 47. • [For IRRRLs, enter the CAIVRS confirmation code on VA Form 26-8923, IRRRL Worksheet, beside the word "Note" which is located near the bottom of the form.]

If the CAIVRS screening indicates an applicant (or co-obligor) is presently delinquent or has had a foreclosure or a claim paid on a loan made, guaranteed or insured by a Federal agency, take the following actions:

Step	Action
A	Suspend processing of the loan application.
B	<p>Contact the applicant or co-obligor for information regarding the loan default, foreclosure or claim.</p> <ul style="list-style-type: none"> • If a previous VA loan is involved, the applicant may call 1-800-827-0648 to make arrangements to repay the debt.

Continued on next page

6.05 COMPUTATION OF FUNDING FEE

a. In computing the funding fee, any amount included in the loan enabling the borrower to pay the fee will be disregarded.

b. For all except interest rate reduction refinancing loans, the origination fee and any permissible discount to be paid by the veteran is computed on the principal amount of the loan after the funding fee is added to the loan.

c. For interest rate reduction refinancing loans, the funding fee and the maximum loan amount is determined by completing VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet.

d. For GPMs, the maximum loan amount is computed following instructions in paragraph 5.07. The funding fee is the proper percentage (par. 6.09b or c) of the original principal amount of the loan. If the funding fee is to be included in the loan, the loan amount plus the funding fee is used to compute the monthly principal and interest installments.

e. In joint loans (par. 3.04), each veteran pays the fee based on his/her portion of the base loan amount. For example, two veterans making a \$100,000 purchase with a 10-percent downpayment will each pay a 1.25 percent funding fee on \$45,000 (\$90,000 divided by two). If one of the borrowers is an eligible Selected Reservist, he/she will pay the higher fee on his/her portion of the loan. If one of the borrowers is not an eligible veteran or is exempt from the fee, the fee will not be collected for the portion of the loan attributable to that borrower.

6.06 CALCULATION OF GUARANTY

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

6.07 EXEMPTIONS FROM FUNDING FEE

A veteran must establish any claim for exemption from the fee.

a. Verification Procedure Through VA. [A veteran's claim for exemption may be verified by submitting a properly completed VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, to the appropriate VA office.] When returned by VA, the form will be checked in the appropriate box and signed to verify the veteran's exempt status.

b. Other Acceptable Documentation. In lieu of VA verification, lenders may rely on any of the following as evidence of a veteran's exempt status:

(1) 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;

(2) For a veteran who elected service retirement pay in lieu of VA compensation, a copy of the original VA notification of disability rating and documentation of the veteran's service retirement income;

(3) Indications on the certificate of eligibility that the borrower is entitled as an unremarried surviving spouse.

6.08 REQUIREMENT FOR SUBMISSION TO VA

A copy of the documentation used by the lender to determine a veteran's exempt status must accompany the certification of loan disbursement whenever a funding fee is not remitted, except when the borrower is an eligible surviving spouse, or the documentation had been previously provided to VA with the loan application as verification of the veteran's income.

6.09 LATE DETERMINATIONS OF EXEMPTION

If the veteran's exempt status cannot be verified prior to closing a loan, the fee should be remitted by the lender within 15 days after loan closing. The closing package should indicate that the veteran claims an exemption from the fee. Verification of the veteran's status will be confirmed by VA and, if appropriate, the fee will be refunded to the lender to be applied to the outstanding loan balance if paid from the loan proceeds, or directly to the veteran, if paid in cash.

Similarly, a veteran with a pending disability compensation claim should be advised to contact the VA regional office to request a refund to be applied to the loan balance or sent directly to the veteran, as appropriate, if it is later determined that the veteran is entitled to compensation retroactively to a date prior to loan closing.

6.10 COLLECTION OF FUNDING FEES

a. [The funding fee **must** be sent to VA by wire transfer. Detailed procedures and information are found in Appendix B, Electronic Payment of the VA Funding Fee, in the back of this handbook.]

b. [The full 12-digit loan number is required for] transmittal of the funding fee. Lenders should call the local VA office if a loan number has not been assigned to the [following] types of cases: individual properties listed on an outstanding VA Form 26-1843a, Master Certificate of Reasonable Value, loans processed on the automatic basis; interest rate reduction loans for which an appraisal of the property is not required; and assumptions for which an appraisal is not required.

[c. The] lender must complete the data entry process according to the prompts made by the wire transfer system established by the depository. It is important that the appropriate data pertaining to the loan and the veteran be entered so that a receipt can be properly generated.

[d.] The Austin Finance Center performs the following actions:

(1) If the funding fee is adequate for the purchase price, downpayment, and loan amount, VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, is computer-generated and mailed to the lender. This form acknowledges receipt of the funding fee and instructs the lender to submit the form with its request for evidence of guaranty on the loan to the VA office of jurisdiction.

(2) If the funding fee is less than required [], VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage, is mailed to the lender with [instructions to submit the shortage]. Upon receipt of the shortage, VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage to Mortgagee, is generated. Lenders submit both VA Forms 26-0500 and 26-8999 when requesting guaranty. If the Austin Finance Center sends VA Form 26-0500 in error (no shortage exists), the form should be submitted with the request for guaranty advising that no shortage exists.

(3) If the payment is more than required, VA Form 26-8998 is issued. Lenders should submit this form with the request for guaranty so that the VA field station can refund the overage.

6.11 LATE FEES

a. Authority. Provisions of 38 CFR 36.4232, 36.4254 and 36.4312 authorize VA to assess a late fee on funding fees not received within 15 days after loan closing. If payment of the funding fee is not received within 30 days after loan closing, interest will be assessed at a rate specified by the Department of Treasury.

b. Notice of Late Fee. Austin Finance Center will notify the lender when a late fee or a late fee plus interest is due by one of the following forms: VA Form 26-0546, Assessment of Late Fee, or VA Form 26-0547, Assessment of Late Fee and Interest. Lenders are instructed to remit the late fee and interest, as appropriate, [by wire transfer]. Late fees are not to be precomputed by lenders and submitted as part of the funding fee payment. Lenders are not to pay late fees and/or interest until notice is received from VA.

[(1) Enter] in field 5 of the Supplemental Data portion of the transmission an "L" for payment of only a late fee, or an "I" for payment of a late fee and interest. If remitting a shortage, [] enter an "S" in field 5 of the Supplemental Data portion of the transmission.

[(2)] When the lender's late fee and interest, if any, are received by the Austin Finance Center, VA Form 26-0548, Receipt of Late Fee and Accrued Interest, is issued. This form, along with the VA Form 26-0546 or VA Form 26-0547 previously issued by Austin Finance Center, serves as evidence of payment and should accompany the request for guaranty submitted to VA. A loan guaranty certificate will not be issued until the lender remits the outstanding late fee with accrued interest as assessed by Austin Finance Center and submits proof of payment to VA. If the lender does not receive a receipt, the VA office of jurisdiction may verify payment of the funding fee and/or late charge.

c. When submitting a loan for guaranty, lenders must clearly identify loans on which a funding fee was not collected due to the borrower's exemption from the fee. If a request for guaranty is submitted without the appropriate forms acknowledging receipt of the funding fee, lenders will be immediately contacted by the VA field station. Guaranty will not be issued until the funding fee is paid. If the receipt form (VA Form 26-8998 and/or 26-8999) is lost, payment may be verified by the VA field station.

SECTION III. POSTPONED EXTERIOR IMPROVEMENTS - ESCROW

6.12 PURPOSE

Procedures in this section are used to enable the veteran-purchaser to gain occupancy of the dwelling prior to completion of exterior improvements which must be postponed, such as:

- a. Walkways, driveways, and retaining walls.
- b. Exterior painting.
- c. Landscaping.
- d. Garages.
- e. Street paving and offsite drainage, including curbs and gutters.
- f. Public sidewalks.
- g. Finish grading, provided subgrade has been established approximately parallel to proposed finished grades and will divert water away from buildings, prevent standing water and provide for disposal of water from the lot.

NOTE: See chapter 13, paragraph 13.03 for detailed information regarding offsite exterior improvements.

6.13 FORMS FOR POSTPONED ONSITE AND OFFSITE IMPROVEMENTS

a. VA Form 26-6378/HUD Form 92606, Escrow Agreement for Postponed Offsite Improvements, is used for acceptable postponed offsite improvements and VA Form 26-1849, Escrow Agreement for Postponed Exterior Onsite Improvements, will be used for onsite improvement escrows.

b. For postponed scheduled improvements in a tract development, VA Form 26-6378 is used to reflect the total amount escrowed for each offsite item listed on the form. This allows VA to determine the amount which may be approved as a partial release from escrow as each offsite item is completed. The basis of disbursement on the reverse of the form specifies that not more than 90 percent of the amount for any scheduled item of work may be approved as a partial release. Partial release of the offsite escrowed funds prior to completion of all items covered by the escrow is discretionary with VA regional offices. The following instructions are also applicable to onsite improvement escrows established for VA purposes.

(NOTE: The next page is 6-13)

APPENDIX AVA FORMS AND THEIR USES

Listed below are VA forms frequently used by lenders and other program participants in connection with the processing, closing, and guaranty of VA loans. Questions concerning the use of the forms, acceptable alternative forms, or the existence of VA forms for purposes not covered in this appendix may be directed to local VA offices.

VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage. This is generated by the lockbox depository to advise the lender of a shortage in the funding fee as computed from the loan information provided on VA 26-8986. The shortage amount should be remitted to the depository with the preprinted VA 26-8986 which will accompany the VA 26-0500 received by the lender. References: Pars. [4.03c(4); 4.04b(5) and c(5); 4.08b(4)(e)]; and 6.10e(2).

VA Form 26-0503, Federal Collection Policy Notice. To be signed by the veteran-borrower(s) as acknowledgment of the actions the Federal Government may take in the event a VA-guaranteed loan becomes delinquent or the borrower(s) default on the loan, this notice must be included in every VA loan submission. References: Par. [4.08b(4)(k)].

VA Form 26-0546, Assessment of Late Fee. The lockbox depository notice to the lender that its funding fee remittance was received beyond 15 days of the loan closing date, it will advise of the late fee due VA. References: Par. 6.11b and b(3).

VA Form 26-0547, Assessment of Late Fee and Interest. The lockbox depository notice to the lender that its funding fee remittance was not received within 30 days of loan closing, it will advise of the late fee and interest due VA. References: Par. 6.11b and b(3).

VA Form 26-0548, Receipt of Late Fee and Accrued Interest. The lender's receipt for payment of late fee and/or interest assessed on VA 26-0546 or VA 26-0547. The VA 26-0548 receipt and the assessment notice, VA 26-0546 or VA 26-0547, must both be included in the loan closing package submitted for VA guaranty. Reference: Par. 6.11b(3).

VA Form 26-0551, Debt Questionnaire. This questionnaire has to be completed and signed by the veteran-borrower(s) to provide information regarding prior VA loans and potential indebtedness to the United States government. It need not be included in any case for which a completed, signed VA Form 26-1802A application is in file.

VA Form 26-0592, Counseling Checklist for Military Homebuyers. To be signed by a borrower who is on active duty military service as an acknowledgment of counseling and by the lender to certify that the borrower has been counseled.

VA Form 26-1802a/HUD Form 92900-A, HUD/VA Addendum to Uniform Residential Loan Application. This form contains statutory and regulatory information and certifications which are required for VA loan applications. It must be completed and submitted as an addendum to the Uniform Residential Loan Application for all loans except for interest rate reduction refinancing loans.

VA Form 26-1805, VA Request for Determination of Reasonable Value/HUD Application for Property Appraisal and Commitment. Used to request VA Form 26-1843, Certificate of Reasonable Value, for an existing property or individual proposed construction. Check with your local VA office for proper disposition and routing as procedures may vary. References: Pars. 9.01; 9.02; 9.04; 9.06; 9.08; 14.11b; 16.15; 17.05b; 17.06; 17.12; and [21.15].

[]

VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility - Unmarried Surviving Spouses. The application form to be used by an applicant for VA eligibility as the unmarried surviving spouse of a deceased, eligible veteran. Reference: Par. 2.03.

VA Form 26-1820, Report and Certification of Loan Disbursement. Used to report all closed home loans, both automatic and prior approval, to VA and to request guaranty of the loans. References: Pars. [1.07b(1), c and e; 4.03c(6); 4.04b(8), e(1); 4.05b and c; 4.06; 4.07d; 4.08b(3) and (4)(h); 5.07c(5); 12.06e(2); 14.10b; and 17.07a].

VA Form 26-1839, Compliance Inspection Report. This form is completed by the VA compliance inspector to report the results of an inspection of a property, when required by VA Form 26-1843, Certificate of Reasonable Value. It may authorize establishment of an escrow for completion of postponed improvements or repairs, as well as authority to disburse escrowed funds. References: Pars. [6.14c;] 14.04d(3); 14.06a; 14.07; 14.08; 14.09b; 14.10b; 17.05c(1)(c); and 17.10e(3)[].

VA Form 26-1843, Certificate of Reasonable Value. This indicates the VA established reasonable value for the subject property, which also establishes the maximum loan amount. The validity period and any special conditions of the property valuation are set forth on this form as well. References: Pars. [] 4.02a; [4.03b(13);] 9.01a, b, e(1); 11.02c; 12.01a; 12.02; 12.04; 12.05; 12.06; 12.07; 12.08; 12.09; 12.10; 13.04b(1); 14.04a; 15.01a; 16.05d(2); 16.10a; 17.05a; [and 21.13].

VA Form 26-1843a, Master Certificate of Reasonable Value. This form is used to advise interested parties of the reasonable values established for projects involving the proposed construction of five or more similar properties. A highlighted copy of this form should accompany each loan submission in the subject development. References: Pars. [4.03b(14) and (16)]; 9.01a; 12.01a; 12.03a; 12.05; 12.06b and c; 14.04a; [] 15.01a; and 16.10a.

VA Form 26-1844/HUD Form 92577, Request for Acceptance of Changes in Approved Drawings and Specifications. This form will be used for requests by builders, sellers and others on the acceptance of changes in approved drawings and specifications. Reference: Pars. 14.08b(2); 14.09 and 17.05e.

VA Form 26-1847, Request for Postponement of Offsite or Exterior Onsite Improvements-Home Loan. Used to identify any postponed improvements relative to a property. It is also the veteran's agreement to have the funds for the postponed improvements escrowed or otherwise completed at a later date. References: Pars. [6.14; 6.15g, h and i; and 6.16b(5)].

VA Form 26-1849, Escrow Agreement for Postponed Exterior Onsite Improvements. This is the actual escrow agreement for exterior onsite improvements which describes the postponed work, funds escrowed, as well as the parties to the agreement (usually the builder, lender, and escrow agent). References: Pars. [6.13; 6.14; and 6.16b(3)].

VA Form 26-1859/HUD Form 92544, Warranty of Completion of Construction in Substantial Conformity with Approved Plans and Specifications. The warranty that improvements have been completed in substantial conformity with the plans and specifications which were reviewed and accepted by VA. References: Pars. [6.21b and d]; and 12.06d(1).

VA Form 26-1866, Certificate of Commitment. This is VA's commitment to the lender that it will guarantee a loan for which the lender submitted a prior-approval loan application to VA. References: Pars. 4.05(a); 4.08.

VA Form 26-1880, Request for Determination of Eligibility and Available Loan Guaranty Entitlement. This form is used by the veteran as an application for a Certificate of Eligibility and/or restoration of entitlement. When used as a request by an applicant who has never used his/her entitlement, the form should be accompanied by the proof of service as explained on the reverse of the form. References: Pars. 2.03; 2.08b; 4.02; [4.04c(4); 4.08b(1)(g) and (4)(d)].

VA Form 26-1899, Loan Guaranty Certificate. This form is the evidence of guaranty which VA furnishes a lender for most home loans and manufactured home loans. References: Pars. 4.08b(5); and 7.01.

[]

VA Form 26-6363, Endorsement to Certificate of Reasonable Value. This form is used for endorsements/changes to VA Form 26-1843, Certificate of Reasonable Value. It may be used to change the value, validity period, conditions, or correct the identification of the property.

VA Form 26-6378/HUD 92606, Escrow Agreement for Postponed Offsite Improvements. This serves the same escrow function as the VA Form 26-1849, except it is used for offsite improvements. References: Pars. [6.13; 6.14; 6.15g; 6.16b(3)].

VA Form 26-6393, Loan Analysis. Used by the underwriter to analyze the applicant's income and expenses, including the shelter expense for the proposed home loan. The loan decision, with supporting or explanatory remarks, is indicated on this form. References: Pars. [1.05c(2); 4.03b(8); 4.04b(6); 5.11; 5.18; 5.19; and 5.20].

VA Form 26-6681, Application for Fee Personnel Designation. This form is used by fee appraisers and compliance inspectors to apply for designation to the VA fee panel. This form will also be used by lenders when requesting approval of the staff appraisal reviewer for delegation of LAPP authority. []

VA Form 26-8261, Certificate of Veterans Status (Accountable). This form is issued as evidence of an individual's veteran status to qualify for better loan terms on FHA insured loans. Reference: Par 2.08.

VA Form 26-8261a/FHA Form 2950, Request for Certificate of Veteran Status. This form is used to apply for a certificate of veteran status for FHA loan purposes. Reference: Par 2.08b.

VA Form 26-8320, Certificate of Eligibility for Loan Guaranty Benefits. This form is issued as evidence that the named individual is eligible for a VA home loan. The amount of available loan entitlement is shown on the form. References: Pars. [4.03b(2); 4.04b(4), and c(4)].

VA Form 26-8375/HUD Form 92052, Termite Soil Treatment Guarantee. Executed by the builder and pest control applicator as evidence that the soil has been treated for subterranean termites. It warrants against termite infestation for a 5 year period. Reference: Pars. 12.06e(1) and (2).

VA Form 26-8497, Request for Verification of Employment. Used to verify the employment and income of loan applicants who are not self-employed, it may also serve to verify previous employment. References: Pars. [4.03b(11); 4.04b(18); and 5.15].

VA Form 26-8497a, Request for Verification of Deposit. Used to verify funds on deposit with an applicant's bank, credit union, savings & loan, or other financial institution, it is also used to verify loans or other credit extended to the subject. References: Pars. [4.03b(10); and 4.04b(19)].

VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis - Non supervised Lenders. The non supervised lender's application or VA automatic authority. Reference: Par. [1.05m(1)].

VA Form 26-8736a, Non supervised Lender's Nomination and Recommendation of Credit Underwriter. A nonsupervised lender uses this form to nominate a credit underwriter for VA approval. Reference: Par [1.05m(2)].

VA Form 26-8812, VA Equal Opportunity Lender Certification. This is the lending institution's certification to VA that it adheres to the letter and spirit of equal opportunity in housing. Reference: Par. [1.08a(4)].

[]

VA Form 26-8923, Interest Rate Reduction Refinancing Worksheet. The purpose of this form is to compute the VA funding fee, loan origination fee, loan discount, and maximum loan amount for an interest rate reduction refinancing loan. References: Pars. [4.03b(6) and c(5); 4.04c(7); and 4.08b(4)(g)].

VA Form 26-8937, Verification of VA Benefit-Related Indebtedness. This dual purpose form is submitted to the local VA office to verify the existence of VA benefit-related indebtedness that a veteran-borrower may owe to the Department of Veterans Affairs. If an indebtedness is disclosed on the form, the veteran must make acceptable arrangements with VA for repayment of the debt before the loan may be closed and guaranteed. It also serves to verify a veteran's exemption from the VA funding fee due to a service-connected disability. References: Pars. 4.03b(7); 4.04b(10) and c(9); and 4.08b(4)(i)].

[]

VA Form 26-8998, Acknowledgment of Receipt of Funding Fee From Mortgagee. The receipt a lender receives as evidence of payment of the VA funding fee, it must be submitted with the certification of loan disbursement when the lender requests VA guaranty. References: Pars. 4.03c(4); [4.04b(5) and c(5); 4.08b(4)(e); 6.10e(2) and (3) and 6.11c].

VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage from Mortgagee. The receipt a lender receives upon payment of a shortage amount as disclosed on VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage, it replaces VA Form 26-8998 as the submission form to accompany the closed loan package to VA. References: Pars. 4.03c(4); [4.04b(5) and c(5); 4.08b(4)(e); 6.10e(2) and 6.11c].

Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report. This industry accepted form is required to be used by VA fee appraisers in the completion of appraisals for all property types, with the exception of used manufactured homes, in the VA Loan Guaranty Program. References: Pars. [4.09; 10.02a; 21.08c(1); 21.13t and 21.19b(1)].

HUD-1, Settlement Statement. Required by RESPA for most real estate settlements, this form discloses the parties to the transaction and lists the costs, fees, charges, and disbursements incident to the settlement of the loan. References: Pars. [4.03c(8); 4.04b(11); 4.04c(10); 4.06; and 4.08b(4)(j)].

APPENDIX B

**ELECTRONIC
PAYMENT OF
THE VA
FUNDING
FEE**

Internet site: www.va.gov/vas/loan/vaach.htm

Electronic Payment of the VA Funding Fee

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Electronic Payment of the VA Funding Fee

How and When to Remit the Funding Fee to VA

Lenders must remit the funding fee to VA electronically within **15 calendar days** of loan closing. This can be accomplished using a computer with a modem, or just a telephone (see 3 methods below), once the lender is set up with a personal identification number (PIN).

Payments transmitted prior to 9:30 p.m. Eastern Standard Time are transferred from the lender's bank account to VA at the opening of business the next banking day. Therefore, the lender must ensure it has sufficient funds in its account to cover funding fee transactions **at the time** it transmits them. VA does **not** require that the bank account be used only to pay VA funding fees. Multi-purpose bank accounts are acceptable.

Receipts evidencing payment of the funding fee are sent to the lender **by mail**.

3 methods

VA uses Mellon Bank's Automated Clearing House (ACH) services to process funding fee payments. There are 3 methods for paying the funding fee through ACH:

1. Terminal entry method

- This is the most commonly used method
- Requires a computer with a modem

2. CPU/CPU method

- Requires a mainframe computer to computer transmission (used mostly by lenders with many transmissions).

3. Operator assisted telephone method

- Requires only the use of a telephone - dialing toll-free number (800) 944-1400.

Cost

VA and Mellon Bank do **not** charge the lender for getting a PIN number or paying the VA funding fee. However, your bank may charge a transaction fee.

Electronic Payment of the VA Funding Fee

VA Lender ID Number

A lender must have an 11-digit VA lender ID number and a PIN number in order to pay the VA funding fee through ACH. If you do not have a VA lender ID number, contact the VA office with jurisdiction over your home office.

The VA lender ID number is used to identify the lender for **all** transactions involving VA-guaranteed loans. The ID number is linked to the mailing address provided by the lender to VA.

Lender option to get separate lender ID numbers for branch offices.

Funding fee receipts are mailed to the address associated with the **lender ID number** used to transmit the funding fee. Therefore:

- The lender may choose to have all receipts sent to its home office by using its home office ID number for all funding fee transmissions

OR

- The lender may choose to have funding fee receipts sent to branch offices by obtaining separate lender ID numbers for those offices and using those ID numbers for funding fee transmissions.
 - ◆ To request an ID number for a branch office, contact the VA office with jurisdiction over the branch office location.

How to Obtain a PIN Number

Complete a copy of the APPLICATION on page B-18 and fax or mail it to VA, or provide VA with equivalent information. (The fax number and address are indicated on the application.)

- **Delays result** when banking information is incorrect. Please have the bank verify the transit routing number and account number **before** submitting the information to VA.
- The lender should receive a 4 to 6-digit PIN number from Mellon Bank by mail.
 - ◆ If no PIN number is received within 2 weeks after the lender submits its information to VA, call the VA Funding Fee Coordinator; (202) 273-7375.
- The lender may begin transmitting funding fees **immediately**, once it receives a PIN number.

Continued on next page

Electronic Payment of the VA Funding Fee

How to Obtain a PIN Number (continued)

For branch offices that will be transmitting funding fees

If the lender wants all branch offices to use the home office ID number, submit only **one application** with the home office ID number.

- All funding fee receipts will be sent to the home office.
- All branches will use the home office PIN number.

If the lender wants each branch office to use its individual ID number, submit a **separate application** for each branch office.

- Funding fee receipts will be sent to the branch office as long as it uses its individual ID number for the funding fee transmission.
- Only one PIN number will be assigned to the lender for use by its home office **and** all branch offices

UNLESS

- The lender attaches a request for separate PIN numbers for each branch office.
-

Lost PIN Number

A lender who cannot find its PIN number should contact Mellon Bank at (412) 234-2314 or (412) 234-2315. For security reasons, **VA never knows a lender's PIN number.**

Description of Terminal Entry Method and Equipment Needed

Most lenders find the terminal entry method easiest. A lender uses a personal computer (PC) with a modem to pay the funding fee. An employee of the lender key-enters data on each loan for which a funding fee is owed and transmits this information to Mellon Bank. Mellon Bank, acting on behalf of VA, transfers the appropriate funds from the lender's account to VA for payment of the funding fee.

Equipment Needed

- A terminal and/or IBM compatible PC
 - Hayes compatible modem
 - Communication software package. VA cannot recommend specific brands or products. However, most retailers can and will recommend brands that will work with most personal computers. The Mellon Telecash Hotline can provide set-up assistance if Crosstalk, Smartcom or Procom is used.
 - ◆ The Mellon Hotline number is (800) 468-5047 (outside PA) or (800) 982-9277 (inside PA) or (412) 234-6816 (Pittsburgh area).
-

Continued on next page

Electronic Payment of the VA Funding Fee

Description of Terminal Entry Method and Equipment Needed (continued)

Most personal computers can be set up to perform as a terminal. Although some models come equipped for use as a “dumb” terminal, most require at least some of the following additional equipment:

- **Communication Hardware**
 - ◆ The primary piece of equipment is a modem, a device that converts the electronic signals used in the computer to frequencies that can travel over telephone lines, or vice versa. The most commonly used cable is the RS-232, which plugs into the PC through an Asynchronous Communications adapter.
 - ◆ The Asynchronous Communications adapter is a component that sometimes comes with the PC, or may be purchased separately. It acts as the go-between from the modem to the microprocessing boards. Normally this adapter snaps onto the back of the PC in one of the expansion slots.

- **Communication Software**
 - ◆ To access the Telecash System, the PC and modem must be set to conform to certain requirements of the Mellon System. In order to accomplish this, communications software must be installed. Such software is available from a wide variety of manufacturers at a relatively low price.

- **Settings**
 - ◆ All software packages require establishment of parameters. The software package that you are working with will determine the system parameters. Your technical personnel should work with the Mellon Telecash Hotline to obtain assistance. The Mellon Telecash Hotline may be reached at (800) 468-5047 (outside PA) or (800) 982-9277 (inside PA) or (412) 234-6816 (Pittsburgh area).

Use of the ECHO system

The basic communication program available through ECHO can be used to transmit VA funding fees. **HOWEVER**, unlike HUD/FHA, VA does **not** participate in the ECHO program which provides electronic receipts.

- VA mails all funding fee receipts.

Contact your ECHO representative directly for further information.

Electronic Payment of the VA Funding Fee

**Data Entry
Procedures for
Terminal Entry
Method**

Obtain a local access number for Sprint or Compuserve by contacting the Telecash Hotline at (800) 468-5047 (outside PA), (800) 982-9277 (inside PA), or (412) 234-6816 (Pittsburgh area). The lender does **not** need to be a Sprint or Compuserve subscriber to use these numbers. Record the local access number here: _____ . Dial that number to begin. Logon is different depending upon whether access is through Sprint or Compuserve.

To logon through Sprint:

Screen	Lender Action
CONNECT 9600/ARQ/V32/LAPM <i>(Note: 9600 is the baud rate. If using a different speed modem, the appropriate baud rate will appear in the sequence above instead of 9600)</i>	While holding down the 'shift' key, press the '2' key. Then press 'enter' or 'return'
TELENET 412 3901.22 TERMINAL=	Press 'enter' or 'return'
@	Enter 'c 41249' Then press 'enter' or 'return'
412 49 CONNECTED	Press 'enter' or 'return'
Proceed to instructions for both Sprint and Compuserve.	

To logon through Compuserve:

Screen	Lender Action
CONNECT 9600/ARQ/V32/LAPM <i>(Note: 9600 is the baud rate. If using a different speed modem, the appropriate baud rate will appear in the sequence above instead of 9600)</i>	Press 'enter' or 'return'
0035PJG Host Name:	Enter 'MELLON' Then press 'enter' or 'return'
Connected to 0041 MB	Press 'enter' or 'return'
Proceed to instructions for both Sprint and Compuserve.	

Continued on next page

Electronic Payment of the VA Funding Fee

Data Entry Procedures for Terminal Entry Method (continued)

To continue logon and data entry for **both Sprint and Compuserve**, use the following instructions.

The instructions show each prompt provided by the Telecash system, and what to enter in response. **Never enter commas or decimals.** When entering a dollar amount, include the 2 digits indicating cents.

- **Example:** \$1,500.00 should be entered as 150000

Enter "STOP" at any time to end the session or enter additional transactions.

<u>Telecash Screen Display</u>	<u>Lender Entry</u> (Enter exactly as shown, unless labeled " <i>Example.</i> " Hit return key after finishing each screen.)	<u>Help Column</u>
***ENTER LOGON	logon k03434	
ENTER PASSWORD	veterans	For <u>failed logon</u> attempts: <ul style="list-style-type: none"> • Verify proper settings and connections on all equipment • Repeat logon process, ensuring correct data is input • If logon still fails, call the Mellon Telecash Hotline at: <ul style="list-style-type: none"> ◆ (800) 468-5047 (outside PA) ◆ (800) 982-9277 (inside PA) ◆ (412) 234-6816 (Pittsburgh)
WELCOME TO TELECASH ENTER MODULE OPTION OR 'HELP' FOR MODULE LIST	MPS	
ENTER 'HELP' FOR REQUEST LIST	2	

Continued on next page

Electronic Payment of the VA Funding Fee

Data Entry Procedures for Terminal Entry Method (continued)

<u>Telecash Screen</u> <u>Display</u>	<u>Lender Entry</u> (Enter exactly as shown, unless labeled " <i>Example.</i> " Hit return key after finishing each screen.)	<u>Help Column</u>
ENTER COMPANY NUMBER 'XXXXX'	131	See previous page for instructions on <u>failed logon</u> attempts.
ENTER PIN; LOCATION NUMBER ENTER 'STOP' TO END	<i>Example:</i> 9999;9999999999	Enter the lender's 4 to 6-digit PIN number, a semi-colon, and the lender's 11-digit ID number
ENTER LOCATION NUMBER; AMOUNT: ENTER STOP TO END	<i>Example using a \$1,500.00 payment:</i> 99999999999;150000	Enter the lender's 11-digit ID number, a semi-colon, and the amount of funding fee being paid. <ul style="list-style-type: none"> • Use the following format: #####;\$\$\$\$<i>cc</i> • No commas or decimal points
ENTER SUPPLEMENTAL AMOUNT "9999" OR SUPPLEMENTAL DATA 'XXXXX' FOR OTHER DATA TYPES		See next page for data entry procedures.

Continued on next page

Electronic Payment of the VA Funding Fee

Data Entry Procedures for Terminal Entry Method (continued)

<p align="center"><u>Telecash Screen</u> <u>Display</u></p>	<p align="center"><u>Lender Entry</u> (Enter exactly as shown, unless labeled "<i>Example.</i>" Hit return key after finishing each screen.)</p>	<p align="center"><u>Help Column</u></p>
<p>FIELD 1: VA LOAN NUMBER</p> <p>FIELD 2: OJ CODE</p> <p>FIELD 3: CLOSING DATE</p> <p>FIELD 4: LOAN AMOUNT</p> <p>FIELD 5: S-SHORT, L-LATE, I-INTEREST</p>	<p align="center"><i>Example:</i> 353568888888</p> <p align="center"><i>Example:</i> 35</p> <p align="center"><i>February 2, 1998 Example:</i> 020298</p> <p align="center"><i>Example using a \$120,000.00 loan:</i> 12000000</p> <p align="center"><i>Example:</i> L</p>	<p>Enter the 12-digit VA loan identification number (LIN). The first two digits should be the same as the second two digits.</p> <ul style="list-style-type: none"> • If the LIN has only 10 digits, repeat the first two digits at the <u>beginning</u> of the number. • If the LIN has less than 10 digits, check the loan documents for the complete LIN assigned by VA. <p>Enter the first 2-digits of the 12-digit VA LIN.</p> <p>Enter date loan was closed using a 6 digit format: MMDDYY</p> <p>Enter the total loan amount, including the funding fee if financed in the loan.</p> <p>Leave blank for a regular funding fee payment. Use S for a shortage payment, L for late fee, and I for interest <u>or</u> for late fee plus interest.</p> <ul style="list-style-type: none"> • If funding fee is being paid late, just pay the regular funding fee. Pay late fees only after notification from VA. • If lender needs to pay both a late fee and shortage, this must be done as 2 separate transactions.

Continued on next page

Electronic Payment of the VA Funding Fee

Data Entry Procedures for Terminal Entry Method (continued)

<p align="center"><u>Telecash Screen</u> <u>Display</u></p>	<p align="center"><u>Lender Entry</u> (Enter exactly as shown, unless labeled "<i>Example.</i>" Hit return key after finishing each screen.)</p>	<p align="center"><u>Help Column</u></p>
<p>FIELD 6: VETERAN NAME</p> <p>FIELD 7: LOAN TYPE (O A I M C)</p> <p>FIELD 8: SALE AMOUNT:</p> <p>FIELD 9: DOWNPAYMENT:</p> <p>FIELD 10: RESERVIST</p>	<p align="center"><i>Example:</i> Doe John Q</p> <p align="center"><i>Example:</i> O</p> <p align="center"><i>Example using a \$120,000.00 sales price:</i> 1200000</p> <p align="center"><i>Example using a \$5,000.00 down payment:</i> 50000</p> <p align="center"><i>Example:</i> N</p>	<p>Enter last name, then first name, and middle initial if used. Do not insert comma.</p> <p>Enter the type of loan.</p> <ul style="list-style-type: none"> • O=Origination (purchase or construction loan which is not a refinancing loan) • A=Assumption • I=Interest Rate Reduction Refinancing Loan (known as IRRRL, rollover or streamline) • M=Manufactured home loan • C=Cash-out refinancing loan <p>Enter purchase price or, if a refinancing loan, leave blank.</p> <p>Enter the amount of any down payment. Leave blank for no down payment loans.</p> <p>Enter "Y" if the veteran is eligible for VA loans as a reservist and "N" if regular military.</p>

Continued on next page

Electronic Payment of the VA Funding Fee

Data Entry Procedures for Terminal Entry Method (continued)

<u>Telecash Screen Display</u>	<u>Lender Entry</u> (Enter exactly as shown, unless labeled "Example." Hit return key after finishing each screen.)	<u>Help Column</u>
FIELD 11: SUBSEQUENT USE	<i>Example:</i> N	<ul style="list-style-type: none"> • Enter "Y" if the veteran has previously used VA entitlement to get a VA loan <u>EXCEPT</u> if the current loan is an IRRRL (streamline/rollover), an assumption, or a manufactured home loan, enter 'N'. • In <u>all</u> other cases, enter 'N'.
ENTER 'RELEASE'; 'CORRECT' OR 'LIST TO PRINT'	<i>Example:</i> RELEASE	<p>Enter LIST TO PRINT:</p> <ul style="list-style-type: none"> • To display and print the data that has just been entered. <p>Enter CORRECT:</p> <ul style="list-style-type: none"> • To make corrections to the data. <p>Enter RELEASE:</p> <ul style="list-style-type: none"> • To complete the transaction if all data entries are correct. • This will initiate payment of the funding fee and generate a 4-digit verification code, along with the date and amount paid. The lender should retain this information for its records. <u>HOWEVER</u>, this <u>cannot</u> serve as proof of payment/receipt.
ENTER NEXT COMPANY NUMBER, REQUEST NUMBER, MODULE OPTION, 'HELP' FOR REQUEST LIST, 'END', or 'XX' TO RETURN TO MAIN LIST	<i>Example:</i> 131	<p>Enter 131 to make another funding fee payment.</p> <p>Enter END to end the session.</p>

Electronic Payment of the VA Funding Fee

CPU to CPU Method

Funding fees may be transmitted by a CPU/CPU data transmission. The lender’s computer transmits the data directly to Mellon Bank’s computer.

To use this method, a lender must write a computer program to download data from the lender’s database, using a specified format. The lender must transmit the data using an IBM Standard 2780/3780 bisynchronous protocol. Mellon Bank utilizes standardized record formats and will supply the lender with the necessary specifications.

Any of the following pairs of transmission line speeds and modems will work:

Baud Rate	Modem
2400 BAUD	Bell 201c
4800 BAUD	Bell 208B
9600 BAUD	V.32

For more information on CPU/CPU transmission, check the designated box on the application on page B-18 or submit a request to VA. Mellon Bank will send the procedures, recommendations, contacts and necessary input/record layouts.

Operator Assisted Telephone Method

Lenders who do not have or wish to use a computer, may pay the funding fee by calling Mellon’s Operator Unit via a toll-free number, 24 hours a day, 7 days a week. The Mellon operator will enter the information into the ACH system for the lender. All phone calls are recorded and kept on file for 45 days.

When giving information to the operator, **omit all punctuation and decimals**. For numbers, **read each digit**.

- Example: \$10,369.10 would be reported as “One, zero, three, six, nine, one, zero”.

See pages B-7 through B-10 of the “Data Entry Procedures for Terminal Entry Method” for details on how to present the requested data.

The following are procedures for using the operator-assisted telephone method.

Continued on next page

Electronic Payment of the VA Funding Fee

Operator Assisted Telephone Method (continued)

Procedures for Use of the Operator-Assisted Telephone Method

Step	Action
1	Call the Mellon Operator at (800) 944-1400 .
2	Tell the Operator that your Company Number is 131 and you have a supplemental deposit to report.
3	<p>Give the Operator the following information (see pages B-7 through B-10 for further details):</p> <ul style="list-style-type: none"> • Lender ID Number is (11 digit lender ID number) • Dollar amount of funding fee is (state each digit, omit commas and decimal points) • PIN Number is (4 to 6-digit number) • Field One is (12-digit VA Loan Number) • Field Two is (OJ number, which is first 2 digits of the loan number) • Field Three is (Closing Date: MMDDYY) • Field Four is (Loan Amount) • Field Five is (“S” if shortage; “L” if late fee; “T” if late fee plus interest. In all other cases, “blank.”) • Field Six is (Veteran’s last name, then first name) • Field Seven is (Loan Type: “O” if origination; “A” if assumption; “T” if Interest Rate Reduction Refinancing Loan; “M” if manufactured home loan, “C” if cash-out refinancing loan) • Field Eight is (Sales amount) • Field Nine is (Down payment amount) • Field Ten is (“Y” if Reservist; “N” if regular military) • Field Eleven is (“Y” if 2nd or subsequent use of the veteran’s entitlement. Always “N” if Interest Rate Reduction Refinancing or manufactured home loan or assumption. “N” in all other cases.)
4	<p>The Mellon Operator will repeat back the above information. Either:</p> <ul style="list-style-type: none"> • State “Yes” to agree <p>OR</p> <ul style="list-style-type: none"> • Provide corrected information. <ul style="list-style-type: none"> ◆ The operator will re-verify the corrected information.

5	Once you verify that the information is correct, the Mellon Operator will acknowledge that the amount and PIN Number have been accepted and will assign a 4-digit Verification Number. <ul style="list-style-type: none">• Keep a record of the Verification Number.
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Continued on next page

Electronic Payment of the VA Funding Fee

Operator Assisted Telephone Method (continued)

Step	Action
6	To report another transaction, return to Step 2. If finished, end the conversation.

What to do if Incorrect Data Was Transmitted

These procedures apply if an error is discovered after data has been transmitted by **any** of the three methods.

If the error is discovered the **same day** as it was transmitted, contact Mellon Bank at (800) 944-1400 before 5:00 p.m. Eastern Standard Time. Provide the lender ID number used, the dollar value of the transaction, and the verification code. Mellon will cancel the transaction if possible. The lender may then retransmit the transaction, using corrected data.

If the error is discovered **after** the day of transmission, the transaction **cannot** be canceled or corrected. The receipt will reflect the incorrect data. (If the error resulted in an underpayment of the funding fee, transmit the shortage amount to VA as soon as the lender becomes aware of the shortage.)

- Wait for the receipt (or, if a shortage or late fee or interest is involved, wait for **all** related receipts) before submitting the closed loan package to VA for guaranty. Include **all** receipt(s) and an explanation of the error.
 - As long as the **total amount paid**, as reflected on the receipts, matches the **actual amount due** (correctly calculated funding fee amount plus any late charge and/or interest due), evidence of guaranty will not be withheld based on other incorrect data on the receipts.
 - If the lender overpaid, request a refund of the overpayment (see below).
-

Refunds of Overpayments or Double Payments

All requests for refunds must be submitted to the VA office to which 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. Include **all** applicable funding fee receipts. (If the funding fee was inadvertently paid more than one time, include the funding fee receipt for each time.)

Electronic Payment of the VA Funding Fee

Funding Fee Receipts

Receipts evidencing any payments made are sent to the lender **by mail**. The lender should receive a receipt approximately **6 to 10 days** after transmitting a payment.

If the funding fee is adequate for the purchase price, down payment, and loan amount, VA sends VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, to the lender.

If the funding fee is less than required, VA sends VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage, to the lender. After payment of the shortage, VA sends VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage, to the lender.

If a late charge and/or interest is due, VA sends VA Form 26-0546, Assessment of Late Fee, or VA Form 26-0547, Assessment of Late Fee and Interest, to the lender. After payment of the late charge and/or interest, VA sends VA Form 26-0548, Receipt of Late Fee and Accrued Interest, to the lender.

Include **ALL** receipts related to a particular loan when submitting the closed loan package to VA for guaranty.

Lost or Missing Receipts

A receipt that is not received by the lender within 14 days of a transmission is presumed lost. **There is no way to get a duplicate.**

Alternative proof of payment must be included with the loan package submitted for guaranty. Either of the following will fulfill this requirement:

- Confirmation of the payment from the VA office of jurisdiction based on checking records in VA's database.
 - ◆ Ask the VA office to annotate the file or send you a copy of the report screen evidencing the payment

OR

- A copy of the lender's bank statement showing a debit to VA in the amount of the payment **plus** a copy of the loan data that the lender transmitted

NOTE: A copy of the loan data transmitted with the verification code assigned at the time of transmittal is **not**, by itself, sufficient proof of payment.

Continued on next page

Electronic Payment of the VA Funding Fee

Lost or Missing Receipts (continued)

If the lender has a **general, recurring problem** with missing receipts, determine:

- Whether the funds are actually being withdrawn from the lender's bank account
- Whether the person transmitting the payments is using the proper lender ID number for the home or branch office that is missing its receipts
- Whether the lender ID number is tied to the correct address of the home or branch office that is missing its receipts (confirm this by contacting the VA office with jurisdiction over that particular office of the lender)
- Whether the lender's internal mail routing system is delivering the receipts to the proper party

If the problem still cannot be resolved, discuss the problem with the VA Funding Fee Coordinator at (202) 273-7375.

Late Fees and Interest

A **4 percent late charge** is due on payments made **more than 15 calendar days after the closing date**. In addition, an **interest** penalty begins to accrue on payments overdue by **30 days or more**. Lenders that remit late funding fee payments will receive a bill from VA for any late charge or interest due.

DO NOT CALCULATE THE LATE FEE AND/OR INTEREST DUE. VA will do all calculations on late payments.

Even if you are aware that a funding fee payment is being made late, remit **only** the amount of the funding fee, **without** any late charge or interest. Wait to receive VA Form 26-0546, Assessment of Late Fee, or VA Form 26-0547, Assessment of Late Fee and Interest, before remitting the additional funds.

- Include the assessment form and VA Form 26-0548, Receipt of Late Fee and Accrued Interest, with the closed loan package sent to VA.

Data entry errors or other factors may cause errors in the billing of the late charge and/or interest on a loan. Contact the VA Funding Fee Coordinator at (202) 273-7375 if the proper late charge and/or interest must be calculated or other assistance is needed.

Electronic Payment of the VA Funding Fee

How to Change Bank Account and Other Information

Submit a CHANGE/SPECIAL REQUEST (page B-19), or equivalent information, to VA if there is or will be a change to the bank's transit routing number and/or the lender's bank account number.

- The change is normally processed within 10 days of VA's receipt of the request.
- After at least 6 business days from the date the request was submitted to VA, the lender may call Customer Service at Mellon Bank at (412) 234-2314 or (412) 234-2315 to inquire about the effective date of the change.
- VA does not require that the bank account be used only to pay VA funding fees. Multi-purpose bank accounts are acceptable.

You may also use the CHANGE/SPECIAL REQUEST (page B-19) to report a change to the lender's company name or a change to the lender's VA ID number.

For address changes, contact the VA office of jurisdiction.

How to Change the Lender's PIN Number and/or ID Number Set-up

A lender that needs changes to the existing PIN number/lender ID number configuration of its home and branch offices should submit a CHANGE/SPECIAL REQUEST (page B-19), or equivalent information, if no new PIN is needed.

- Thoroughly explain the configuration desired.
 - ◆ Example: Previously, branch offices A and B each used their own ID numbers and PIN numbers. The lender now wants branch offices A and B to use the PIN of the home office, but still use their individual lender ID numbers so that receipts will go directly to the branch offices. The lender must explain this arrangement and provide all ID numbers involved in the change.
- See the "VA Lender ID Number" and "How to Obtain a PIN Number" sections for possible configurations.

NOTE: Any time a lender wants a new configuration that involves having a new PIN issued, provide an APPLICATION (page B-18) or equivalent information.

Electronic Payment of the VA Funding Fee

Funding Fee
Tables

PURCHASE AND CONSTRUCTION LOANS

Type of Veteran	Down Payment	Percentage for First Time Use	Percentage for Subsequent Use
Regular Military	None	2.00%	3.00% *
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/ National Guard	None	2.75%	3.00% *
	5% or more (up to 10%)	2.25%	2.25%
	10% or more	2.00%	2.00%

CASH-OUT REFINANCING LOANS

Type of Veteran	Percentage for First Time Use	Percentage for Subsequent Use
Regular Military	2.00%	3.00% *
Reserves/National Guard	2.75%	3.00% *

OTHER TYPES OF LOANS

Type of Loan	Percentage for Either Type of Veteran Whether First Time or Subsequent Use
Interest Rate Reduction Refinancing Loans	.50%
Manufactured Home Loans	1.00%
Loan Assumptions	.50%

*The higher subsequent use fee does not apply to these types of loans if the veteran's **only** prior use of entitlement was for a manufactured home loan.

See chapter 6, section II, of this handbook for further information on calculating the funding fee.

SECURITY PIN DATA: Is the lender to have its own unique PIN number? Yes___ No___
 If no, is the lender to be associated with an existing lender on the system? Yes___ No___

Unit number of existing lender:

--	--	--	--	--	--	--	--	--	--	--

CHANGE/SPECIAL REQUEST FORM

U.S. Department of Veterans Affairs (VA) Funding Fee Program

We recommend that you keep a copy of this blank page for future use. Provide all requested information. Type or print clearly. Check the box at the end of the line for any item that is being changed. You may want to keep a copy of the information you provide for your records. Fax or mail the information to VA.

FAX: (202) 275-3523
ATTN: (264)

MAIL: Department of Veterans Affairs, Loan Guaranty Service (264)
810 Vermont Avenue N.W., Washington D.C. 20420

CHANGE

Company Name: _____

Address: _____

Contact Person/Telephone Number: _____

VA Lender ID Number

--	--	--	--	--	--	--	--	--	--	--

Enter your 11-digit lender ID number in the empty boxes. Use this ID number to remit funding fee payments.

Bank's 9-digit Transit Routing Number

--	--	--	--	--	--	--	--	--

Provide complete, accurate information on the account that funds will be withdrawn from.

Above: transit routing (ABA) # for the bank. Below: lender's bank account #.

Bank Account Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Authorized by: _____

Signature and Title of Authorizing Official

Date

Please verify bank information before signing!

Briefly explain nature of change(s) or action(s) requested, if not obvious from above information:

VA USE ONLY -DO NOT COMPLETE ANYTHING BELOW THIS LINE

CHANGE: _____ DELETE: _____ EFFECTIVE DATE: _____
OUTPUT TYPE: AD COMPANY NUMBER 131