

April 28, 1998

VA Pamphlet 26-7
Change 37

Veterans Benefits Administration
Department of Veterans Affairs
Washington, D.C. 20420

VA Pamphlet 26-7
Change 37
April 28, 1998

**Overview of
Changes to
the Lender's
Handbook**

VA has revised VA Pamphlet 26-7, VA Lender's Handbook, as follows:

- A paragraph has been added to the General Information section describing new, mandatory limited documentation procedures for loan submissions (explanation on next page).
- Chapter 1 has been reformatted into a more user-friendly style.
- More detail has been added to chapter 1 to clarify lender requirements and documentation.
- New information has been added to chapter 1 on lender ID (identification) numbers, lender training and access to information, and the lender's responsibility when merger or other restructuring occurs.
- Chapter 1 was also revised to reflect new regulations which provide:
 - New requirements for nonsupervised lenders to qualify for automatic authority
 - Loans can be underwritten out of any of the lender's offices (i.e., there is no longer any need to identify and obtain approval of "regional underwriting offices")
 - New requirements for nonsupervised automatic lenders that wish to close loans involving affiliates
 - A new requirement that loan records be retained for 2 years.
- Chapter 4 has been revised to require that for loans reported more than 60 days after closing, the lender must submit a statement signed by one of its corporate officers which identifies the loan and provides the specific reason(s) why the loan was not submitted on time.
- Information on processing ARMs (Adjustable Rate Mortgages) has been removed from chapter 5 because VA no longer has the authority to guarantee ARMs.

Continued on next page

Overview of Changes to the Lender's Handbook (continued)

- The language describing documentation required for self-employment income in chapter 5 has been modified. No profit and loss statement is required for the prior fiscal year if an income tax return is provided.
- Minor revisions have been made to language and references in chapters 4, 18, 19, 20, and 21, and Appendix A.

Effective Date

These changes are effective immediately.

Change in Documentation Procedures

Storage of files at Regional Loan Centers has become a critical problem. This problem prompted VA to reconsider the current procedure whereby all origination documents are forwarded to VA. The result was that a short list of documents that are viewed as necessary in getting the loan guaranteed and into VA's systems was identified. The other documents, while important, are not needed to establish the loan and issue the Loan Guaranty Certificate.

By requiring fewer documents to be submitted for guaranty, this will alleviate the files storage problem **and** take some burden off lenders. Lenders will now only be required to submit the complete origination package for loans selected by VA for full review or post audits.

This **mandatory** test procedure is being viewed as an interim step toward the goal of achieving a paperless environment. An Electronic Data Interchange (EDI) initiative which will further reduce the number of paper documents to be sent to VA to get a loan guaranteed is currently being developed.

Lender Responsibility with Reduced Documentation

The VA Loan Summary Sheet (VA Form 26-0286) is the primary document used by VA personnel to extract the data that goes into VA's systems. The data on VA Form 26-0286 also affects the information printed on the Loan Guaranty Certificate. Since VA will now have fewer backup documents to verify questionable entries, **it is essential that lenders ensure the form is fully and accurately completed.**

Continued on next page

**Related LAPP
Issue and
Appraisal
Documentation
Change**

Lenders **must** continue to send a LAPP Notice of Value, Uniform Residential Appraisal Report (URAR), set of original photographs, and other appraisal addenda to the VA office that assigned the fee appraiser. This is required by the law that authorized LAPP and is critical for VA monitoring purposes. Because the URAR and other appraisal documentation is no longer required in the loan submission for guaranty, the number of appraisal packages VA fee appraisers must provide is reduced to 2 (each with a set of original photographs).

**New
Requirements
to Qualify for
Automatic
Authority**

Significant changes to the requirements for nonsupervised lenders to qualify for automatic authority include:

- The **experience requirement** for the lender is changed from a minimum of 3 recent years VA loan origination experience to **either 2 recent years** with a minimum of **ten VA loans** originated and closed, **OR, less than 2 years** with a minimum of **25 VA loans** originated and closed.
- The experience requirement for **underwriters** is changed from a minimum of 3 years experience reviewing credit and making mortgage underwriting decisions (with at least **2** recent years **VA** experience) to a minimum of 3 years experience in processing, pre-underwriting or underwriting mortgage loans (with at least **1** recent year **VA** experience).
 - Underwriters must attend a one-day VA training course
- Previously, the lender had to maintain a minimum of \$50,000 in working capital. Now, the lender must maintain a minimum of **EITHER** \$50,000 in **working capital OR** \$250,000 in adjusted **net worth**.
- Previously, the lender had to provide the source and amount of **lines of credit** totaling at least \$1 million. Now the lender must provide a **letter(s)** from the providers verifying **unrestricted** lines of credit totaling \$1 million.

Continued on next page

New Requirements to Qualify for Automatic Authority (continued)

- To obtain approval to close loans automatically which involve an **affiliate**, the lender and affiliate must submit **corporate resolutions** indicating that their relationship does not influence the lender's underwriting of the affiliate's loans and **letters** from permanent investors providing the delinquency ratio on lender/affiliate VA loans.

Insert Revised Handbook Pages

VA Pamphlet 26-7, VA Lender's Handbook, is changed as follows:

Remove	Insert
Existing page G-i	Page G-i
Existing page G-13	Pages G-13 through G-16 attached
Existing page 1-i	Pages 1-i through 1-iv attached
Existing pages 1-1 through 1-19	Pages 1-1 through 1-49 attached
Existing pages 4-2a through 4-6a	Pages 4-2a through 4-6a attached
Existing pages 4-15 and 4-16	Pages 4-15 and 4-16 attached
Existing pages 5-11 and 5-12	Page 5-11 attached
Existing pages 5-25 and 5-26	Pages 5-25 and 5-26 attached
Existing pages 18-1 and 18-2	Pages 18-1 and 18-2 attached
Existing pages 19-3 and 19-4	Pages 19-3 and 19-4 attached
Existing pages 20-3 and 20-4	Pages 20-3 and 20-4 attached
Existing pages 21-3 and 21-4	Pages 21-3 and 21-4 attached
Existing pages 21-17 and 21-20	Pages 21-17 and 21-20 attached
Existing pages A-1 through A-5	Pages A-1 through A-5 attached

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

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1.7 Automated Underwriting - Loan Prospector

a. VA has approved use of an automated underwriting system, "**Loan Prospector**," which Freddie Mac has developed for use in conjunction with VA guaranteed loans. Its use is limited to VA automatic lenders closing loans eligible for automatic processing. Loans evaluated by **Loan Prospector** are given a risk classification of **Accept** or **Refer**, each of which provides the lender a recommended level of underwriting and documentation. Chapters 4 and 5 provide detailed instructions concerning the documentation and underwriting requirements specific to **Loan Prospector** loans.

b. It must be clearly understood that **Loan Prospector** does not approve or disapprove any loan application. **Loan Prospector** evaluates the risk associated with each application, but it remains the lender's decision to approve the loan or not. In addition to the instructions contained herein, lenders who use **Loan Prospector** will have a **Loan Prospector** Second Generation User Guide dated August 1997 with specific information concerning the use of **Loan Prospector** in connection with VA loans. Except for underwriting and documentation differences specified in the Lenders Handbook for applications evaluated by **Loan Prospector**, lenders will continue to be responsible for ensuring that all VA requirements are met for all loans.

c. Although VA has approved the use of **Loan Prospector** in connection with VA loans, Freddie Mac is the vendor and the terms and conditions of its use by lenders are to be negotiated directly with Freddie Mac. Questions regarding access to the **Loan Prospector** service and its availability for use on VA guaranteed loans should be directed to Freddie Mac by calling 1-800-FREDDIE.

1.8 Use of Automatic Authority

Due to reduced staffing in many VA offices, it has become extremely difficult to provide timely service in connection with processing prior approval loan applications. Consequently, it is essential that lenders with automatic authority use that authority in every possible instance. Except for cases specifically precluded from automatic processing, such as joint loans, the only cases submitted to VA for prior approval should be those in which your underwriter firmly believes approval can be justified, in spite of the fact that the specific facts of the case appear to preclude approval. In such instances, the underwriter will be expected to include a detailed explanation of why the loan should be approved by VA along with a thorough justification for not approving the loan on the automatic basis. It will not be sufficient to justify submitting the loan to VA solely to comply with the veteran's or the real estate agent's request to do so.

[1.9 Modified Guaranty Submission Procedure

a. Effective immediately, lenders must submit copies (except Certificate of Eligibility, which must be the original) of only the items listed below (in the order listed) to VA when requesting guaranty for **all loans except Interest Rate Reduction Refinancing Loans (IRRRLs)**. **There are no changes to IRRRL procedures for requesting guaranty.**

- (1) VA Form 26-0286, Loan Summary Sheet
- (2) Certificate of Eligibility (VA Form 26-8320 or VA Form 26-8320a), if not previously submitted in connection with a prior approval loan application
- (3) Evidence of payment of funding fee (VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, **or** VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage **and** VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage to Mortgagee, **or** evidence borrower is exempt)
- (4) Certificate of Reasonable Value (VA Form 26-1843), **or** copy of Master Certificate of Reasonable Value with front page and options pages highlighted to pertain to the specific property, **or** Lender's Notice of Value under LAPP, as applicable
- (5) VA Form 26-1820, Report and Certification of Loan Disbursement
- (6) HUD 1, Settlement Statement
- (7) Name and mailing address to be used in requesting file for full review or post audit
- (8) If available, e-mail address, which may be used to request file in lieu of letter

b. VA field stations will identify cases selected for full review or other audit purposes at least weekly within 30 days of receipt by VA. Lenders will then be notified of selected cases by letter (similar to exhibit G-5) or e-mail, if the lender has that capability. **Lenders must forward the complete origination package to the requesting VA office within 15 days of receiving notification from VA.**

c. The following illustrates how the procedure will work:

- (1) Lender processes loan and obtains all documentation needed per the VA Lender's Handbook (see chapter 4);
- (2) Lender submits only the items noted in **paragraph a** above when requesting guaranty;
- (3) Lender will be notified by letter, or electronic mail, from VA identifying which cases must be submitted to VA for full review/audit purposes;
- (4) Lender submits copy of origination package to VA.

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

e. It is absolutely imperative that lenders:

(1) Complete VA Form 26-0286, Loan Summary Sheet, accurately. This is critical to the success of this test program. VA appreciates and supports the concept of streamlining procedures when possible. However, we cannot do so if the integrity of the data collected suffers. If periodic evaluations of the test procedure reveal serious problems with inaccurate or incomplete VA Forms 26-0286, it will be necessary to bar those lenders who continually furnish inaccurate data from further participation in the modified procedure.

(2) In LAPP cases, send a Uniform Residential Appraisal Report (URAR), with an original set of pictures and other information as required by paragraph 21.13t and lender's Notice of Value to the VA office that assigned the appraiser.

April 28, 1998

January 1, 2000

ABC Mortgage
1234 Easy Street
Lenderville, VA 22192

Dear Lender:

The following cases have been selected for full review/audit.

VA LIN#	Lender Case #	Name	Date of Loan
88-88-6-0123456	012387	Credit, Charlie	12/15/99

Please submit copies of all origination documents as listed in Chapter 4 of the VA Lender's Handbook, obtained in connection with the above loan(s) **within 15 days of the date of this letter.**

The documents should be mailed to the address above to the attention of the Loan Production Officer or Chief, Loan Processing.

Important: Please place a copy of this letter on top of the package you submit to us. This will help our office to quickly and properly route the file.

Sincerely yours,

Exhibit G-5. Sample Notification Letter to Lender for Audit Selection Cases]

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1.01 Definitions and Authorities

Lender **Any** person or entity (private sector or government) that originates, holds, services, funds, buys, sells or otherwise transfers a loan guaranteed by VA

Supervised Lender A lender that is subject to **mandatory periodic examination and supervision** by an agency of the United States or of any state or territory, including the District of Columbia

- **VA determines** whether the level of examination and supervision to which a lender is subject satisfies the requirement.

Examples of supervised lenders include:

- Federal savings banks
- National banks
- Farm Credit System institutions
- State banks
- Insurance companies
- Credit unions
- Private banks

A State acting as a lender is also considered supervised.

Nonsupervised Lender Any lender that is **not** a supervised lender.

Nonsupervised Automatic Lender A nonsupervised lender who, after applying to VA for authority to close loans on an automatic basis, has been formally **granted such authority by VA.**

Agent **A person or entity** that performs **any** portion of the work involved in originating and closing a VA-guaranteed loan **on behalf of**, or in the name of, a sponsoring lender.

Continued on next page

1.01 Definitions and Authorities, Continued

Sponsoring Lender

A lender that uses an **agent** to perform **any** portion of the work involved in originating and closing a VA-guaranteed loan is the “sponsoring lender” for that agent.

Prior Approval

Submission of a loan to **VA** for **underwriting and approval** prior to closing the loan.

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

- **Joint** loans
- Loans to veterans in receipt of **VA nonservice-connected pension**
- Loans to veterans rated **incompetent** by VA
- **Interest Rate Reduction Refinancing Loans** (IRRRLs) made to refinance VA loans 3 or more payments in arrears
- **Manufactured home** loans (**EXCEPT** when the manufactured home is permanently affixed to the lot and considered real estate under State law) **unless** the lender has been separately approved for this purpose
- **Cooperative** loans
- **Unsecured** loans or loans secured by less than a first lien
- **Supplemental** loans

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

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

Lenders without automatic authority must submit **all** loans to VA for prior approval **except** IRRRLs made to refinance VA loans that are current (or less than 3 payments in arrears).

Continued on next page

1.01 Definitions and Authorities, Continued

Automatic Authority (Authority to Close Loans on an Automatic Basis)

Automatic authority is authority for a lender to close VA-guaranteed loans **without** the **prior approval** of VA. The following lenders have automatic authority:

- **All supervised** lenders
- Certain **nonsupervised** lenders who apply for and are **granted automatic authority by VA**
- **Any lender** (even a lender who does not otherwise have automatic authority) **for the limited purpose of closing an IRRRL**, as long as the loan being refinanced is current (or less than 3 payments in arrears)

Lenders with automatic authority should use it to the **maximum** extent possible.

Supervised Versus Nonsupervised Automatic Lenders

A nonsupervised lender that wishes to close loans on an automatic basis must not only obtain VA authorization for automatic authority; it must also obtain VA approval of other elements of its automatic lending operations (e.g., underwriter approval). This difference between supervised and nonsupervised lenders is outlined below.

Authority	Supervised Lender	Nonsupervised Automatic Lender
To close loans on the automatic basis	No VA approval needed, once VA establishes that the lender is supervised.	Must submit application and be authorized by VA to close loans on an automatic basis.
To use certain underwriters	No VA approval needed. Any of the lender's underwriters may underwrite loans processed on the automatic basis.	Must submit application and obtain VA approval for each person to underwrite VA loans processed on the automatic basis.

Continued on next page

1.01 Definitions and Authorities, Continued

Supervised Versus Nonsupervised Automatic Lenders (continued)

Authority	Supervised Lender	Nonsupervised Automatic Lender
To close loans in particular States	No VA approval needed. Lender may close loans in any state if supervised by a Federal entity, or, in the state where supervised , if supervised by a State.	Must submit request and obtain VA approval to use its automatic authority in each state where it wishes to close loans.
To use agents to process VA loans	Must submit request and obtain VA recognition of each agent with which lender has an ongoing relationship.	Must submit request and obtain VA recognition of each agent with which lender has an ongoing relationship.

EXCEPTION: IRRRLs, except those intended to refinance VA loans 3 or more payments in arrears, can be closed automatically by **any lender in any state** without specific approval of automatic authority, underwriters or the state the loan is made in.

- Use of agents to process IRRRLs is subject to the same requirements as agent processing of other types of loans (see paragraph 1.08).

1.02 Before a Lender Starts Making VA Loans

Send Information to VA

This paragraph applies to ALL lenders (supervised, nonsupervised automatic, and nonsupervised prior approval).

For **first-time VA lenders**, or lenders who have not made VA loans for several years, send the following information to the VA office with jurisdiction over the lender's home office:

- **Specimen signatures** of all officers, underwriters, or other personnel authorized to sign documents related to VA-guaranteed

Continued on next page

1.02 Before a Lender Starts Making VA Loans, Continued

Send Information to VA (continued)

loan activities

- VA Form 26-8812, **VA Equal Opportunity Lender Certification**
- A letter identifying:
 - The lender's corporate **address**
 - The lender's **owners**
 - Any lending personnel or officers that VA or HUD ever **debarred** or took other adverse action against
- A list of all the lender's **branch offices** that are involved in VA mortgage lending

In addition, VA may at its discretion:

- Order a credit report on a lender
 - Interview principal officers
-

What Happens Next?

The VA office of jurisdiction will provide information to the lender, including:

- A copy of VA Pamphlet 26-7, **VA's Lender's Handbook**, Revised
- VA Poster 26-77-2, **Equal Opportunity Lender**
- **Training** on VA loan processing
- A **VA ID number** to use for all VA lending transactions and documents as an identifier of the lender

The VA office of jurisdiction will place the lender on appropriate mailing lists to receive future VA publications.

The VA office of jurisdiction will serve as the lender's primary contact point with VA. Please direct all technical questions, requests for training, or requests for VA publications and materials to that office.

As soon as a lender becomes familiar with the laws, regulations, and procedures pertaining to VA-guaranteed loans, it may begin making VA loans.

Continued on next page

1.02 Before a Lender Starts Making VA Loans, Continued

What Happens Next? (continued)

A **nonsupervised** lender must submit all loans except certain IRRRLs to VA for **prior approval** unless the lender applies for and **receives specific authority from VA** to close loans on the automatic basis.

A lender **supervised** by one of the Federal entities described in paragraph 1.04 can begin closing loans on the **automatic** basis immediately.

A lender that must submit a request to VA for recognition as **supervised** (see paragraph 1.04 of this chapter), must submit all loans except certain IRRRLs to VA for **prior approval** until it receives recognition as supervised.

1.03 Before a Lender Starts Making VA Loans in a New State

Send Information to VA

These instructions apply to ANY lender (supervised, nonsupervised automatic, or nonsupervised prior approval) that has already submitted the information required under paragraph 1.02 to the VA office with jurisdiction over its home office, and wishes to expand its VA loan origination activities to a new state(s).

Send the following information to the VA office(s) with jurisdiction over the additional state(s) the lender wishes to make loans in. The lender may omit any items which have previously been furnished to the particular VA office:

- **Specimen signatures** of all officers, underwriters, or other personnel authorized to sign documents related to VA-guaranteed

Continued on next page

1.03 Before a Lender Starts Making VA Loans in a New State, Continued

Send Information to VA (continued)

- loan activities in the new state(s)
- VA Form 26-8812, **VA Equal Opportunity Lender Certification**
- A letter identifying:
 - The lender's **VA ID number**
 - Location of the **home office**, and any **branch offices** within the new state(s) that are involved in VA mortgage lending
- For nonsupervised lenders with automatic authority, a copy of the **VA letter approving extension** of automatic authority into the new state(s)
- This item is **not** required for a lender who will just be making IRRRLs in the new state.

Nonsupervised automatic lenders must always request an extension of their automatic authority into the new state in accordance with the instructions in paragraph 1.07 if they wish to process loans automatically (other than IRRRLs).

1.04 Which Lenders are Considered Supervised?

Supervision by Certain Federal Entities

- VA considers any lender subject to **mandatory periodic examination and supervision** by any of the following Federal entities to be supervised.
- The Board of Governors of the Federal Reserve System
 - The Federal Deposit Insurance Corporation
 - The Comptroller of the Currency
 - The Office of Thrift Supervision
 - The National Credit Union Administration
 - The Farm Credit Administration
-

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1.04 Which Lenders are Considered Supervised?, Continued

Supervision by Certain Federal Entities (continued)

No request for VA recognition as supervised is needed for lenders supervised by these Federal entities.

- Indicate which of the above Federal entities supervises the lender in the letter of introduction submitted to VA (see par. 1.02).
 - If VA needs clarification of the lender's status, VA will request appropriate documentation from the lender.
-

Supervision by the State of Illinois or New Jersey

VA recognizes supervision by the State of Illinois or New Jersey as conveying supervised status to a lender operating within the State.

- The lender's supervised status does **not** extend to any lending activities it conducts **outside the state** of supervision.

If the lender is supervised by either of these states, the lender **must submit** a copy of the appropriate **state license** along with the information required under paragraph 1.02 to the VA office with jurisdiction over the lender's home office.

- For **Illinois** lenders, the license must be issued by the Office of the Commissioner of Savings and Residential Finance.
 - For **New Jersey** lenders, a State of New Jersey Mortgage Bankers License is required.
-

Circumstances under which VA Recognition as Supervised is Needed

These instructions apply to a lender that wishes to be recognized as a supervised lender by VA but is **not directly supervised** by one of the Federal entities listed in this paragraph or the State of Illinois or New Jersey. The lender must request that VA specifically recognize it as supervised. The lender should fit one of the following circumstances:

- The lender is a wholly-owned **subsidiary or affiliate** of a VA-recognized supervised lender

OR

- The lender is examined and supervised by a State agency or a Federal agency **not** listed in this paragraph.
-

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1.04 Which Lenders are Considered Supervised?, Continued

Circumstances under which VA Recognition as Supervised is Needed (continued)

Submit the following to the VA office with jurisdiction over the lender's home office:

- Description of the **nature and extent of the examinations** performed by a Federal or State agency
- Letter or **statement from** the Federal or State **supervising agency** that the specific applicant is subject to **mandatory periodic examination and supervision** by the agency
 - A general statement of statutory or regulatory requirements for examination of supervised lenders and their affiliates is **not** sufficient
 - A lender's voluntary submission to examination is **not** sufficient
 - A lender's receipt of a license from a state is **not** necessarily sufficient
- If the relationship between a wholly-owned **subsidiary or affiliate** of a VA-recognized supervised lender and that supervised lender is to be the basis for recognition as supervised, documentation of the structure, capitalization, and ownership of the subsidiary or affiliate and its legal/financial relationship to the supervised lender

VA will inform the lender of its decision by letter.

If a Lender is Supervised

A supervised lender has the authority to close VA-guaranteed loans on an **automatic** basis (without the prior approval of VA)

- **Except** for certain types of loans that must be submitted to VA for prior approval by all lenders
 - These loan types are listed in paragraph 1.01 under "Prior Approval."

The supervised lender must obtain **VA recognition of agents** it uses to make VA loans (see par. 1.08).

Continued on next page

1.04 Which Lenders are Considered Supervised?, Continued

If a Lender is Supervised (continued)

If the lender uses **ongoing agency relationships** (“ongoing” generally means use of an agent more than 4 times per year), it must submit the following to the VA office with jurisdiction over its home office **by January 31** of each year:

- A **list of the VA-recognized agency relationships** it wishes to renew
- The **annual renewal fee** (see par. 1.11) for each lender agent that acts for the lender on an ongoing basis and had been recognized by VA as the lender’s agent as of September 30 (120 days before payment is due)

AND

- Any other information requested by VA.

Although VA offices may issue an annual reminder notice to lenders that the above information is due, lenders bear the ultimate responsibility for timely submission of the information and appropriate fees.

1.05 How a Nonsupervised Lender Applies for Automatic Authority

Procedures and Criteria for Qualification

Submit a completed VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis-Nonsupervised Lenders, to the VA office with jurisdiction over the lender’s home office, along with:

- The documentation specified in the tables that follow
- The appropriate fee(s) (see par. 1.11 for fee information)

AND

- The information specified in paragraph 1.02, if not already submitted, or any updates to that information (including a current list of branch offices involved in VA mortgage lending)

The tables in this paragraph describe the criteria that must be met to qualify for automatic authority, and the documentation the lender must submit with its application to meet each criterion.

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

Procedures and Criteria for Qualification (continued)

Criteria	Required Documentation
<p><i>LENDER EXPERIENCE</i></p> <p>EITHER: The lender must have at least 2 years active VA origination experience and have originated and closed at least 10 VA loans (properly documented and submitted) within the past 2 years</p> <p>OR The lender (with less than 2 years active VA origination experience) must have originated and closed at least 25 VA loans (properly documented and submitted)</p> <p>OR Each principal officer (president or vice president) who is actively involved in managing origination functions must have at least 2 recent years management experience in the origination of VA loans</p> <p>OR The lender, acting as an agent for an automatic lender(s), must have originated at least 10 VA loans over the past 2 years - or - 25 VA loans (if less than 2 years).</p>	<p>(NOTE: For purposes of determining whether the experience criteria are met, IRRRLs do not count as VA loans originated, since no underwriting is involved.)</p> <p>For all lenders:</p> <ul style="list-style-type: none"> • Completed VA Form 26-8736 • VA ID number <p>AND</p> <ul style="list-style-type: none"> • Resume for each principal officer (president plus any officers involved in managing loan origination functions) showing mortgage lending experience <p><u>Additional documentation for lenders qualifying based on experience as agent:</u></p> <ul style="list-style-type: none"> • Copy of the VA letter(s) recognizing the lender as an agent for the sponsoring lender(s) • Copy of the corporate resolution sent to VA by the sponsoring lender describing the functions the agent was to perform <p>AND</p> <ul style="list-style-type: none"> • A letter from a senior officer of the sponsoring lender(s) indicating <ul style="list-style-type: none"> • The number of VA loans submitted by the agent each year <p><u>AND</u></p> <ul style="list-style-type: none"> • That the loans have been documented and submitted in compliance with VA requirements and procedures

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

Procedures and Criteria for Qualification (continued)

Criteria	Required Documentation
<p>QUALIFIED UNDERWRITER(S)</p> <p>A senior officer of the lender must nominate at least one full-time qualified employee to act as an underwriter who has:</p> <p style="text-align: center;">EITHER</p> <p>At least 3 years' experience in processing, pre-underwriting or underwriting mortgage loans</p> <ul style="list-style-type: none"> • At least 1 year of the most recent 3 years must have included making underwriting decisions on VA loans <p style="text-align: center;">OR</p> <p>A current ARU (Accredited Residential Underwriter) designation from the Mortgage Bankers Association (MBA)</p> <p>All VA-approved underwriters must be familiar with VA's credit underwriting standards and this Lender's Handbook.</p>	<p><u>For all underwriters:</u> VA Form 26-8736a, Nonsupervised Lender's Nomination and Recommendation of Credit Underwriter, completed by a senior officer</p> <ul style="list-style-type: none"> • If the underwriter is not located in the lender's corporate office, a senior officer's certification that the underwriter reports to and is supervised by an individual who is not a branch manager or other person with production responsibilities <p><u>Additional documentation for underwriters qualifying based on 3 years' experience:</u> Underwriter's resume, outlining the underwriter's specific experience with VA loans</p> <p>(NOTE: For purposes of determining whether the experience criteria are met, IRRRLs do not count as processing, pre-underwriting or underwriting.)</p> <p><u>Additional documentation for underwriters qualifying based on ARU designation:</u> Evidence that he or she is a current ARU as designated by the MBA</p> <p>See "Underwriter Approval" in paragraph 1.07 for mandatory training requirements for newly approved underwriters and underwriters who have not underwritten VA loans in the past 24 months.</p>

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

Procedures and Criteria for Qualification (continued)

Criteria	Required Documentation
<p>MINIMUM WORKING CAPITAL OR NET WORTH</p> <p>The lender must maintain:</p> <p style="text-align: center;">EITHER</p> <p>A minimum of \$50,000 working capital</p> <ul style="list-style-type: none"> • Working capital is the excess of current assets over current liabilities. • Current assets are defined as cash or other liquid assets convertible into cash within 1 year. • Current liabilities are debts that must be paid within 1 year. <p style="text-align: center;">OR</p> <p>A minimum of \$250,000 in adjusted net worth</p> <ul style="list-style-type: none"> • See Figure 1-A at the end of this chapter for VA's calculation requirements 	<p>For all lenders: Lender's most recent annual financial statements audited and certified by a CPA</p> <ul style="list-style-type: none"> • If the date of the financial statements precedes the application date by more than 6 months, attach a copy of the latest internal financial statement. <p>Additional requirement if qualifying based on working capital: EITHER the balance sheet must be classified to distinguish between current and fixed assets and between current and long-term liabilities or the information must be provided in a footnote to the statement.</p> <p>Additional requirement if qualifying based on net worth: Adjusted net worth must be calculated by a CPA in accordance with the requirements in Figure 1-A.</p>
<p>LINES OF CREDIT</p> <p>The lender must have one or more unrestricted lines of credit totaling at least \$1 million.</p> <ul style="list-style-type: none"> • Unrestricted = funds are available upon demand to close loans and are not dependent on prior investor approval 	<p>Letter(s) from the company(ies) verifying the amount(s) and unrestricted nature of the warehouse lines of credit</p>

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

Procedures and Criteria for Qualification (continued)

Criteria	Required Documentation
<p>PERMANENT INVESTORS</p> <p>If the lender customarily sells loans it originates, it must have a minimum of 2 permanent investors</p>	<p>Names, addresses and telephone numbers of two or more permanent investors</p>
<p>QUALITY CONTROL PLAN</p> <p>The lender must implement a written quality control plan which ensures compliance with VA requirements and meets the criteria outlined in Figure 1-B.</p>	<p>Copy of quality control plan which meets the criteria outlined in Figure 1-B (at the end of this chapter)</p>
<p>LIAISON</p> <p>The lender must designate one qualified employee and an alternate to be the primary liaison with VA.</p> <ul style="list-style-type: none"> • The liaison officers should be thoroughly familiar with the lender's entire operation and be able to respond to any query from VA concerning a particular VA loan or the firm's automatic authority 	<p>VA Form 26-8736 contains a space in which to indicate liaison selections.</p>

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

Procedures and Criteria for Qualification (continued)

Criteria	Required Documentation
<p>SANCTIONS FOR PRIOR ACTS There must be no factors indicating the lender would not exercise the necessary care and diligence.</p>	<p>A statement of facts is required in any case where:</p> <ul style="list-style-type: none"> • The lender, or any director or principal officer was ever debarred or suspended or otherwise formally sanctioned by the Government <p>OR</p> <ul style="list-style-type: none"> • Any director or officer was ever a director or officer of a debarred or suspended firm <p>OR</p> <ul style="list-style-type: none"> • The lender had a servicing contract with an investor terminated for cause.

Application Checklist

Figure 1-C (at the end of this chapter) provides a quick-reference checklist of application materials and requirements.

States in which the Lender Originates VA Loans

List the States where the lender originates VA loans in item 9 of VA Form 26-8736. Explain the nature of the lender's **presence** in **each** State where it wants to close loans on an automatic basis.

- The explanation may be included on VA Form 26-8736 or a separate document in the application package.

VA approves a lender's automatic authority for use **only** in specific States where the lender has a **presence**.

- A "presence" can be a **branch office** or a **VA-recognized agent** located within the State.
 - The lender may request VA recognition of an **agent** simultaneously with its application for automatic authority. (See par. 1.08.)
- Presence in a **bordering State** can qualify if it is within a **reasonable commuting distance** for conducting on-location lending transactions (50 miles or an hour's drive).

Continued on next page

1.05 How a Nonsupervised Lender Applies for Automatic Authority, Continued

States in which the Lender Originates VA Loans (continued)

The "presence" requirement can also be satisfied if the lender operates in the state through **telemarketing** or the **Internet**. The lender must submit to VA an explanation of **how**:

- The lender will conduct operations in the state

AND

- Contacts with prospective borrowers will be made.
-

Notification of VA Decision

The VA office of jurisdiction reviews the application materials submitted, writes comments and recommendations regarding the lender's qualifications, and forwards its comments and recommendations and the application to VA's Central Office for a determination.

VA's Central Office sends the lender written notice of its decision and, if approved, any conditions attached to its automatic authority.

- The lender is expected to use its automatic authority to the **maximum** extent possible.
 - Loans submitted for prior approval that are **not** required to be submitted for prior approval **must** include a written explanation from the underwriter.
-

Probationary Period

The lender will be subject to a probationary period of **1 year**, during which the VA offices to which it submits loans will carefully review the quality of the lender's underwriting, completeness of loan submissions, compliance with VA requirements and procedures, and delinquency and foreclosure rates.

- VA may withdraw automatic authority at any time during the probationary period based on poor underwriting and/or consistently careless processing.
 - At the expiration of the probationary period, VA sends the lender written notice of its decision to terminate the probationary period, extend it, or revoke automatic authority.
-

1.06 Certifications a Nonsupervised Automatic Lender Must Comply With

**Don't Close
Loans for
Others**

The president or principal officer must certify on VA Form 26-8736 that **the lender will not close loans on an automatic basis:**

- As a courtesy or accommodation **for other mortgage lenders** regardless of whether or not such lenders are approved themselves to close on an automatic basis. (This does not prevent the lender from closing loans based on documents prepared by an authorized agent.)
- **For any builder or other entity in which the lender has a financial interest** or which it owns, is owned by, or with which it is affiliated, without the express approval of VA
 - See "Approval to Close Loans for an Affiliate" in paragraph 1.07 for details.
 - If the only connection between the lender and the builder is a construction loan, the lender may close the permanent mortgage on an automatic basis without VA approval.

**Notify VA of
Significant
Changes
including
Merger or
Acquisition**

The president or principal officer must certify on VA Form 26-8736 that the lender will notify the VA office with jurisdiction over its home office of **any** changes in its corporate structure, operations, or financial condition which **may** have a bearing on the lender's continued qualifications for authority to close loans automatically.

- This includes **all** mergers and acquisitions.
 - See paragraph 1.09 for requirements in the case of a merger, acquisition, or change in ownership.

If the lender no longer meets the qualifications for automatic authority, but no change in ownership has occurred (e.g., working capital becomes inadequate), submit a plan of correction to the VA office of jurisdiction.

- Continue to close loans on the automatic basis until the lender receives a determination from VA

EXCEPT

- If the lender no longer has a **VA-approved underwriter**, it may no longer close loans on the automatic basis.

Continued on next page

1.06 Certifications a Nonsupervised Automatic Lender Must Comply With, Continued

Notify VA of Significant Changes including Merger or Acquisition (continued)

A **change in the ownership** of a nonsupervised automatic lender **always extinguishes** the automatic authority of the lender unless the new entity is supervised. See paragraph 1.09 for consequences to the lender.

All Loans Must be Reviewed by a VA-Approved Underwriter

The president or principal officer must certify that **all** prospective VA loans to be closed on an automatic basis will be **reviewed** and either approved or rejected **by a VA-approved underwriter**.

All VA-approved underwriters must be familiar with VA's credit underwriting standards and this Lender's Handbook.

Submit Annual Financial Statements

The president or principal officer must certify that the lender will submit annual financial statements audited and certified by a CPA to VA **within 120 days of the end of the lender's fiscal year**. Send the financial statements to:

Department of Veterans Affairs (264)
810 Vermont Avenue NW
Washington, D.C. 20420

The statements must show **EITHER**:

- **A minimum of \$50,000 working capital**
 - Either the balance sheet must be classified to distinguish between current and fixed assets and between current and long-term liabilities or the information must be provided in a footnote to the statement.
- OR**
- **A minimum of \$250,000 in adjusted net worth**
 - Adjusted net worth must be calculated by a CPA in accordance with the requirements in Figure 1-A.

Also within 120 days of the end of the lender's fiscal year, the lender **must** submit the following to the VA office with jurisdiction over the

Continued on next page

1.06 Certifications a Nonsupervised Automatic Lender Must Comply With, Continued

Submit Annual Financial Statements (continued)

lender's home office:

- If the lender uses agents for making VA loans, a list of VA-recognized **agent relationships** the lender wants to renew
- The **annual fees** specified in paragraph 1.11

AND

- Any other information requested by VA.

Although VA offices may issue an annual reminder notice to lenders that the above information is due, lenders bear the ultimate responsibility for timely submission of this information.

Other Certifications

When the president or principal officer signs VA Form 26-8736, he or she certifies that the lender will comply with a number of other requirements. These include:

- Complying with VA regulations, directives, and law
 - Submitting at any time to VA examination of its records and accounts
 - Furnishing VA any requested information
 - Maintaining \$50,000 working capital or \$250,000 adjusted net worth
 - Using its automatic authority to the maximum extent possible; if not used, submitting an explanation as to why a loan was processed prior approval
-

1.07 How a Nonsupervised Automatic Lender Requests Extension of Authority, Underwriter Approval, or Approval to Close Loans involving an Affiliate

Extension of Authority (Geographic)

The lender may close VA loans on an automatic basis **only** in States where VA has approved its automatic authority, **except** in the case of **IRRRLs**.

- The lender may close IRRRLs (except IRRRLs to refinance VA loans
-

Continued on next page

1.07 How a Nonsupervised Automatic Lender Requests Extension of Authority, Underwriter Approval, or Approval to Close Loans involving an Affiliate, Continued

Extension of Authority (Geographic) (continued)

3 or more payments in arrears) on an automatic basis in any state without a formal extension.

When the lender first applies for automatic authority, VA will approve its automatic authority for use in the states where the lender indicates it originates VA loans (item 9 on VA Form 26-8736) and has a **presence**.

- See the letter from VA which granted the lender automatic authority to verify which states were initially approved.

Any time thereafter, the lender may request approval to close loans on an automatic basis in additional state(s) in which it has a **presence**.

- See "States in which the Lender Originates VA Loans" in paragraph 1.05 for an explanation of **presence**.

To request an extension, send a request letter to the VA office with jurisdiction over the lender's home office.

- Explain the nature of the lender's **presence** in the state(s) requested.
 - If "presence" in the state is based on a branch office, include a list of all branch offices in the new state.
- Include the appropriate **fee**.
 - For an extension request (without an agent recognition request) the fee is \$100 per request regardless of the number of states requested.
 - If the lender is **simultaneously** requesting **agent** recognition in the state(s) it is requesting an extension to, submit \$100 for **each** agent, but no separate fee for the extension(s) requested.

The lender may **not** exercise automatic authority in the state(s) requested **until** VA approval is received.

Continued on next page

1.07 How a Nonsupervised Automatic Lender Requests Extension of Authority, Underwriter Approval, or Approval to Close Loans involving an Affiliate, Continued

Underwriter Approval

All VA loans to be closed on an automatic basis must be **reviewed** and either approved or rejected by a **VA-approved** underwriter.

- A VA-approved underwriter must sign a VA Form 26-6393, Loan Analysis, on each loan to **certify** his or her review of such loan.

The lender may request approval of **additional underwriters** at any time after its initial approval for automatic authority by submitting a request to the VA office with jurisdiction over its home office, including:

- The appropriate fee (see par. 1.11)
- The documentation for underwriter approval described under "Procedures and Criteria for Qualification" in paragraph 1.05

All VA-approved underwriters must be familiar with VA's credit underwriting standards and this Lender's Handbook.

All VA-approved underwriters must attend a 1-day (8 hour) training course on underwriter responsibilities, VA underwriting requirements, and VA administrative requirements, including the usage of VA forms, within 90 days of approval. If the VA office of jurisdiction is unable to make such training available within 90 days, the underwriter must attend the first available training. This training is required of **all** underwriters whether approved based on experience or based on an ARU designation. It is also required of underwriters who have not underwritten VA guaranteed loans in the past 24 months. Underwriters who consistently approve loans that do not meet VA credit standards may be required to retake this training.

VA approval of an underwriter is **automatically terminated** (without notice) if the underwriter is no longer employed by the same lender. The lender **must** report any such circumstances to VA.

The lender may **not** continue to close loans automatically **without** a VA-approved underwriter.

Continued on next page

1.07 How a Nonsupervised Automatic Lender Requests Extension of Authority, Underwriter Approval, or Approval to Close Loans involving an Affiliate, Continued

Approval to Close Loans involving an Affiliate

The lender may request **VA approval** to close loans involving an affiliate on an automatic basis (“affiliate” as used here includes a real estate brokerage firm and/or residential builder or developer that the lender has a financial interest in, owns, is owned by, or is affiliated with). The lender may request such approval at the time it applies for automatic authority or any time thereafter. Submit the request to the VA office with jurisdiction over the lender’s home office along with:

- A **corporate resolution** from the lender and each affiliate indicating they are separate entities operating independently of each other
 - The lender’s corporate resolution must indicate that it will **not** give more favorable underwriting consideration to its affiliate’s loans.
 - The affiliate’s corporate resolution must indicate that it will **not** seek to influence the lender to give their loans more favorable underwriting consideration.

AND

- **Letters from permanent investors** indicating the percentage of all VA loans based on the affiliate’s production originated by the lender over a 1-year period that are past due 90 days or more. This delinquency ratio must be no higher than the national average for the same period for all mortgage loans.
-

1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent

Limitations on Use of Agents

A lender must request **VA recognition** of an **ongoing** relationship with an agent.

- “Ongoing” generally means use of an agent more than 4 times per year.

The lender may designate **any individual or entity** as an agent to perform loan-related functions on its behalf or in its name.

- The extent of the relationship between the lender and the agent is at the lender’s discretion.
-

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1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent, Continued

Limitations on Use of Agents (continued)

- **The lender must accept full responsibility for the acts, errors, or omissions of the agent in processing and/or closing loans.**
- The lender accepts this responsibility by certification on VA Form 26-1820, Report and Certification of Loan Disbursement, **and** the corporate resolution.
- The lender may **not** subsequently claim that it should not be held accountable for inaccurate or fraudulent credit information or other loan data because it relied on the agent.
- **Irregularities resulting from acts or omissions of the agent are treated as acts or omissions of the lender.**
- The lender's use of an agent will not prevent VA from taking actions in appropriate cases such as:
 - Denial of liability
 - Claim adjustments
 - Collection of the amount of any loss incurred due to irregularities
 - Imposition of sanctions against **both** the lender and the agent

If the lender is a nonsupervised automatic lender, loans made by an agent on its behalf which are closed **automatically** must:

- **Only** involve agents operating in **states** for which the lender's automatic authority has been **approved by VA**
 - Be reviewed and **approved by a VA-approved underwriter employed by the lender.**
-

Use of an Agent on a One-Time Basis

If the lender uses an agent one time or very infrequently (2 to 4 times per year), it may authorize the agency relationship on a **loan-by-loan basis** using the lender's certification on VA Form 26-1820.

- The lender must identify the agent and its function on that form.
 - **No VA recognition** of the agency relationship is needed.
-

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1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent, Continued

How to Request VA Recognition of an Agent

If the lender wishes to maintain an **ongoing** relationship with an agent, submit a request for recognition of the agency relationship to the VA office with jurisdiction over the lender's home office. Include a **corporate resolution** which contains:

- The agent's **name, address and the geographic area** where the agent will be originating and/or closing VA loans
- The agent's **function(s)** (e.g., taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement)
- A statement that the lender takes **full responsibility** for all acts, errors, or omissions of the agent and its employees
- If the agent will enter into interest rate **lock-in agreements** on the lender's behalf, a statement that the lender will honor the lock-in

NOTE: A **conditional** loan purchase agreement, wherein the lender agrees only to purchase the agent's production subject to the lender's review and approval, is **unacceptable**.

Also include appropriate **fees** with the request.

- Remit a \$100 fee for **each** agent.
- There is no additional fee for a nonsupervised lender's **simultaneous** request for **extension** of automatic authority into a new state based on a new agent's area of operation.

The lender may begin to use an agent **after** VA sends recognition of the relationship to the lender in writing.

- Even with formal VA recognition, the lender **must** identify the agent and its function on VA Form 26-1820 for each loan involving the agent.

Lenders that use a multitude of agents on an ongoing basis may submit a "**blanket**" **corporate resolution** that contains:

- The agents' **function(s)** (e.g., taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement)
- A statement that the lender takes **full responsibility** for all acts, errors, or omissions of its agents and agents' employees
- If agents will enter into interest rate **lock-in agreements** on the

Continued on next page

1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent, Continued

How to Request VA Recognition of an Agent (continued)

lender's behalf, a statement that the lender will honor the lock-in
AND

- The identity of the **officer(s)** of the lender who is (are) delegated authority to request recognition of additional agents under the “blanket” corporate resolution and to delete agents

Even using a “blanket” corporate resolution, a **request** for VA recognition must be made for **each** new agent and appropriate **fees** paid. Include the agent's **name, address and the geographic area** where the agent will be originating and/or closing VA loans and refer to the “blanket” corporate resolution, giving the date the board adopted it. The lender may begin to use an agent **after** VA sends recognition of the relationship to the lender in writing.

VA ID Number Each agent must contact the VA office with jurisdiction over its home office to obtain a VA lender ID number if it does not already have one. This number is used as the agent’s identifier in **all** VA lending transactions, whether the agent is acting as an “agent,” or on its own behalf as a “lender.”

How to Complete VA Form 26-1820
(Report and Certification of Loan Disbursement)

If the loan is **closed and funded by the lender (not the agent) OR** an agent conducts the closing but a sponsoring lender buys (funds) the loan at closing (commonly called **table funding**):

- Enter the **lender's** VA ID number in item 2b
- Enter the name and function of the **agent** in item 24J
- The **lender** must complete items 25 and 26

If the loan is **closed and funded in the agent's name** pursuant to an agency agreement

- Enter the **agent's** VA ID number in item 2b
 - Enter the name and function of the **agent** in item 24J
 - The **agent** must complete items 25 and 26
 - Enter the **agent's** name, followed by the words "agent for (lender's name)," and agent’s address in 25A
-

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1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent, Continued

Enter Both ID Numbers on VA Form 26-0286 VA Form 26-0286, VA Loan Summary Sheet, contains spaces marked “Lender VA ID Number” and “Agent VA ID Number (*If applicable*).” **Always enter both ID numbers** if an agent has performed any function(s) on behalf of the sponsoring lender in connection with the loan.

Who is the LGC Issued to? VA will issue the Loan Guaranty Certificate (LGC) to the **sponsoring lender** at the address which corresponds to the **lender** VA ID number entered on VA Form 26-0286, VA Loan Summary Sheet, **unless** the lender requests that it be sent to the agent in the “Remarks” block of that form.

When Can an Agent Close Loans Automatically? If the lender has automatic authority, its agent can close loans automatically on its behalf, **to the extent the loans could be closed automatically if made by the lender**, provided:

- VA requirements for recognition of an agency relationship and reporting it on VA Form 26-1820 have been complied with.

If the lender is a nonsupervised automatic lender, this means:

- The agent must be located in a **state** for which the lender’s automatic authority has been approved by VA
- All loans must be reviewed and approved by a **VA-approved underwriter** employed by the lender
 - The **underwriter's certification** must appear on VA Form 26-6393, Loan Analysis, as required for VA loans closed on the automatic basis that do not involve agents.

In other words, it does not matter whether the agent itself has automatic authority. **When the agent is acting as the lender’s agent pursuant to a VA-recognized agency relationship, the conditions of the lender's automatic authority must be complied with.**

Continued on next page

1.08 How a Supervised or Nonsupervised Automatic Lender Requests VA Recognition of an Agent, Continued

When Can an Agent Close Loans Automatically (continued)

Loans closed by a lender's agent **without** a VA-recognized agency relationship in place are considered loans of that agent, and **not** of the lender.

- **If the agent does not itself have automatic authority**, the loans are not automatically guaranteed and cannot subsequently be assigned to the lender as automatically guaranteed.
 - **If the agent itself has automatic authority**, the lender may purchase the loans from the agent and consider them automatically guaranteed.
-

Use of Agents by Prior Approval Lenders

If the lender does not have automatic authority and wishes to use the services of an agent, the lender does **not** need to request VA recognition of the agency relationship.

- Submit **all** loans to VA for **prior approval**
 - When reporting the loan after closing, follow the instructions in "How to Complete VA Form 26-1820" (in this paragraph above) to document use of the agent.
-

1.09 Mergers and Acquisitions Involving Supervised or Nonsupervised Automatic Lenders

The Issue

Changes in the ownership or corporate structure of a lender may impact its continued qualifications for automatic authority. **Lenders must notify VA** whenever a merger, acquisition, or change in the ownership of the lender occurs, so that VA can evaluate any impact on the lender's participation in the VA-guaranteed loan program.

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1.09 Mergers and Acquisitions Involving Supervised or Nonsupervised Automatic Lenders, Continued

The Issue (continued)

Although only the terms “merger” and “acquisition” and “selling,” “acquiring” or “surviving” entities are used in this paragraph, the concepts and procedures in this paragraph apply to **every** type of restructuring that has a significant impact on an organization’s ownership, structure, or assets, etc.

Required Submissions

Whenever a lender with automatic authority is involved in a merger or acquisition, it **must** submit a **\$100 processing fee** along with the following information to the VA office with jurisdiction over its home office:

- The **names** of the acquiring and selling **entities**, and the surviving entity
- The **information** listed in the “Send Information to VA” heading in paragraph 1.02 as applied to the surviving entity
 - Any of these items that remain unchanged do **not** have to be resubmitted; simply indicate that they are unchanged
- A general description of the **assets** being acquired
- The addresses of all **branch offices** that are involved in VA mortgage lending, and whether they will continue to operate or be closed
- A **list of agents** to be used by the surviving entity that had already been **recognized by VA** as agents of the selling or acquiring entities
 - Requests for recognition of **new agents** may accompany the submission along with appropriate fees and corporate resolutions. (See par. 1.08.)

Since each merger or acquisition is unique, VA may discover that it needs to request **additional information** from the lender during its review.

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1.09 Mergers and Acquisitions Involving Supervised or Nonsupervised Automatic Lenders, Continued

Additional Submissions for Nonsupervised Automatic Lenders

Nonsupervised automatic lenders must also provide:

- A **resume** for each **new** owner or principal officer (president plus any officers involved in managing loan origination functions) of the surviving entity showing mortgage lending experience

AND

- A **list of underwriters** to be employed by the surviving entity who had **already** been **approved by VA** as underwriters for the selling or acquiring entities

Requests for approval of **new underwriters** and **extensions of authority** may accompany the submission along with appropriate fees and application materials. (See par. 1.07.)

Additional Submissions for LAPP Lenders

Whenever a lender with LAPP authority is involved in a merger or acquisition, it must submit a \$100 processing fee along with the following information:

- A **list of LAPP SARs** to be employed by the surviving entity who had **already** been **approved by VA** as SARs for the selling or acquiring entities. Include their **SAR ID numbers** and a copy of any **VA letter(s)** which state that these SARs have met the VA training and case review requirements.
- An **additional submission** is required for any of these SARs **if** the entity that employed them when they were approved by VA bore a different company name than the surviving entity. For each such SAR, submit a newly executed SAR application and lender certifications by the surviving entity, in the prescribed order. (See chapter 19 of this handbook.) This will apply even if the entity that previously employed the SAR was a wholly owned subsidiary of the surviving entity.
- Also provide a **list of the LAPP SARs** (and their **ID numbers**) of the selling or acquiring entities that will **no longer** be employed by the surviving entity.

Requests for approval of **new SARs** may accompany the submission along with appropriate fees and application materials. (See chapter 19.)

Continued on next page

1.09 Mergers and Acquisitions Involving Supervised or Nonsupervised Automatic Lenders, Continued

Immediate Impact while VA Reviews Submission

A change in the ownership of a **nonsupervised automatic** lender **always extinguishes** the automatic authority (and therefore the LAPP authority) of the lender unless the new entity is supervised; i.e. **automatic authority is not for sale.**

Whenever a supervised lender undergoes merger or acquisition, apply the standards detailed in paragraph 1.04 to determine whether the surviving entity is supervised.

The following table lists some of the scenarios that can emerge from a merger or acquisition and provides:

- Whether the surviving entity can exercise automatic authority **while** VA is reviewing its merger/acquisition submission.

AND

- Any additional submissions the entity must send to VA
- These are **IN ADDITION TO** the required submissions detailed in the preceding material in this paragraph.

Prior Status of Restructured Entity(ies)	Status of Surviving Entity Appears to be:	Additional Submissions Needed	Authority of Surviving Entity while Awaiting VA Review
Supervised and/or Nonsupervised Automatic	Supervised by a Federal entity listed in paragraph 1.04	None	Automatic authority continues.
Supervised and/or Nonsupervised Automatic	Supervised by the State of Illinois or New Jersey	Copy of state license specified in paragraph 1.04	Automatic authority continues.

Continued on next page

1.09 Mergers and Acquisitions Involving Supervised or Nonsupervised Automatic Lenders, Continued

Immediate Impact while VA Reviews Submission (continued)

Prior Status of Restructured Entity(ies)	Status of Surviving Entity Appears to be:	Additional Submissions Needed	Authority of Surviving Entity while Awaiting VA Review
At least one of the entities was Supervised	Supervised, but status is not clear. VA recognition as supervised is required under paragraph 1.04.	Request for recognition as supervised and information specified in paragraph 1.04	If the nature and source of supervision of the surviving entity is the same as for the prior supervised entity, automatic authority continues. If supervision has changed, submit all loans for prior approval until VA makes a determination.
Nonsupervised Automatic only	Supervised, but status is not clear. VA recognition as supervised is required under paragraph 1.04	Request for recognition as supervised and information specified in paragraph 1.04	Submit all loans for prior approval until VA makes a determination.
Nonsupervised Automatic with different ownership than surviving entity and/or a Supervised lender	Nonsupervised lender	If the surviving entity wishes to have automatic authority, it must submit a complete new application for automatic authority with the appropriate fee.(See par. 1.05)	Automatic authority is extinguished. Submit all loans for prior approval until VA makes a determination on the application for automatic authority.
Nonsupervised Automatic with same ownership as surviving entity	Nonsupervised Lender	None	Automatic authority continues if lender retains its VA-approved underwriter(s).

1.10 Withdrawal of Automatic Authority from Supervised or Nonsupervised Automatic Lenders

General VA can withdraw a lender's automatic authority for **proper cause**, after giving the lender 30 days' notice.

- This applies to **both supervised and nonsupervised lenders**.
- VA regulations at 38 CFR 36.4349 provide the framework.
- The lender may continue processing loans on a **prior approval** basis **after** its automatic authority has been withdrawn.

The remainder of this paragraph gives the reasons a lender's automatic authority can be withdrawn, and the corresponding period for which the withdrawal will be effective.

Withdrawal for an Indefinite Period Withdrawal for an indefinite period can be based on any of the following:

- **Failure to continue meeting basic qualifying criteria.**
 - For supervised lenders this includes loss of status as an entity subject to examination and supervision by a Federal or State regulatory agency.
 - For nonsupervised lenders this includes no approved underwriter, failure to maintain \$50,000 working capital or \$250,000 adjusted net worth, and/or failure to file the required financial statements.
- **Any of the causes for debarment** set forth in 38 CFR 44.305.
- During the probationary period for newly-approved nonsupervised automatic lenders, automatic authority may be withdrawn for **poor underwriting or consistently careless processing**.

Withdrawal for 60 Days Withdrawal for 60 days can be based on any of the following:

- Loan submissions show **deficiencies in credit underwriting** after repeatedly being called to the lender's attention
 - **Example:** Use of unstable sources of income to qualify borrower
 - **Example:** Ignoring significant adverse credit items affecting applicant's creditworthiness
- **Employment or deposit verifications are handcarried by**

Continued on next page

1.10 Withdrawal of Automatic Authority from Supervised or Nonsupervised Automatic Lenders, Continued

Withdrawal for 60 Days (continued)

applicants or otherwise improperly permitted to pass through the hands of a third party

- Consistently **incomplete loan submissions** after repeatedly being called to the lender's attention
 - Continued instances of **disregard of VA requirements** after repeatedly being called to the lender's attention
-

Withdrawal for 180 Days

Withdrawal for 180 days can be based on any of the following:

- **Loans conflict with VA credit standards** and would not have been made by a lender acting prudently
 - **Failure to disclose to VA significant obligations** or other information so material to the veteran's ability to repay the loan that undue risk to the Government results
 - **Employment or deposit verifications** are handcarried by the applicant or otherwise **mishandled**, resulting in submission of significant misinformation to VA
 - Substantiated complaints are received that **the lender misrepresented VA requirements to veterans** to the detriment of their interests
 - **Example:** The veteran was dissuaded from seeking a lower interest rate based on lender's incorrect advice that such options were excluded by VA requirements
 - Closing documents show instances of **improper charges to veteran** after the impropriety of such charges are called to lender's attention by VA, or the lender refuses to refund such charges after notification by VA
 - Other instances of **lender actions prejudicial to the interests of veterans** such as deliberate delays in scheduling loan closings
-

Withdrawal for 1 to 3 Years

Withdrawal for 1 to 3 years can be based on any of the following:

- **Failure to properly disburse loans**
 - **Example:** Loan disbursement checks are returned due to insufficient funds
-

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1.10 Withdrawal of Automatic Authority from Supervised or Nonsupervised Automatic Lenders, Continued

Withdrawal for 1 to 3 Years (continued)

- Involvement by the lender in the **improper use of a veteran's entitlement**
 - **Example:** Knowingly permitting the veteran to violate occupancy requirements
 - Also, lender involvement in the veteran's sale of entitlement to a third party (i.e., Lender makes the loan with the knowledge that the veteran is not purchasing the property to be his or her home. Instead, the veteran intends to transfer title to a third party who assumes the loan shortly after closing.)
-

1.11 Participation Fees for Supervised and Nonsupervised Automatic Lenders

Introduction VA collects fees from lenders with automatic authority to help defray the costs of administering the Loan Guaranty Program. Always submit fees to the VA office with jurisdiction over the lender's home office. Fees consist of:

- **Annual participation fees**
- AND**
- **Administrative fees** (for processing lender requests).
 - If the lender submits a request for administrative action without the correct processing fee, VA will delay processing of the request until the fee is received.
 - Fees are **nonrefundable**, even if the request is denied (except in cases of accidental overpayment).

Pay all fees by lender's **check** to the Department of Veterans Affairs.

If an agent, underwriter, or staff appraisal reviewer recognized or approved by VA for a role with one lender begins work for another lender, the new lender must request and pay the fee for a new VA recognition or approval of that individual.

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1.11 Participation Fees for Supervised and Nonsupervised Automatic Lenders, Continued

Annual Fees for Nonsupervised Automatic Lenders

Remit fees within **120 days** of the end of the lender's fiscal year to the VA office with jurisdiction over the lender's home office. The fees are:

- \$200 annual recertification fee

PLUS

- \$100 for annual renewal of each **agent** that acts for the lender on an ongoing basis and had been recognized by VA as the lender's agent as of the end of its fiscal year
 - Exception: No annual fee is due for an agent if VA's letter of recognition is dated within the last quarter of the lender's most recent fiscal year or later.

If the lender has ongoing VA-recognized agency relationships, include a **list of agency relationships** the lender wants to renew

Submit the required **financial statements** showing a minimum of **\$50,000 working capital OR \$250,000 adjusted net worth** to:

Department of Veterans Affairs (264)
810 Vermont Avenue NW
Washington, D.C. 20420

Fee for Nonsupervised Lender to Apply for Automatic Authority

\$500 for processing an application for automatic authority

- The fee includes any requests submitted simultaneously for the review of **underwriter** nominees
- The fee does **not** include **simultaneous** requests for recognition of **agents**.
- This requires an additional \$100 fee per agent.

Other Administrative Fees for Nonsupervised Automatic Lenders

Remit fees along with requests for approval, recognition, or other VA action related to lender status.

The fees are:

- \$100 for processing requests for approval of each nominee for **underwriter**
- Not required if submitted with the request for automatic authority

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1.11 Participation Fees for Supervised and Nonsupervised Automatic Lenders, Continued

Other Administrative Fees for Nonsupervised Automatic Lenders (continued)

- \$100 for processing requests for VA recognition of each lender agent
 - \$200 for processing requests for reinstatement of **lapsed or terminated automatic authority**
 - A **minimum** fee of \$100 per request for **any other VA administrative actions** pertaining to a lender's participation in the automatic lending program
 - **Example:** Submission from a lender that undergoes a **merger**
 - **Example:** Processing request for **extension** of automatic authority to additional states (Note: For extensions, the fee is \$100 **per request** no matter how many states are requested.)
 - If the fee to process a request is greater than \$100, VA will notify the lender.
-

Annual Fees for Supervised Lenders

Annual fees for supervised lenders are **only** required of lenders with **ongoing agency relationships**. Remit fees by **January 31** of each year based on the lender's agency relationships in the previous calendar year, along with a list of agency relationships the lender wants to renew.

The fees are:

- \$100 for annual renewal of **each** lender agent that acts for the lender on an ongoing basis and has been recognized by VA as the lender's agent
 - No annual fee is due for an agent if VA's letter of recognition is dated within the last quarter of the most recent calendar year.
-

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1.11 Participation Fees for Supervised and Nonsupervised Automatic Lenders, Continued

- Administrative Fees for Supervised Lenders** The fees are:
- \$100 for processing requests for VA recognition of **each lender agent**
 - A **minimum** fee of \$100 per submission for **any other VA administrative actions** pertaining to a lender's participation in the automatic lending program.
 - **Example:** Submission from a lender that undergoes a **merger**
 - If the fee to process a request is greater than \$100, VA will notify the lender.
-

LAPP Fees Lenders must pay a one-time \$100 fee for each staff appraisal reviewer (SAR) applicant. Remit the fee with the SAR application to the appropriate VA office. The fee is **nonrefundable**, even if the applicant is found not to be acceptable.

If a SAR is approved and subsequently moves to another lender, a \$100 application fee must be paid by the new employer.

For detailed information on the Lender Appraisal Processing Program (LAPP), see Part III of this handbook.

1.12 Maintenance of Loan Records

Requirement Lenders must maintain copies of all loan origination records on VA guaranteed home loans for at least **2 years** from the date of loan closing. Even if the loan is sold, the **original** lender must maintain these records (or legible copies) for the required period.

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1.12 Maintenance of Loan Records, Continued

Examples of Loan Records	<p>Loan origination records include:</p> <ul style="list-style-type: none">• The loan application (including any preliminary application)• Verifications of employment and deposit• All credit reports (including preliminary credit reports)• Copies of each sales contract and addendum• Letters of explanation for adverse credit items, discrepancies and the like• Direct references from creditors• Correspondence with employers• Appraisal and compliance inspection reports• Reports on termite and other inspections of the property• Builder change orders• All closing papers and documents
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Accessibility	<p>Lenders must make these records accessible to VA personnel conducting audit reviews.</p>
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1.13 Lender ID Numbers

Purpose	<p>Each lender is assigned an ID number by VA to use as an identifier in all VA loan transactions. The ID number is linked to the mailing address provided by the lender to VA. It enables the lender to receive documents through VA's automated systems. These documents include:</p> <ul style="list-style-type: none">• Information mailings to all lenders, or lenders within a certain geographic area• VA-generated documents pertaining to individual loans, such as the Loan Guaranty Certificate• Receipts for payment of the VA funding fee
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Agents	<p>Agents also must have a lender ID number. Agents should use this ID number for all VA lending transactions, whether acting as an "agent" or a "lender."</p>
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1.13 Lender ID Numbers, Continued

The Eleven Digits of the ID Number

The **first 6 digits** are **unique** to each lender and always stay the same.

The **next 4 digits** indicate the **home or branch office** of the lender.

- The home office is always 4 zeros.
- Anything other than 4 zeros indicates a branch office.
 - A unique 4 digit number is assigned to each branch office for which the lender requests an ID number.

The **eleventh digit** is a check digit assigned by VA.

How to Obtain a Lender ID Number

Most lenders obtain their lender ID numbers after sending an initial information package to VA, as described in paragraph 1.02. VA will automatically assign an ID number to the lender at that time for the **home office**, and may assign separate ID numbers to branch offices. (If the lender knows that it wants ID numbers for its branch offices at that time, the lender should specifically request this.)

A lender must specifically request assignment of an ID number in the following circumstances:

- The lender has **not previously obtained** an ID number from VA and will be acting as an agent for another lender
 - Request the ID number from the VA office with jurisdiction over the agent's home office location.

OR

- The lender already has a VA ID number for its home office, but wants correspondence and loan documents related to loan transactions in a certain geographic area sent to the address of a **branch office** for which no separate lender ID number has previously been assigned
 - Request the ID number from the VA office with jurisdiction over the branch office location.
-

1.14 Lender Access to Training and Information

VA Training Sessions

Each VA office of jurisdiction conducts regular training sessions on VA requirements, credit standards, procedures, etc. for lenders and other program participants in its jurisdiction.

- At a **minimum**, have a representative attend one VA training session per year.
- Increase participation if lender management or VA identifies a greater need.

Discuss any special training needs with the VA office of jurisdiction.

Nationally Televised Training

VA has begun offering a series of interactive televised training sessions to lenders and holders/servicers on a nationwide basis. Current and future training broadcasts are announced on VA's Lender/Servicer Internet page: <http://www.va.gov/vas/loan/lenders.htm>

Videotapes of previous broadcasts may be purchased from Multi Video Services at 1-800-800-3827.

Training Software

Free VA training software which addresses VA loan processing and appraisal issues is available through VA's Lender/Servicer Internet page.

- The file is a self-extracting compressed file named HOMESAFE.EXE.
 - Documentation is contained on a "readme.doc" file.
 - The file is very large (>5 mb). Use a 14.4 or higher speed modem or direct Internet connection.
-

Electronic Documents and Files

The Lender's Handbook, Servicing Guide, selected VA circulars, the VA training game for lenders, and other information are all available through VA's Lender/Servicer Internet page.

To access the information on the **Internet**:

- Point your browser to <http://www.va.gov/vas/loan/lenders.htm>
-

Receipt of VA Mailings

It is **essential** that lenders inform the appropriate VA office whenever they have an address change. Informational mailings are sent to the address associated with a lender's VA ID number.

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1.14 Lender Access to Training and Information, Continued

VA Offices of Jurisdiction

Contact the VA office with jurisdiction over the lender's **home office** to request any information not found in this Lender's Handbook. Some VA offices have their own Internet sites with information of interest to lenders. These sites can be accessed through VA's Lender/Service Internet page.

To discuss issues on a particular loan, contact the VA office with jurisdiction over the geographic area in which the **property** is located.

FIGURE 1-A Calculation of Adjusted Net Worth

Same as HUD	The method for calculating adjusted net worth for VA purposes is the same as the method for calculating adjusted net worth required by the Department of Housing and Urban Development (HUD).
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CPA Requirement	Adjusted net worth must be calculated by a CPA using an audited and certified balance sheet from the lender's latest financial statements.
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Calculation	<p>Adjusted net worth is total assets minus total liabilities MINUS the following unacceptable assets:</p> <ul style="list-style-type: none">• Any assets of the lender pledged to secure obligations of another person or entity• Any asset due from either officers or stockholders of the lender or related entities, in which the lender's officers or stockholders have a personal interest, unrelated to their position as an officer or stockholder. Personal interest indicates a relationship between the lender and a person or entity in which that specified person (e.g., spouse, parent, grandparent, child, brother, sister, aunt, uncle or in-law) has a financial interest in or is employed in a management position by the lender.• In other words, amounts due from officers or stockholders of the lender, their family members, or related entities in which these officers, stockholders or family members have a financial or managerial interest• Any investment in related entities in which the lender's officers or stockholders (or their family members) have a personal interest unrelated to their position as an officer or stockholder• That portion of an investment in joint ventures, subsidiaries, affiliates and/or other related entities which is carried at a value greater than equity, as adjusted ("equity, as adjusted" means the book value of the related entity reduced by the amount of unacceptable assets carried by the related entity
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FIGURE 1-A Calculation of Adjusted Net Worth, Continued

Calculation (continued)

- All **intangibles**, such as goodwill, covenants not to compete, franchisee fees, organization costs, etc., except unamortized servicing costs carried at a value established by an arm's-length transaction and presented in accordance with generally accepted accounting principles
 - **That portion of an asset not readily marketable and for which appraised values are very subjective, carried at a value in excess of a substantially discounted appraised value.** Assets such as antiques, art work and gemstones are subject to this provision and should be carried at the lower of cost or market.
 - Any **asset** that is **principally used for the personal enjoyment** of an officer or stockholder and not for normal business purposes.
-

FIGURE 1-B Elements of a Quality Control Plan

Purpose	A quality control plan must be submitted with every nonsupervised lender's application for automatic authority. This exhibit outlines the criteria which the quality control plan (QC plan) must satisfy.
Audit Program	The QC plan must provide for: <ul style="list-style-type: none">• A program of internal or external audit of the lender's compliance with VA loan processing and underwriting requirements OR <ul style="list-style-type: none">• Independent review by management personnel knowledgeable of such requirements who have no direct loan processing or underwriting responsibilities.
Adequate Scope	The QC plan must provide: <ul style="list-style-type: none">• That the scope of audits or reviews be not less than 10 percent of all VA-guaranteed mortgages originated by the lender monthly, including its branches and authorized agents<ul style="list-style-type: none">• Except that lenders making more than 140 VA mortgages monthly may use statistical sampling methods in lieu of the 10 percent• That the loan sample include loans processed by all loan officers and underwriters and a random selection which includes loans from all branch offices and authorized agents• Procedures for expanding scope when fraudulent activity or patterns of deficiencies are identified• For lenders participating in LAPP, that reviews include the quality control procedures specified in paragraph 19.01 of this handbook• That for each branch office that originates VA loans, an on-site branch office review should be conducted at least once annually
Management Notification	The QC plan must provide for: <ul style="list-style-type: none">• Written notification of deficiencies cited as a result of audits or reviews at least quarterly to the lender's senior management.

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FIGURE 1-B Elements of a Quality Control Plan, Continued

Corrective Action by Management

The QC plan must require:

- **Prompt and effective corrective action** by senior management on all deficiencies identified by either the lender or VA.
- **Maintenance of documentation** of deficiencies and corrective actions taken
- That **employees be held accountable** for performance failures or errors
- That for patterns of deficiencies identified, **corrective instructions** be provided to all relevant employees

Deficiencies Reported to VA

The QC plan must:

- Require **prompt reporting** of any violation of law or regulation, false statements or program abuses by the lender, its employees or any other party to the transaction to the VA office of jurisdiction
- Provide for **furnishing audit or review findings to VA** on demand

Current VA Underwriting Policies and Procedures Maintained

The QC plan must ensure that:

- The lender's **procedures are revised in a timely manner** to accurately reflect changes in VA requirements
 - **Personnel are informed** of the changes
- Each of the lender's offices, including its approved agent(s) and branches, **maintains copies of all VA publications**, including regulations, handbooks, releases, etc., which are relevant to the lender's VA loan origination activities
 - They must be accessible to all employees, periodically reviewed with appropriate staff, and kept current.

Only Authorized Persons Process Loans

The QC plan must ensure that:

- All loans submitted by the lender to VA for guaranty are processed by **employees** of the lender **or** its authorized **agent(s)**.

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FIGURE 1-B Elements of a Quality Control Plan, Continued

Funding Fees Paid The QC plan must ensure that:

- **VA funding fees are remitted within 15 days** from the date of loan closing and late charges and interest penalties are promptly submitted.

Escrow Fund Management The QC plan must ensure that:

- **Escrow funds** received from borrowers are **not** excessive and are **not** used for any purposes other than that for which they are received.

Debarred Persons Not Employed The QC plan must ensure that:

- The lender does not employ for VA loan originations or underwriting any individual who is **debarred** or **suspended**.

Review of Loans The QC plan must provide for the following on loans selected for review:

- Review of loans **within 90 days** of loan closing
- Written **reverification** of borrower's employment, deposits, and all sources of funds
- Reordering of a **new credit report** from another credit source
 - Report may be a RMCR (Residential Mortgage Credit Report) or an in-file report which merges the records of the three national repositories of credit files, commonly known as a 3-file merge.
- The reviewer, on each loan, to determine whether underwriting conclusions and lender documentation are overall complete and accurate. Specifically, the reviewer must make a determination on each item in the following table:

1	Does each loan file contain all required loan processing, underwriting and legal documents?
2	Were all relevant loan documents not signed in blank by the borrower or employee(s) of lender, and were all corrections initialed by the borrower or employee(s) of lender?
3	Were verifications of employment, verifications of deposit and the credit report not handled by the borrower or any interested third party?

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FIGURE 1-B Elements of a Quality Control Plan, Continued

Review of Loans (continued)

4	Do credit reports conform to Residential Mortgage Credit Report Standards (if RMCR used), and if more than one credit report was ordered, were all credit reports submitted with the loan package to VA?
5	Is there a correlation of each outstanding liability and each asset of the borrower and coborrower used to qualify for the loan to those listed on the initial loan application? <ul style="list-style-type: none"> • If discrepancies exist, the loan file must show they have been explained or otherwise resolved.
6	Were any outstanding judgments appearing on the credit report listed on the application with an accompanying explanation and documentation? <ul style="list-style-type: none"> • When there is a delinquency or judgment involving debt to the Federal Government, evidence must be provided showing the delinquent account was brought current or satisfactory arrangements were made between the borrower and the Federal agency owed, or the judgment was paid or otherwise satisfied.
7	Does the loan file contain required tax returns ? <ul style="list-style-type: none"> • If the borrower is self-employed, the loan file must include 2 years' tax returns and a profit and loss statement for year to date since the end of the last fiscal year (or whatever shorter period records may be available), and a current balance sheet showing all assets and liabilities.
8	Was the HUD-1 settlement statement accurately prepared and properly certified?
9	Were fees charged to the veteran appropriate and accurate?
10	Was the loan properly documented and submitted in accordance with VA standardized loan file set-up procedure?
11	Was the loan current at the time its was submitted to VA for guaranty?
12	Did the borrower transfer the property at the time of closing or soon after, indicating possible misuse of the veteran's loan entitlement?
13	Was all conflicting information or discrepancies resolved and properly documented in writing prior to submission of the loan to VA for guaranty?

FIGURE 1-C Checklist - Application for Authority to Close Loans on an Automatic Basis

1) **Experience - *Your firm must meet one of the following experience requirements***

Company Experience

Firm Actively Engaged In Originating VA Loans For At Least 2 Years; **And**, Firm Has Originated And Closed A Minimum Of 10 VA Loans (Excluding IRRRLs); **Or**,

Firm Actively Originating And Closing VA Loans For Less Than 2 Years; **And**, Firm Has Originated And Closed At Least 25 VA Loans (Excluding IRRRLs)

Principal Officer Experience

Documentation

Resumes For Each Principal Officer (President Plus Any Officers Involved In Managing Loan Origination Functions) Showing Mortgage Lending Experience

Experience Requirement

All Principal Officers Engaged In Origination Have **2 Recent** Years Management Experience In The Origination Of VA Loans

Agent Experience

Documentation

A Copy Of The VA Letter Approving The Firm As An Agent For The Sponsoring Lender; **And**, A Letter From A Senior Officer Of The Lender Indicating The Number Of VA Loans Submitted And Compliance With VA Requirements And Procedures; **And**, A Copy Of The Corporate Resolution

Experience Requirement

Firm Actively Operating As An Agent For An Automatic Lender For 2 Years; **And**, Originated A Minimum Of 10 VA Loans; **Or**,

Firm Actively Operating As An Agent For An Automatic Lender For Less Than 2 Years; **And**, Originated A Minimum Of 25 VA Loans

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**FIGURE 1-C Checklist - Application for Authority to Close
Loans on an Automatic Basis, Continued** **2) Underwriter(s)****Documentation**

VA Form 26-8736a Completed By A Senior Officer; **And**, A Current Resume Outlining The Underwriter's Specific Experience With VA Loans. If Underwriter Is Not Located In The Home Office, Certification From A Senior Officer That The Underwriter Reports To And Is Supervised By An Individual Who Is Not A Branch Manager Or Other Person With Production Responsibilities

Experience Requirement

Minimum 3 Years Experience In Processing, Preunderwriting Or Underwriting Mortgage Loans; **And, At Least One Recent Year Of This Experience Making Underwriting Decisions On VA Loans** (Recent = Within The Past 3 Years); **Or**, Accredited Residential Underwriter (ARU) By The Mortgage Bankers Association

 3) Working Capital or Net Worth

A Minimum Of \$50,000 In Working Capital Must Be Demonstrated; **Or**,

Lender Has \$250,000 Net Worth As Defined By HUD And Reported By CPA In Annual Financial Statements (See Figure 1-A)

 4) Financial Statements

Audited And Certified By A CPA; **And**
Current To Within 6 Months Of The Application Date

 5) Line Of Credit Of At Least \$1 Million Dollars **6) Two Permanent Investors With Addresses, Telephone Numbers And Name(s) Of Contact Person(s)** **7) Quality Control Plan That Meets VA Requirements (See Figure 1-B)** **8) Designated Liaison Officer** **9) Corporate Resolutions And Delinquency Data For Affiliates** **10) List Of Branch Offices Or Corporate Resolutions For Agents Submitted For Additional States Approvals** **11) Application Fee Submitted**

[(13) VA Form 26-1805, VA Request for Determination of Reasonable Value (except in MCRV cases);]

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

[(15) VA Form 26-1843a, Master Certificate of Reasonable Value, if applicable, with any 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

[(16) LAPP documentation (see par. 21.19) and

[(17) 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 etc., is **NOT** required when VA Form 26-1843a, MCRV, is submitted); and

[(18) Any other necessary documents.

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) If the loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time;]
- [(11)] Any other necessary documents.

4.04 AUTOMATIC PROCEDURE

a. Requirements. Lenders who are supervised [(par. 1.04)] or have been approved as nonsupervised 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 "Prior Approval" in par. 1.01.)]

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, [a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reason(s) why the loan was not submitted on time, and certifies that the loan is current;]
- (14) Interest Rate and Discount Disclosure Statement;
- (15) VA Form 26-0592, Counseling Checklist for Military Homebuyers, if applicant is on active duty;
- (16) 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 26-1805, VA Request for Determination of Reasonable Value (except in MCRV cases);]

[(22)] VA Form 26-1843, Certificate of Reasonable Value; or

[(23)] 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

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

[(25)] 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.)

[(26)] 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) If loan is submitted more than 60 days after loan closing, a statement by a corporate officer of the lender which identifies the loan, provides the specific reason(s) why the loan was not submitted on time, and certifies that the loan is current;]

[(13)] 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.

[(14)] 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

VA. No such action shall be taken by regional offices without prior approval of VA Central Office.

e. Lender Responsibilities

(1) A lender originating a loan on the automatic guaranty basis is responsible for determining and certifying to VA that the loan meets all applicable statutory and regulatory requirements including the credit aspects of the loan. When VA Form 26-1820 is submitted to VA, the lender certifies the loan conforms to all applicable provisions of the law and loan guaranty regulations. This certification confirms all of the following:

(a) The veteran is a satisfactory credit risk;

(b) The terms of payment required by the loan contract bear a proper relationship to the veteran's present and anticipated income and expenses;

(c) The lending institution making the certification is the lender and not merely acting as the closing instrumentality for another lender, thus circumventing the prior approval requirement applicable to loans originated by a lender not authorized to close on the automatic basis.

(2) Lenders are prohibited from closing loans on the automatic basis for the accommodation of another lender; i.e., when closing under the automatic procedure would have the effect of enabling a lender to do indirectly what it may not do directly.

(3) Lenders may not close loans on the automatic basis when the lending institution is a subsidiary of a home builder, and the property to be financed with the VA loan is one in which the builder has a proprietary or financial interest. [(See par. 1.07.)]

4.05 CERTIFICATE OF COMMITMENT

a. VA issues VA Form 26-1866, or 26-1866a, Certificate of Commitment, as evidence of approval in each approved prior approval case. If, during the validity period of a certificate of commitment, the veterans' entitlement becomes subject to a reduction, the certificate of commitment, together with any extension of the validity period, must be reissued for the lower amount of available entitlement.

(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) If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reason(s) why the loan was not submitted on time and certifies that the loan is current;

(m) 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.]

[(n)] 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.

increases in monthly payment may be fixed or tied to an appropriate index. Under one GEM plan, the monthly principal and interest payments for the first year are based on the standard amortization plan for a 30-year mortgage. Beginning with the 2nd year and continuing through the 10th year, the monthly payments are increased by 3 percent each year. From the 11th year on, the payments to principal and interest remain constant. The escalating reduction in the principal balance results in payoff of the loan in the 16th year based on an interest rate of 12.875 percent. Another GEM plan bases payment increases on a percentage of a Commerce Department index that measures per capita, after-tax disposable personal income in the United States. If the payment increases were based on 75 percent of the index, which performed during the first 10 years of the mortgage similarly to the last 10 years, a 14 percent loan would be estimated to pay out in as little as 11 years.

5.09 ADJUSTABLE RATE MORTGAGES

[a. VA's authority to guaranty ARMs (Adjustable Rate Mortgages) expired on September 30, 1995.

b. Loan Assumptions. For existing VA ARM loans that are assumed, the lender/holder will be required to provide the assumer, if approved, with an Adjustable Rate Mortgage Disclosure Statement which meets the criteria of the Federal Reserve Board's Truth-in-Lending regulations (Regulation Z).] To conform with Regulation Z, the statement must disclose:

- (1) the fact that the interest rate can change, and an explanation of how changes correspond to changes in the interest rate index,
- (2) the identification of the interest rate index, its source of publication and availability,
- (3) the frequency of interest rate and monthly payment adjustments, and the length of the interval that will precede the initial adjustment and,
- (4) a monthly payment schedule using the actual loan amount or a hypothetical loan amount to show how the monthly payment can change (worst case scenario).

[]

(NOTE: Next page is 5-13)

5.12 Income, Continued**Self-
Employment
Income****Verification**

Obtain the following documentation:

- Current **financial statements** prepared in a generally recognized format, including:
 - [Year-to-date profit and loss statement]
 - Current balance sheet
 - **NOTE:** The financial statements must be sufficient for a loan underwriter to determine the necessary information for loan approval. The lender may require accountant-prepared financial statements or financial statements audited by a Certified Public Accountant if needed to make such a determination due to the nature of the business or the content of the financial statements.

PLUS

- Individual **income tax returns**, signed and dated, plus all applicable schedules for the previous 2 years (or additional periods if needed to demonstrate a satisfactory earnings record)
 - [If the most recent year's tax return has not yet been prepared, provide a profit and loss statement for that year.]

PLUS

- If the business is a corporation or partnership
 - Copies of the signed federal business income tax returns for the previous 2 years plus all applicable schedules
 - A list of all stockholders or partners showing the interest each holds in the business
- **NOTE:** Obtain a written credit report on the business as well as the applicant as needed.

Analysis

Generally, income from self-employment is considered stable when the applicant has been in business for at least **2 years**.

- Less than 2 years cannot usually be considered stable unless the applicant has had previous related employment and/or extensive specialized training.
- Less than 1 year can rarely qualify.
 - In-depth development is required for a conclusion of stable income on less than 1 year cases.

Analyze the general economic outlook for similar businesses to determine whether the business can be expected to generate sufficient income for the applicant's future needs.

Continued on next page

5.12 Income, Continued

Self-Employment Income (continued)

If the business shows a steady or significant decline in earnings over the period analyzed, the reasons for such decline must be analyzed to determine whether the trend is likely to continue or be reversed.

If the business is unusual and it is difficult to determine the probability of continued operation, obtain an opinion on viability and future earnings, and an explanation of the function and financial operations of the business from a qualified party.

Depreciation claimed as a deduction on the tax returns and financial statements of the business may be included in effective income.

Active Military Applicant's Income

Verification

A military **LES** (Leave and Earnings Statement) is required instead of a VOE (VA Form 26-8497).

- The LES must furnish the same information as a VOE.

The LES must be **no more than 120 days old** (180 days for new construction).

- For loans closed automatically, the date of the LES must be within 120 days of the date the note is signed (180 days for new construction).
- For prior approval loans, the date of the LES must be within 120 days of the date the application is received by VA (180 days for new construction).

The LES **must** be an **original or a copy** certified by the lender to be a true copy of the original.

IN ADDITION, identify service members who are within 12 months of release from active duty or end of contract term. Find the date of expiration of the applicant's current contract for active service on the LES (for an enlisted service member) or on an officer's orders. For a National Guard or Reserve member, find the expiration date of the applicant's current contract.

Continued on next page

CHAPTER 18. GENERAL INFORMATION AND ELIGIBILITY**18.01 STATUTORY AND REGULATORY AUTHORITY**

The Lender Appraisal Processing Program (LAPP) is authorized by Section 3731(f) of Title 38 of the United States Code, as added by Public Law 100-198, Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987. Title 38, CFR, 36.4344 implements the provisions of the law.

18.02 BASIC PROGRAM OUTLINE

The VA-assigned fee appraiser sends the appraisal report directly to the LAPP lender's VA-approved staff appraisal reviewer (SAR). The SAR reviews the appraisal for completeness and conformity with industry-accepted appraisal techniques, practices and other current VA requirements. After determining the reasonable value, the SAR sends the veteran a written notice which also includes any conditions upon which the VA loan guaranty is contingent. The lender may then underwrite and close the loan on the automatic basis.

18.03 LENDER ELIGIBILITY

a. **General.** Only supervised lenders and nonsupervised lenders who have been approved for the automatic authority by Central Office (264) are eligible to apply for LAPP participation.

b. **Lender Staff Appraisal Reviewers**

(1) **Qualification Requirements.** To be eligible to participate in LAPP, the lender's staff appraisal reviewer must have at least 3 years of experience of a type which qualifies him/her to competently perform administrative appraisal reviews in conjunction with underwriting loans for VA loan guaranty purposes. This includes a general knowledge of, and the ability to apply to such reviews, the basic principles, methods, practices and techniques of appraising. It also includes the ability to review the work of others, to recognize deviations from accepted appraisal principles and practices, and to detect errors in computations and unsupportable conclusions. Experience indicating a general knowledge of realty practices and principles related to real property valuation, skill in collecting and assembling data, and the ability to prepare clear and concise reports in conjunction with administrative appraisal reviews as the practices apply to the underwriting decision is also desirable. Applicants with at least 3 years of experience related to the Department of Housing and Urban Development (HUD) Direct Endorsement program are considered qualified for LAPP participation, provided all other application requirements are satisfied.

(2) **Location.** [There is no restriction on the location of a lender's SAR.]

c. **Authorized Agents.** The role played by authorized agents (also known as loan correspondents or mortgage brokers) in the LAPP process is limited to requesting appraisals and forwarding appraisal reports to the lender's staff appraisal reviewer. See paragraph 21.07 for details. Also see paragraph [1.08] for information regarding the role of authorized agents in other loan policy matters.

d. **Affiliates.** Lenders are not authorized to use LAPP for any builder, land developer, real estate broker or other entity which they own or have a financial interest in, or with which they are otherwise affiliated, unless approved by VA. This restriction may not apply if the only relationship between the lender and a builder is a construction loan[. Otherwise, the lender must demonstrate to VA that the lender and builder, or other affiliate, are essentially separate entities operating independently of one another, free of all cross influences. See "Approval to Close Loans for an Affiliate" in paragraph 1.07 for specific documentation required. In addition,] the lender's quality control plan must address the insulation of the fee appraiser, appraisal reviewer and the underwriter from the influence of the affiliate.

18.04 PROPERTY ELIGIBILITY

a. **Responsibility for Determining Eligibility.** The lender is responsible for determining the basic eligibility of the property for appraisal and LAPP processing.

b. **Eligible Properties.** Only individual, single family, existing construction (including "cash-out" refinancing) cases are eligible for LAPP processing. These cases are defined as:

(1) Previously owner occupied, regardless of the date construction was completed, provided the property will meet VA MPRs (minimum property requirements) for existing construction.

(2) Not previously owner occupied, provided construction was completed 1 year or more prior to the date of the appraisal request and will meet VA MPRs for existing construction.

(3) Not previously owner occupied and less than 1 year old, provided construction is fully complete with the possible exception of customer preference items, such as interior finishes, appliances and other equipment, and those exterior onsite improvements for which the VA regional office allows escrows; and the property is enrolled in an insured 10-year protection plan accepted by HUD.

VA LENDER APPRAISAL PROCESSING PROGRAM (LAPP) APPLICATION

STAFF APPRAISAL REVIEWER NOMINEE: _____
 (full name)

_____ (residential address) _____ (social security number)

_____ (business address)

_____ (business telephone) _____ (10-digit VA lender ID for office where reviewer located)

OFFICER RESPONSIBLE FOR QUALITY OF STAFF APPRAISAL REVIEWER'S WORK:

_____ (name and title)

_____ (business address) _____ (business telephone)

STAFF APPRAISAL REVIEWER NOMINEE'S STATEMENTS AND CERTIFICATIONS

PREVIOUS LAPP APPROVAL: If I was previously approved by VA as a LAPP Staff Appraisal Reviewer (SAR), the SAR ID number assigned was _____.

DISCLOSURE OF SANCTIONS: I have not been suspended, debarred or had a similar sanction taken against me by any Federal or State entity or any professional organization. I am not aware of any unresolved investigation involving me. Any potential problem regarding this disclosure has been submitted to VA, and a letter from VA indicating that the problem is resolved is attached.

CONFLICTS OF INTEREST: As a LAPP staff appraisal reviewer, I understand that I may not be employed by or perform appraisal review services for any other lender and may not be on the VA fee panel. I agree to report to VA any private interests or pursuits which might be considered by VA to be a conflict of interest.

APPRAISAL REVIEW EXPERIENCE: As indicated in the attached resume, or statement of work experience or evidence of HUD Direct Endorsement participation, I have the requisite experience outlined in paragraph 18.03b(1) of the VA Lender's Handbook.

APPRAISAL REPORT REVIEWS: I understand that all staff appraisal reviews made for VA loan guaranty purposes must be completed in accordance with the requirements in Chapter 21, Lender Processing Under LAPP, of the VA Lender's Handbook. I also understand that no pressure or influence is to be exerted on the appraiser to remove or change valid appraisal report information, or to reach a predetermined value for a property.

My signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.

_____ (signature of staff appraisal reviewer) _____ (date)

Figure 1. Lender Application For LAPP Authority

SENIOR LENDING OFFICER'S STATEMENTS AND CERTIFICATIONS

STAFF APPRAISAL REVIEWER NOMINATION: The nominee is a full-time salaried employee of this company and is authorized to act on our behalf as a staff appraisal reviewer. Based on our personal interview with the nominee and a thorough review of the nominee's appraisal-related capabilities and performance, we find the nominee to be qualified as a staff appraisal reviewer in accordance with the requirements in paragraph 18.03b(1) of the VA Lender's Handbook. We acknowledge the responsibility that any improper actions of the nominee as a staff appraisal reviewer shall be imputed to the employer. We agree to promptly notify the appropriate VA office(s) if we ever change or limit this recommendation, or terminate our relationship with the nominee.

PROCESSING FEE: The \$100 processing fee for this nominee is attached.

PROPERTIES ALREADY VALUED: Unless VA grants authorization for a specific case, this company will not knowingly request an appraisal for a property which already has a valid value determination for VA loan purposes.

NO APPRAISAL REVIEWS FOR AFFILIATES: This company will not use LAPP for any builder, land developer, real estate broker or other entity which it owns or has a financial interest in, or with which it is otherwise affiliated. We realize that this restriction does not apply if our only relationship with a builder is a construction loan, or if VA agrees that the attached [corporate resolutions and letters demonstrate that we and our affiliate(s) are essentially separate entities operating independently of one another, free of all cross influences. (See "Approval to Close Loans for an Affiliate" in par. 1.07.)] In this latter situation, our quality control plan addresses the insulation of the fee appraiser, staff appraisal reviewer and the underwriter from the influence of the affiliate.

NO APPRAISAL REVIEWS FOR/FROM OTHER LENDERS: Although appraisal reports may be transferred from one lender to another, this company will not make VA value determinations for other mortgage lenders, nor use a value determination for VA loan guaranty purposes which was made by another mortgage lender, under any circumstances.

NO PRESSURE/INFLUENCE ON FEE APPRAISER OR STAFF APPRAISAL REVIEWER: This company will not exert pressure or influence on the fee appraiser or staff appraisal reviewer to remove or change valid appraisal report information, or to reach a predetermined value for a property.

QUALITY CONTROL SYSTEM: This company has an effective quality control or other system to ensure the adequacy and quality of its staff appraisal reviews. That system contains all of the basic elements identified in paragraph 19.01c of the VA Lender's Handbook.

My signature below affirms that the information I am providing in all of the above statements and certifications is accurate and true, to the best of my knowledge.

(signature and title of senior officer)

(date)

Figure 1 -- Continued. Lender Application for LAPP Authority

b. **Training/Case Review by Experienced SAR.** If the new SAR is located in a lender's office with a SAR who currently has full LAPP authority and is performing acceptably, the VA regional office should honor the lender's request to allow the experienced SAR to assume responsibility for adequately training the new SAR and initially ensuring the acceptability of his/her LAPP-related work. After this authority is granted and the training and case reviews are acceptably completed, the lender's senior officer must send the VA office a signed and dated notice which includes:

- (1) The name and SAR identification number of both the trainee and the trainer; and
- (2) A statement that the training covered all VA LAPP requirements, and that the trainer reviewed at least five cases which were successfully completed by the trainee.

20.06 VA NOTICE THAT TRAINING AND CASE REVIEW REQUIREMENTS ARE SATISFIED

a. **Basic Requirement.** VA will notify the lender by letter when each SAR's training and initial case review requirements have been satisfactorily completed.

b. **Reason for Notice.** Allows lenders to extend their LAPP authority to other VA offices.

20.07 EXTENDING LAPP AUTHORITY TO OTHER VA OFFICES

a. To extend a SAR's LAPP authority to another VA regional office's jurisdiction, the lender must provide that VA office with:

- (1) A written request;
- (2) A copy of the evidence that the SAR has satisfied both the training and initial five case review requirements (fig. 1 in this chapter); and
- (3) A copy of the identifying information, statements and certifications that the lender originally submitted to VA for that SAR (fig. 1 in chapter 19).

b. Upon receipt of the above documents, the VA office will notify the lender in writing that the SAR is authorized to process cases under LAPP in that jurisdiction.

20.08 STAFF APPRAISAL REVIEWER EMPLOYMENT CHANGES

a. **Ceasing Employment or SAR Work.** Lenders must promptly notify VA regional offices when a SAR ceases employment or work as a SAR. VA acceptance of that SAR automatically ceases when either event occurs. If that individual was the lender's only SAR, then that lender is no longer eligible to participate in LAPP.

b. **Changing Employers.** When a SAR changes employers, the new employer must submit the processing fee and application to VA for that SAR, as outlined in paragraph 19.01. Although the training and initial case review requirements do not have to be satisfied again, unless the SAR has not processed LAPP cases within the last year, the application package must include evidence that those requirements have been satisfied (fig. 1 in this chapter).

20.09 LENDER MERGERS AND ACQUISITIONS

[Lenders involved in a merger/acquisition should refer to paragraph 1.09 for the documentation required to gain VA acceptance of that action.]

21.07 USE OF AUTHORIZED AGENTS

a. **Required Lender/Agent Relationship.** Agents can be involved in LAPP processing only when the sponsoring (funding) lender has an established ongoing agency relationship with the agent, as evidenced by a corporate resolution accepted by VA (see par. [1.08]). The corporate resolution must provide that the sponsoring lender accept full responsibility for the actions of its agents. Additionally, the sponsoring lender is responsible for assuring that the agent is appropriately trained and knowledgeable about VA appraisal assignment procedures and the restrictions on their role in LAPP.

b. **What Agents Can Do.** Agents may request appraisals on behalf of approved LAPP lenders and, if authorized by the lender, receive appraisal reports and forward them to the lender's staff appraisal reviewer. The sponsoring lender must issue their LAPP notice of value within 5 business days of the date of receipt of the fee appraiser's report by the agent or by the sponsoring lender, whichever is earlier (also see par. 21.13b).

c. **What Agents Cannot Do**

(1) Agents cannot request an appraisal unless the sponsoring LAPP lender is already known. It is not acceptable for an agent to use a LAPP lender's identification to order an appraisal and then "shop" for a sponsoring lender to process the loan.

(2) Although authorized agents may contact assigned fee appraisers about the timeliness of their completion of appraisals, they are not permitted to discuss matters relating to the valuation of the property. Only the lender's staff appraisal reviewer is authorized to contact the fee appraiser to discuss valuation matters.

(3) Agents are not permitted to advertise or otherwise represent in any way that they are LAPP approved or have LAPP authority.

d. **Requesting Appraisals**

(1) See paragraph 21.05.

(2) When requesting an appraisal by modem, the authorized agent must use the sponsoring lender's VA Automated Appraisal Assignment Program (AAP) log-on identification code assigned by the VA office where the property is located. Although authorized agents will not receive their own AAP log-on for the purpose of ordering LAPP appraisals, they may be assigned a log-on code for the purpose of ordering non-LAPP appraisals.

(3) If authorized by the sponsoring lender to receive and forward the appraisal report, the agent's address must be shown in item 5 of VA Form 26-1805. In every case, the agent will sign item 38 as the person making the appraisal request, indicate the name of the agent's firm in item 39; and provide the appropriate telephone number(s) in item 40. In completing the form, the authorized agent is making the required certifications on behalf of the sponsoring lender.

e. **Lender Agents Who Also Have LAPP Authority.** A LAPP lender acting as an authorized agent for another lender cannot issue a LAPP notice of value for that lender. The staff appraisal reviewer for the lender funding (sponsoring) the loan must issue the notice of value in the sponsoring lender's name. See paragraph 21.17, Transfer of Appraisal Reports Between Lenders.

21.08 FEE APPRAISER'S ROLE IN LAPP

a. **Timeliness.** VA fee appraisers are expected to return completed appraisals to the lender within the same time frame as other VA appraisals. See paragraph 21.11a.

b. **Estimate Market/Reasonable Value.** The fee appraiser is responsible for providing an objective, adequately supported estimate of the market value of the accurately described subject property. The URAR (Uniform Residential Appraisal Report) is to be used in every case.

c. **Required Appraisal Documentation.** The fee appraiser will provide 2 separate packages containing the following material:

(1) URAR (Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report)

(2) Freddie Mac Form 439/Fannie Mae Form 1004B, Statement of Limiting Conditions and Appraiser's Certification; and

(3) Any appraisal/repair addenda (e.g., location map, competitive listing/contract data when required); and

(4) Photographs (NOTE: Two original sets of photographs for the subject property are required. Instead of photographs of the comparables, listing service pictures are acceptable provided they clearly depict the property. Computer-generated pictures are acceptable for the subject property and comparables, provided the pictures are of comparable quality to original photographs.)

d. **Cooperate with Lender Staff Appraisal Reviewers.** See paragraph 21.10c.

21.15 TITLE LIMITATIONS

After examination of title and prior to loan closing, if the lender or other interested party discovers title conditions or limitations which are not shown on the appraisal request (VA Form 26-1805), and/or not considered in the appraisal report, and not listed in 38 CFR 36.4350 as not materially affecting the reasonable value of residential property, then the lender must send that information and a copy of the appraisal report to the VA regional office of jurisdiction for processing. If the lender refers items which are listed in 38 CFR 36.4350, VA will return that material unprocessed, along with an explanation.

21.16 LAPP CASES SUBMITTED TO VA

a. **For VA Certificate of Reasonable Value.** See paragraph 21.10e(2).

b. **For Loan Commitment.** LAPP lenders can submit cases to VA to obtain a loan commitment on a "prior approval" basis. The submission to VA must include the original fee appraisal report, and all addenda, including the photographs, which have been reviewed by the lender's SAR, and a copy of the SAR's notice of value letter to the veteran. Additionally, all other VA requirements for a case submitted on the prior approval basis by an automatic lender must be met.

21.17 TRANSFER OF APPRAISAL REPORTS BETWEEN LENDERS

a. **If Receiving Lender Has LAPP Authority.** A LAPP notice of value letter is not transferable to another lender. However, an appraisal requested by one lender can be used by another lender for LAPP purposes. Although lenders are expected to cooperate on a reciprocal basis in such cases, an original copy of the appraisal report and all addenda, including clear copies of all pictures, may be obtained from the fee appraiser. If the fee appraiser needs to reproduce or obtain new photographs, he or she may negotiate a reasonable fee, to be paid by the lender or veteran, to "transfer" the case. When an appraisal report is transferred from one lender to another, the receiving lender must assume full responsibility for LAPP processing by performing a complete review of the appraisal report and issuing, on its own letterhead, a notice of value letter to the veteran.

b. **If Receiving Lender Does Not Have LAPP Authority.** If the receiving lender does not have LAPP authority, all appraisal documents must be submitted to the VA regional office for review and VA staff issuance of a certificate of reasonable value. VA will change the case designation from "LAPP" to "LH."

21.18 COMPLAINTS

All LAPP case complaints concerning the property condition or the fee appraiser's performance must be referred to the VA regional office having jurisdiction over the location of the property. The VA office will process the complaint according to VA guidelines.

21.19 [SATISFACTION OF NOTICE OF VALUE CONDITIONS/REQUIREMENTS

a. **General.** The lender's origination package must contain evidence of satisfaction of those items noted on the lender's notice of value as special conditions or requirements which must be met prior to VA guaranty of the loan.

b. **Satisfaction of Repair Requirements.** When repairs are required, one of the following forms of evidence of their satisfactory completion:

(1) **Appraiser/Compliance Inspector Certification.** Evidence from a VA fee appraiser or compliance inspector on their letterhead that the repairs have been acceptably completed. If the appraiser who was assigned by VA to appraise the property is unable to visit the property, the lender must ask the VA office to assign another fee appraiser or a compliance inspector. In that situation, the lender will provide the newly assigned person with a copy of the appraisal report and/or other appropriate information concerning the required repairs, and advise him/her that the case is being processed under LAPP so that the certification will be sent directly to the lender, not VA, for processing. The certification will be reviewed by the SAR who, if satisfied, will date and countersign it.

(2) **Lender Certification.** If the SAR determines that the required repairs are minor, uncomplicated and of a nonstructural nature, the lender may provide a written certification that they have been satisfactorily completed. In all cases, however, completed repairs relating to defective paint conditions must be inspected by VA staff or fee personnel. Although a certification from a licensed contractor or home inspection firm can be used to support the lender's certification, it cannot be used as a substitute for the lender's certification.

(3) **Other.** Other evidence acceptable to the VA regional office of jurisdiction.

c. **Escrow for Uncompleted Items.** Under LAPP, VA will not become directly involved with escrows for uncompleted repairs. In rare instances, however, lenders may wish to establish an informal escrow or earmarked account to ensure the completion of repairs delayed for reasons beyond anyone's control (e.g., exterior painting in cold winter months). The amount held by the lender should equal 150 percent or more of the cost of the repairs to ensure that the lender will have adequate funds to complete them if the other parties to the transaction fail to perform. Evidence

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of VA loan guaranty will be issued if VA Form 26-1820, Report and Certification of Loan Disbursement, is appropriately completed to indicate that funds intended for completion of repairs are being held by the lender in an escrow or earmarked account. In general, written evidence of completion of the repairs and disbursement of the escrowed/earmarked funds should be submitted by the lender to the VA office of jurisdiction within 90 to 120 days of loan closing.]

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 [6.10d(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(2)].

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(2)].

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(2)].

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. [4.03b(13); 4.04b(21);] 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. [1.08]; 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(14); 4.04b(22)]; 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. [4.02a; 4.03b(15); 4.04b(23)]; 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. 4.05a; 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).

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 - Nonsupervised Lenders. The nonsupervised lender's application or VA automatic authority. Reference: Par. [1.05].

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

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. [1.02 and 1.03].

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); [6.10d(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); [6.10d(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. 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).