Chapter 2. Veteran's Eligibility and Entitlement

Overview

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1. How to Establish the Applicant's Eligibility for a VA Loan

Change Date

April 6, 2012, Change 19

- Subsections "b" and "c" have been updated regarding the COE online application and IRRRL eligibility determinations.
- This section has been updated to make minor grammatical edits.

a. What is Eligibility?

Eligibility means the veteran meets the basic criteria of appropriate length and character of service to utilize the home loan benefit. Entitlement, which will be discussed later, is the amount a veteran may have available for a guaranty on a loan. An eligible veteran must still meet credit and income standards in order to qualify for a VA-guaranteed loan.

b. The Lender's Role

Before processing and closing a loan for an applicant, the lender must ensure the applicant is an eligible veteran. Lenders should **never** close a loan before they establish eligibility, since VA cannot guarantee a loan for an ineligible veteran.

***Note*:** A COE is the **only** reliable Proof of Eligibility for the Lender (except in the case of an IRRRL which will be discussed in section 1c).

Once a COE is received, there is generally no need to have it updated before loan closing, unless the lender has reason to believe it is inaccurate.

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1. How to Establish the Applicant's Eligibility for a VA Loan, Continued

b. The Lender's Role (continued)

Although this chapter discusses some of the basic eligibility criteria, it is **not** intended to provide a lender with all the knowledge necessary to make an eligibility determination; consequently, all the various exceptions and nuances of eligibility are not included. Exhibit 1-A at the end of this chapter provides a quick reference and overview of basic eligibility criteria.

Lenders should use VA's online application to attempt to obtain the COE. Go to VA's Information Portal and select webLGY from applications; then select *Eligibility* and follow the prompts. In many cases, a COE can be generated in seconds. If not, lenders should select a link to submit an electronic application. This method allows lenders to upload supporting documentation and submit an application electronically to the Eligibility Center.

Veterans may also apply for a COE online at http://www.ebenefits.va.gov.

Lenders and veterans can still apply by mail by completing VA Form 26-1880, Request for a Certificate of Eligibility. However, to ensure quicker responses, it is preferable to apply online. Lenders in particular should use the online application, rather than mail.

c. IRRRL Eligibility Determination

VA systems will not generate a VA case number for an IRRRL if there is no record of an active loan. This means if a lender successfully obtains a case number for an IRRRL, no further documentation of eligibility is required.

2. What the Certificate of Eligibility Tells the Lender

Change Date

March xx, 2012, Change 19
- Subsections "c" and "d" have been updated to include information on Funding Fee exemptions displayed on a COE.
- Subsections "e" and "g" have been added to provide information on exempt status and verified income, and the subsequent use funding fee.
- This section has been updated to make minor grammatical edits.

a. Eligibility

The lender may rely on a COE as proof the veteran is eligible for the home loan benefit. Although eligible for the home loan benefit, veterans must still qualify based on income and credit before loan approval is granted.

b. Amount of Entitlement

Entitlement is the amount available for use on a loan. The amount of available basic entitlement is $36,000. This may be reduced if a veteran has used entitlement before which has not been restored. The amount of basic entitlement will be displayed near the center of the COE. For example it may say:

"THIS VETERAN'S BASIC ENTITLEMENT IS $_____. TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $_____."

For certain loans in excess of $144,000, additional entitlement may be available. For loans greater than $144,000, but less than $417,000, the maximum entitlement is 25 percent of $417,000, which equals $104,250. For loans greater than $417,000, the maximum entitlement is 25 percent of the appropriate "loan limit" which can vary by county. For a description of loan limits, as well as the limits for counties, visit the VA Loan Limits webpage. Please note county limits can change yearly. VA will post the limits for each year on our website as they change.

Even though the veteran may have entitlement for certain loans greater than $144,000, the COE will never reflect this potential "extra" entitlement. Instead, an asterisk by the word "available" refers to a note, which explains the possibility of additional entitlement.

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2. What the Certificate of Eligibility Tells the Lender, Continued

b. Amount of Entitlement (continued)

If the veteran previously used entitlement, which has **not** been restored, available entitlement is reduced by the amount used on the prior loan(s). The lender has two options in this situation:

- Make the loan knowing that VA's guaranty is limited to the amount of available entitlement, or
- Have the veteran apply for restoration of previously used entitlement.

Note: The possible additional entitlement for certain loans in excess of $144,000 may be available even if the veteran has no entitlement or partial basic entitlement. However, in such cases, the lack of full entitlement may result in lenders receiving less than a 25 percent guaranty from VA. It is the lender's responsibility to ensure they receive a sufficient amount of guaranty to satisfy secondary market requirements.

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2. What the Certificate of Eligibility Tells the Lender, Continued

c. Funding Fee (FF) Field and Conditions on COE

The "FUNDING FEE" (FF) field appears near the top of the COE. The exemption status, either "EXEMPT," "NON EXEMPT," or "CONTACT RLC," will appear to the right of this field:

- *EXEMPT* status indicates a veteran is exempt from paying the FF.
- *NON EXEMPT* status indicates a veteran is not exempt from paying the FF.
- *CONTACT RLC* indicates a system-generated determination is not available.

Note: Regardless of the new FF status shown on the COE, lenders must be sure to read any and all statements appearing in the "CONDITIONS" field, which appears near the middle portion of the COE:

For COEs with "EXEMPT" status, the following "CONDITIONS" may appear:

- "Funding Fee – Veteran is exempt from Funding Fee due to receipt of service-connected disability compensation of $___ monthly."
- "Funding Fee – Veteran is exempt from Funding Fee due to receipt of service-connected disability compensation. Monthly compensation rate has not been determined to date."
- "Funding Fee – Please fax a copy of VA Form 26-8937 to the VA Regional Loan Center of jurisdiction."
- "Funding Fee – Please have the lender contact VA Regional Loan Center for loan processing. Please fax a copy of VA Form 26-8937 to the RLC of jurisdiction."

For COEs with a "NON EXEMPT" status, the following "CONDITIONS" may appear:

- "Funding Fee – Veteran is not exempt from Funding Fee."
- "Funding Fee – Veteran is not exempt from Funding Fee due to receipt of nonservice-connected pension. LOAN APPLICATION WILL REQUIRE PRIOR APPROVAL PROCESSING BY VA."

For COEs with "CONTACT RLC" status, the following "CONDITION" will appear: "Funding Fee – Please fax a copy of the 26-8937 to the RLC of jurisdiction."

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2. What the Certificate of Eligibility Tells the Lender, Continued

d. IRRRL Exemption Status

The Funding Fee Exemption Status on IRRRLs is displayed in WebLGY at the time the Case Number is ordered.

e. Exempt Status and Verified Income

Lenders may rely on the "EXEMPT" status appearing next to the "FUNDING FEE" field for verification of FF exemption. Additionally, on COEs with an "EXEMPT" status, lenders may treat any service-connected disability income amount appearing in the "CONDITION" section of the COE as verified income. There is no need to fax in VA Form 26-8937 to confirm the status or amount showing on the COE.

f. Additional Conditions Listed On Some COE Forms

Additional Conditions that the lender and veteran must comply with are listed on the COE, under the Conditions heading.

The following table provides the actions a lender should take for each condition, if applicable:

Conditions	What to Do
Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of the date of note is required.	Ensure the veteran is still on active duty before closing the loan. If the veteran is discharged or released prior to loan closing, request a new eligibility determination from VA.
Excluded entitlement previously used for VA Loan Identification Number (LIN) as shown herein is available only for use in connection with the property that secured that loan.	If the entitlement used for the prior loan identified in this condition is needed for the proposed loan, ensure the proposed loan will be secured by the same property as the prior loan. (Cash-out refinance on a prior VA loan.)

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2. What the Certificate of Eligibility Tells the Lender, Continued

f. Additional Conditions Listed On Some COE Forms (continued)

Conditions	What to Do
Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is: $ [amount].	If the proposed loan involves a manufactured home, adhere to the entitlement limit indicated.
Not eligible for any loan to purchase a manufactured home unit until veteran disposes of unit purchased with manufactured home loan number VA LIN [number].	If the proposed loan involves a manufactured home, ensure that the veteran has disposed of the unit indicated.
Entitlement previously used for VA LIN [number] has been restored without disposal of the property, under provision of 38 U.S.C. 3702b(4). Any future restoration requires disposal of all property obtained with a VA loan.	This is information for the veteran. The lender need not be concerned if this condition is applicable, as long as the available entitlement shown on the COE is sufficient for the lender's purposes.

g. Subsequent Use Funding Fee Condition

The "Subsequent Use Funding Fee" Condition indicates the veteran has used their home loan benefit before, so a higher funding fee is required.

3. How to Apply for a Certificate of Eligibility

Change Date April 6, 2012, Change 19

- Subsection "a" has been updated to reflect the new Eligibility Center address and contact information.
- This section has been updated to make minor grammatical edits.

a. Procedures Lenders should first attempt to obtain a COE through the online application webLGY, which can be accessed through the VA Information Portal. If a COE is obtained, lenders should print out a copy and retain it with their origination loan documents. Once a loan has been closed and guaranteed, lenders should submit a copy of the COE with the loan package if the case is identified for full review.

If a COE cannot be obtained immediately or if the COE is issued with reduced entitlement and restoration is needed, lenders should select the electronic application link that permits them to submit an electronic application to the Eligibility Center. The webLGY system allows lenders to upload documentation, such as discharge papers or evidence to support restoration (HUD-1 etc.), along with the electronic application. Lenders **should not** upload scanned documents without first completing an electronic application. Using this feature, rather than mail, is the preferred method, as it greatly reduces processing time.

Note: Inability to obtain a COE in webLGY does not mean the veteran is ineligible, only that the system does not have sufficient information to make an automatic determination. Lenders should always continue the application process as described in the preceding paragraph.

For mailed applications, follow the procedures below.

Step	Action
1	VA Form 26-1880 can be obtained from this link.
2	Please complete the form as thoroughly as possible. This will help expedite processing.
3	Attach all required documentation to the form. ***References***: • The instructions to the form describe the proof of military service needed.

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3. How to Apply for a Certificate of Eligibility, Continued

a. Procedures (continued)

Step	Action
4	Submit the form and attachments to: **Atlanta Regional Loan Center** **Attn: COE** **P.O. Box 100034** **Decatur, GA 30031** If a lender needs assistance on an eligibility issue, they may call 1-888-768-2132.

b. Application for Unmarried Surviving Spouses

Unmarried surviving spouses of veterans who die on active duty or later from service-connected causes may also be eligible for the home loan benefit. Also, a surviving spouse of a veteran who dies on active duty or from service-connected causes, may still be eligible if remarried on or after age 57 and on or after December 16, 2003. Eligibility may also be granted to the spouse of an active duty member who is listed as missing in action (MIA) or a prisoner of war (POW) for at least 90 days. Eligibility under this MIA/POW provision is limited to one-time use only.

If applying for the first time, surviving spouses must complete VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses, instead of VA Form 26-1880.

Surviving Spouse COEs are not issued via an automated COE. In order to obtain a Surviving Spouse COE, upload the completed VA Form 26-1817 and supporting documentation into webLGY, and complete the electronic application.

c. Previously Issued COE is Missing

If the veteran's COE has been lost, lenders may apply for another in the same manner as described in section 3a.

4. Proof of Service Requirements

Change Date

April 6, 2012, Change 19
- Subsection "e" has been updated to include information on eBenefits.
- This section has been updated to make minor grammatical edits.

a. Discharged Veterans (Regular Military)

DD Form 214, Certificate of Release or Discharge From Active Duty, will generally contain all the information needed for VA to make an eligibility determination for persons who served in a regular component of the Armed Forces.

VA will accept legible copies of the DD Form 214.

Persons separated from military service after January 1, 1950, should have received DD Form 214. Persons separated after October 1, 1979, should furnish Member 4 copy of DD Form 214 that includes the character of service and the narrative reason for separation. Persons separated from active duty before January 1, 1950, received documentation other than DD Form 214. To be acceptable, it should indicate:

- length of service, and
- character of service.

b. Veterans Still on Active Duty

Proof of service for veterans on active duty is a statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one unique form used by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated.

The statement of service must clearly show:

- the veteran's full name,
- the Social Security Number (SSN) or the last 4 digits of SSN,
- the entry date on active duty,
- the duration of lost time, if any, and
- the name of the command providing the information.

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4. Proof of Service Requirements, Continued

c. Discharged Reserve/Guard Members

There is no one form used by the Reserves or National Guard that is similar to DD Form 214.

Discharged members of the Army or Air National Guard may submit NGB Form 22, Report of Separation and Record of Service, or a retirement points statement.

Typically, all members of the Reserves and/or Guard receive an annual retirement points summary which indicates the level and length of participation. The applicant should submit the latest such statement received along with evidence of honorable service.

VA will accept legible copies.

d. Current Reserve/Guard Members

Individuals who are still members of the Reserves/Guard must provide a statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated.

The statement of service must clearly show:

- the veteran's full name,
- the SSN or the last 4 digits of SSN,
- entry date of applicant's Reserve/Guard duty, and
- the name of the command providing the information.

Note: The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

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4. Proof of Service Requirements, Continued

e. Assistance in Obtaining Required Proof of Service

If veterans cannot locate proof of service, they can request military documents either through http://www.ebenefits.gov/ or by completing SF-180, Request Pertaining to Military Records. The completed form should be submitted to the appropriate address shown. It should NOT be sent to VA.

Lenders and veterans should not delay requesting a COE pending receipt of requested military documents. In most cases, VA internal systems will have sufficient information to make the eligibility determination.

5. Basic Eligibility Requirements

Change Date

April 6, 2012, Change 19
- This section has been updated to make minor grammatical edits.

a. General Rule for Eligibility

A veteran is eligible for VA home loan benefits if he or she served on active duty in the Army, Navy, Air Force, Marine Corps, or Coast Guard after September 15, 1940, and was discharged under conditions other than dishonorable after either:

- 90 days or more, any part of which occurred during wartime, or
- 181 continuous days or more (peacetime).

2-year Requirement: A greater length of service is required for veterans who:

- enlisted (and service began) after September 7, 1980, or
- entered service as an officer after October 16, 1981.

These veterans must have completed either:

- 24 continuous months of active duty, or
- the full period for which called or ordered to active duty, but not less than 90 days (any part during wartime) or 181 continuous days (peacetime).

Note: Cases involving other than honorable discharges will usually require further development by VA. This is necessary to determine if the service was under other than dishonorable conditions.

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5. Basic Eligibility Requirements, Continued

b. Wartime and Peacetime

Wartime and peacetime refer to the following periods of service:

Wartime	Peacetime
World War II 9/16/1940—7/25/1947	Post World War II period 7/26/1947—6/26/1950
Korean conflict 6/27/1950—1/31/1955	Post Korean period 2/1/1955—8/4/1964
Vietnam Era 8/5/64—5/7/1975 (The Vietnam Era begins 2/28/1961 for those individuals who served in the Republic of Vietnam.)	Post Vietnam period 5/8/1975—8/1/1990
Persian Gulf War 8/2/1990—date to be determined	

c. Eligibility for Reserves and/or Guard

Members of the Reserves and National Guard who are not otherwise eligible for loan guaranty benefits are eligible upon completion of 6 years service in the Reserves or Guard (unless released earlier due to a service-connected disability). The applicant must have received an honorable (a general or under honorable conditions is not qualifying) discharge from such service unless he or she is either:

- in an inactive status awaiting final discharge, or
- still serving in the Reserves or Guard.

d. Eligibility of Spouses of Veterans

Some spouses of veterans may have home loan eligibility. They are:

- the unmarried surviving spouse of a veteran who died as a result of service or service-connected causes,
- the surviving spouse of a veteran who dies on active duty or from service-connected causes, who remarries on or after age 57 and on or after December 16, 2003, and
- the spouse of an active duty member who is listed as MIA or a POW for at least 90 days. Eligibility under this MIA/POW provision is limited to one-time use only.

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5. Basic Eligibility Requirements, Continued

e. Other Qualifying Service

Congress has periodically granted veteran status to groups other than members of the Army, Navy, Marine Corps, and Coast Guard, such as certain members of the Public Health Service, cadets at the service academies, certain merchant seaman, etc.

Lenders should contact the Eligibility Center for assistance when one of these unique cases is encountered.

f. Exceptions to Length of Service Requirements

There are numerous exceptions to the length of service requirements outlined in this section. For example, one day of service is sufficient for an individual who is discharged or released from service (regular active duty or Reserve/Guard) due to a service-connected disability.

Because of the complexity and number of exceptions, this chapter does **not** attempt to cover all of them. Because there are exceptions, lenders should not assume a veteran is not eligible. Instead, they should make application and allow VA to make a formal determination of eligibility.

6. Restoration of Previously Used Entitlement

Change Date

April 6, 2012, Change 19
- This section has been updated to make minor grammatical edits.

a. Basic Restoration

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

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

b. Special Restoration Cases

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

- the prior VA loan has been paid in full and the veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan. This includes refinancing situations in which the prior loan will be paid off at closing from a VA refinancing loan on the same property,

OR

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

7. Misuse of Veteran's Entitlement

Change Date

September 15, 2004, Change 4
- This section has been changed to create subsection lettering.

a. What Constitutes Misuse?

A basic requirement of the law governing the VA home loan program is that the veteran has a bona fide intention of occupying his or her property as a home. Home loan entitlement is **not** being used properly if the veteran arranges to sell or convey the property to a third party prior to closing the loan.

b. What to Do

Contact the VA Regional Loan Center with jurisdiction over the loan for advice regarding any case in which there may be a question regarding the legality of entitlement use.

8. Certificate of Veteran Status - FHA Loans

Change Date

April 6, 2012, Change 19
- This section has been updated to make minor grammatical edits.

a. General

Section 203(b)(2) of the National Housing Act permits a veteran to obtain slightly better terms than a non-veteran when obtaining Federal Housing Administration (FHA) mortgage financing. Although this involves FHA loans, VA is charged with making the entitlement determination for benefits under this provision. VA will issue a VA Form 26-8261, Certificate of Veteran Status, to any eligible veteran-applicant to use when obtaining an FHA loan.

b. How to Apply

The lender may assist the Veteran in following these procedures:

Step	Action
1	Obtain VA Form 26-8261a, Request for Certificate of Veteran Status, from the VA Eligibility Center.
2	Complete the form as thoroughly as possible. Failure to complete necessary items may cause delays.
3	Attach proof of military service to the form. ***Reference***: See section 4 of this chapter for further details on the required proof of military service.
4	Submit the form and attachments to the VA Eligibility Center.

c. Veteran Found Ineligible

Additionally, veterans who apply for VA benefits on VA Form 26-1880 and are found ineligible, may be found eligible for the FHA program. If so, they will be issued an FHA Certificate of Veteran Status concurrent with VA's notice of denial of eligibility for the VA program.

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8. Certificate of Veteran Status - FHA Loans, Continued

d. Qualifications

Generally, eligibility for an FHA Certificate of Veteran Status may be established through:

- active duty in the Armed Forces,
- active duty for training in a reserve component of the Armed Forces, or
- active duty or active duty for training in the National Guard or Air National Guard.

Length of service requirements are similar to the requirements for a VA COE.

e. Break in Service

An important distinction between VA and FHA eligibility requirements is:

- A VA COE can be issued to a veteran still on active duty.
- An FHA Certificate of Veteran Status **cannot** be issued to a person who is still serving on active duty and has had no break in service.

9. Exhibit 1-A: Quick Reference Table for VA Eligibility

Change Date

April 6, 2012, Change 19
- This section has been updated to make minor grammatical changes.

a. Basic Eligibility Quick Reference Table

The table below provides a quick reference to some of the most commonly eligible veterans. This table is NOT exhaustive. A veteran's eligibility for home loan benefits may only be determined by VA.

ERA	Dates	Time Required
WW II	9/16/1940—7/25/1947	90 days
Post WW II	7/26/1947—6/26/1950	181 days
Korean	6/27/1950—1/31/1955	90 days
Post Korean	2/1/1955—8/4/1964	181 days
Vietnam	8/5/1964—5/7/1975 ***Note***: The Vietnam Era began 2/28/1961 for those individuals who served in the Republic of Vietnam.	90 days
Post Vietnam	5/8/1975—9/7/1980 5/8/1975—10/16/1981 9/8/1980—8/1/1990 10/17/1981—8/1/1990	enlisted—181 days officers—181 days enlisted—2 years** officers—2 years**
Gulf War	8/2/1990—present	2 years ** ****Note***: The veteran must have served 2 years or the full period which called or ordered to active duty (at least 90 days during wartime and 181 during peacetime).

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9. Exhibit 1-A: Quick Reference Table for VA Eligibility, Continued

b. Additional Eligibility Quick Reference Table

The table below provides a quick reference to some additional types of eligible veterans. This table is NOT exhaustive. A veteran's eligibility for home loan benefits may only be determined by VA.

Other Eligible Persons	Time Required
Active Duty Member ***Note***: Certificate valid only while veteran remains on active duty.	90 days (181 during peacetime)
Reserves/Guard	6 years in Selected Reserves.
Unmarried Surviving Spouses	No time requirement. Veteran must have died on active duty or from a service-connected disability. The surviving spouse of a veteran who dies on active duty or from service-connected causes, who remarries on or after age 57 and on or after December 16, 2003, may also be eligible.
POW/MIA Spouses	The spouse of an active duty member who is listed as MIA or a POW for at least 90 days. Eligibility under the MIA/POW provision is limited to one time only.