

# LGY Newsletter

## 2016 Lenders Conference Edition

For all of you who were able to attend the 17th Annual VA Lenders Conference in San Diego last month, thank you for participating and making this year's event the biggest and most successful in history! For the third year in a row, we set an attendance record – with nearly 500 participants representing over 225 lenders. We expanded this year's conference to three days, and for the first time ever included the full contingent of VA Regional Loan Center (RLC) Valuation Officers (VOs).

We heard from many of you at the conference that the presentations, networking opportunities, and lively panel discussions were of significant value to you, and will assist you in helping our Nation's Veterans use their VA home loan benefit. We want to hear from more participants though. If you have not provided feedback, but would like to, please email [Mark Connors](mailto:Mark.Connors@va.gov), VA's Central Office Lender Liaison.

For those who weren't able to attend, you missed a fantastic conference and we hope to see you next year.

As with many conferences, a number of unresolved 'parking-lot' items were identified during the course of the sessions. We have worked to provide the necessary or requested answers and clarifications, and compiled a list of those at the end of this newsletter.

## Program Highlights

### AUTOMATED APPRAISAL MANAGEMENT SERVICE

On June 12, 2015, we announced through [Circular 26-15-12](#), an automated Appraisal Management Service (AMS) that includes the LoanSafe Appraisal Manager (LSAM) product for use in enhancing the appraisal review process prior to issuance of the Notice of Value (NOV). AMS provides Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP) Staff Appraisal Reviewers (SARs) assistance in quickly assessing appraisal risk for property eligibility, VA policy compliance, over/under-valuation, and appraisal quality issues.

AMS increases efficiency in the appraisal review process in several ways. Each appraisal is scored based on the same rules and logic to eliminate inconsistent manual reviews.



Based on an appraisal's score, it is identified as either high or low risk, and routed for the appropriate level of review, which leads to better allocation of reviewers' resources and time. The robust tools and market data provided through AMS give reviewers access to records and information that were either unavailable or found only by reviewing multiple sources.

In fiscal year (FY) 2016, we hope to continue to garner more positive feedback from SARs by releasing intermediate-level computer-based LSAM training. We will also continue to review AMS' impact on the VA appraisal process in order to make any programmatic changes necessary for continued efficiency.

If you or a SAR have questions regarding a rule or alert fired in AMS, please contact the VA RLC of jurisdiction for assistance, and if you have any feedback or comments regarding AMS, please email us at [SARSUPPORT.VBACO@va.gov](mailto:SARSUPPORT.VBACO@va.gov).

For access or system issues with AMS, please contact the helpdesk at [VA\\_HelpDesk.DARS@corelogic.com](mailto:VA_HelpDesk.DARS@corelogic.com).

### CERTIFICATE OF ELIGIBILITY PROCESSING AND "CORRECT" FUNCTION

The loan file review process transitioned to a national work queue in April 2014. Just over a year later, Certificate of Eligibility (COE) processing went to a similar model. Now, Loan Specialists in all RLCs process COE applications and completion times are down from 14-business days to 4.



We continually review our processes and procedures to find areas where optimization and efficiency are possible. In October 2015, we introduced enhanced and new options for lenders to correct approved existing COEs, and forgo sending the request for correction to VA. This ability to correct most eligibility items in real-time leads to faster completion and improved customer service—a positive development for you and your Veteran-customer.

## Policy Matters

While we spent the majority of the Lenders Conference discussing policy issues, we'd like to take this time to reiterate our Policy Resolution Protocol. We continually strive to increase not only the consistency among the RLCs, but also the responsiveness to your inquiries. We've found our protocol accomplishes these objectives very well, and we need your help to ensure all levels of your organization follow the steps detailed below.

### PROTOCOL FOR RESOLVING POLICY ISSUES

#### Case-Specific and General Policy Questions

##### STEP 1:

First, we strongly encourage you to familiarize yourself with and consult the *VA Lender's Handbook* prior to contacting VA.

VA gives you the authority within VA prescribed guidelines, when it comes to making your underwriting decisions.

##### STEP 2:

We encourage you to check with your colleagues – chances are, someone in your organization previously researched and obtained the answer to your question.

##### STEP 3:

If you need an official response to your case-specific question, it's time to contact VA. But who, exactly, do you contact? You should contact the *RLC with jurisdiction*, which is based on the state in which your corporate/home office is located. You can either call or email the RLC. The above link will direct you to the RLC of jurisdiction and below, under the *Lender Resources* section, you'll find email addresses and phone numbers to each RLC.

Whether you contact an RLC via phone or email, you'll work with a Loan Specialist. If, after coordinating with the Loan Specialist, your issue remains unresolved, then we need you to elevate your question/concern to Loan Production management. That means addressing your issue with either the Assistant Loan Production Officer (ALPO) or Loan Production Officer (LPO). Please don't worry about elevating your scenario to management. While members of our RLC Loan Production staff are highly trained individuals, if your answer to your case-specific question(s) is not resolved, the RLC management is available for guidance. Simply explain to the Loan Specialist that you would like to elevate your scenario to management – they will gladly take your contact information and relay the scenario and background information for management to contact you.

Here's what we *DON'T* want you to do: Call another RLC attempting to obtain consensus.

The steps outlined above are in place to assist RLC management and Loan Specialists with training, consistency, and to ensure that issues are resolved at the appropriate local level.

If your issue remains unresolved after consulting local RLC management, then, we prefer you to elevate your scenario to Central Office. While the need for this level of elevation is not common, when it does occur, we'd like your "VA Liaison," (one or two individuals per lender) to contact *Mark Connors*, Central Office Lender Liaison.

#### How to seek resolution on disputed Audit Findings:

When you disagree with an audit finding from an RLC, also known as a deficiency letter, your first step is to address your concerns with the Loan Specialist who conducted the audit. You will find this individual's name at the bottom of the deficiency letter. If your issue remains unresolved after communicating with the Loan Specialist, then simply follow the steps outlined in the above section.

Again, the key is to attempt to resolve issues at the local RLC level rather than calling other RLCs.

# John's Space

## A WORD FROM THE ASSISTANT DIRECTOR

I want to personally thank all those who attended this year's Lenders Conference. As mentioned previously, the conference was a tremendous success from an attendance standpoint, but also from a learning and idea-sharing perspective. In that vein, I want to emphasize two critical areas that arose at the conference and to encourage each and every one of you to adopt these as best practices. In doing so, you will be greatly assisting your institutions, but also our Veterans in obtaining a VA-guaranteed home loan.

The first is to never order an appraisal prior to ordering the VA Certificate of Eligibility (COE). If a Veteran starts down the VA home loan path, and pays for a VA appraisal, but later finds out he/she is not actually eligible for a VA loan, that creates an undue financial burden.

Second, your first source for a COE should be VA's Automated Certificate of Eligibility (ACE) system or eBenefits for the Veteran—it's a lot faster turn-time when the request is submitted electronically. Paper-requests for COEs take much longer to travel to VA and for VA to process, and that delay is unnecessary. If getting to closing expeditiously is what you and your Veteran clients want to do, ACE is the way to go.

We've worked to nationalize COE processing. This has significantly decreased the number of COE requests pending, and greatly improved our turnaround time for delivery. In the 3 months following implementation of nationalized processing, we went from an inventory of over 15,000 pending COEs to less than 4,000. Our staff dedicated a lot of hard work to make this nationalized workload a reality because we understand that getting COEs to Veterans and Servicemembers quickly and judiciously is of great help to them and you in closing a VA-guaranteed home loan.

Next, I want to review the recent progress and accomplishments we made as a program, and give you some further insight into a couple of our future initiatives. In two of the last three fiscal years, we set all-time records for guaranteed loans, and I want to thank each of you for the tremendous job you did in helping us reach these heights. This last fiscal year saw us guarantee 631,151 loans, which broke the previous record of 629,275 loans in FY2013. Year-over-year we are up 44% in loan volume. I also want to emphasize that the percentage of annual volume that was purchase loans went from 38% in FY2013 to 51% in FY2015. Finally, there were over 1,400 lenders who originated a VA-guaranteed home loan.

I also want to take this time to show you our FY2015 and Year-to-Date FY2016 loan volume:

### FY2015

TOTAL LOANS	PURCHASE TOTAL	CASH-OUT TOTAL	IRRRL TOTAL	AVG. LOAN AMOUNT	TOTAL LOAN AMOUNT
631,151	322,120	114,222	194,809	\$243,176	\$153,481,019,805

### FYTD 2016 (THROUGH MAY)

TOTAL LOANS	PURCHASE TOTAL	CASH-OUT TOTAL	IRRRL TOTAL	AVG. LOAN AMOUNT	TOTAL LOAN AMOUNT
415,290	210,835	85,453	117,933	\$248,116	\$103,039,920,886

I'm also very encouraged at the rate which millennial Veterans are using their benefit. Taken from the FY2015 VA Annual

Benefits Report, the chart below reveals that millennials make up over 26% of Veterans using their home loan benefit.

**HOME OWNERSHIP BY AGE**

AGE	2011	2012	2013	2014	2015
18-25	5.4	3.4	3.04	4.11	3.34
26-35	27.8	25	24.43	24.98	23.03
36-45	27.1	26.9	25.85	23.29	22.48
46-55	18.8	20.8	21.03	19.45	20.23
56-65	14	15.2	15.08	14.72	14.68
66-75	5.3	6.8	8.44	10.84	13.23
76-80	1	1.2	1.3	1.57	1.79
80+	0.6	0.7	0.83	1.04	1.23
<b>TOTAL</b>	100%	100%	100%	100%	100%

Also, we recently guaranteed the 22 millionth VA loan totaling over \$1.7 trillion. In the last 5 years (FY11 through today), we have guaranteed almost 3 million loans, for over \$650B. We didn't even guarantee 3 million loans in the 11 years prior to FY11. We have guaranteed almost 1 million loans in the past year-and-a-half alone, which equates to over 2,600 loans per day!

A couple of key factors contributed to this strong growth. Our industry standing as the only major no-downpayment option in conjunction with the lack of credit availability over the past 10 years have had a positive effect on volume. Also, the increased strength of the overall borrower profile improves a Veterans application, giving underwriters the opportunity to approve more loans. One example of this is related to the rise in assets held by Veterans and Servicemembers using their benefit. There are two reasons this is significant. By not having to make a downpayment, Veterans and Servicemembers retain reserves that can be held in case of financial emergency, and they don't need to take on additional debt post-closing. This positively impacts their risk profile in the eyes of underwriters. In terms of growth, I also want to credit the efforts put forth by groups like the National Association of Realtors and the National Association of Home Builders to dispel myths regarding the VA Home Loan program and to educate their membership on our program. This education and outreach are invaluable and we will continue to partner with these groups and others to ensure that industry professionals, Veterans, and Servicemembers are aware of the VA home loan benefit.

For future initiatives, we continue to see and look for efficiencies and improvements to our program through technology

and automation. Our first major effort in this regard was Full File Loan Review (FFLR) in 2014, and we plan on expanding our capability in this area by building Optical Character Recognition (OCR) into FFLR. With this advancement, we will be able to audit 100-percent of files, while expanding our existing data capture of 300 data points.

As we discussed at the conference, we want to continue to leverage our data to provide scorecards and mechanisms by which our program participants can measure themselves and give Veterans better access to comparative tools. FFLR and OCR will greatly contribute to this work, but also expect us to continue to review the applicability and use of MISMO 3.4 standards and other resources for us to expand our data pool and access to it.

As we strive to offer better customer service, we are making changes to our telephone system and transitioning to a national model for telephone inquiries. By the end of FY2016, most calls to RLCs will be handled by the next available employee, no matter their location. Our goal is to ensure that whenever a Veteran, Servicemember, or one of our service providers calls, that he or she gets through to a person in timely fashion, without having to endure a busy signal.

Finally, I want to thank each of you for the tremendous job you're doing helping our Nation's Veterans attain, retain, and adapt their homes. As I'm fond of saying, you're the ones that allow us to deliver this valuable benefit to some of our Nation's most deserving – so thank you!

## Lender Resources

### VA LENDER RESOURCES:

The Lender Resources page offers a great deal of useful information, including a COE Tutorial, the Lender's Handbook, State Fees and Charges Deviations, program policy Circulars, and much more.

### RLC CONTACT INFORMATION:

The RLC Contact Information page provides a consolidated site where you'll find the names, locations, phone numbers, and states falling under the jurisdiction of the various RLCs.

Additionally, each RLC's Loan Production and Construction & Valuation sections have email mailboxes. **But a word of caution:** Please make sure to comply with Steps 1 & 2 of our policy resolution protocol detailed above – we expect you to fully research your question before contacting the RLC.



For obtaining answers to case-specific or general policy questions, here are the addresses and phone numbers you should use, but please be sure you are contacting the right RLC – the RLC with jurisdiction over the state that your corporate/main office is located:

### LOAN PRODUCTION SECTIONS

RLC	EMAIL	PHONE	FAX
Atlanta	atlloanprod@va.gov	1-888-768-2132	404-929-5401
Cleveland	vahomesite@va.gov	1-800-729-5772	216-522-3101
Denver	lgyemail@va.gov	1-888-349-7541	303-914-5666
Honolulu	lgy.vbahon@va.gov	1-808-433-0481	808-433-0383
Houston	houstonlgy@va.gov	1-888-232-2571	713-383-1774
Phoenix	lpgc.vbapho@va.gov	1-888-869-0194	602-627-3221
Roanoke	roanoke.lp@va.gov	1-800-933-5499	215-842-7217
St. Paul	rlc335@va.gov	1-800-827-0611	215-991-5043
St. Petersburg	fl/homeloan@va.gov	1-888-611-5916	727-319-7763

### CONSTRUCTION & VALUATION SECTIONS

RLC	EMAIL	PHONE	FAX
Atlanta	316lgyenv@va.gov	1-888-768-2132	404-929-5392
Cleveland	325cnv@va.gov	1-800-729-5772	215-991-7962
Denver	39/va262@va.gov	1-888-349-7541	303-914-5618
Honolulu	appraisals.vbahon@va.gov	1-808-433-0481	808-433-0383
Houston	cv62.vbahou@va.gov	1-888-232-2571	713-383-1846
Phoenix	cvgc.vbapho@va.gov	1-888-869-0194	602-627-3222
Roanoke	cv.vbaroa@va.gov	1-800-933-5499	215-842-7217
St. Paul	cv335@va.gov	1-800-827-0611	215-991-5004
St. Petersburg	vastaffappraisers@va.gov	1-888-611-5916	727-319-7762

## Conference Parking Lot

Whether or not you were able to attend the conference, there were a few parking lot items that required policy clarification and we'd like to take this opportunity to address them now:

**QUESTION #1:** Please clarify VA's policy (VA Pamphlet 26-7, Chapter 4, Section 7.c) regarding a Non-Purchasing Spouse's (NPS) credit?

**ANSWER:** The NPS's credit history does not need to be considered; however, the NPS's liabilities must be considered.

**QUESTION #2:** Please clarify VA's policy regarding a loss that a NPS reports on a joint tax return?

**ANSWER:** If a joint tax return shows a business loss, then that loss will have to be deducted from the Veteran's income in both community and non-community property states. What is reported to the IRS on a joint return must be used when applying for a federally guaranteed loan.

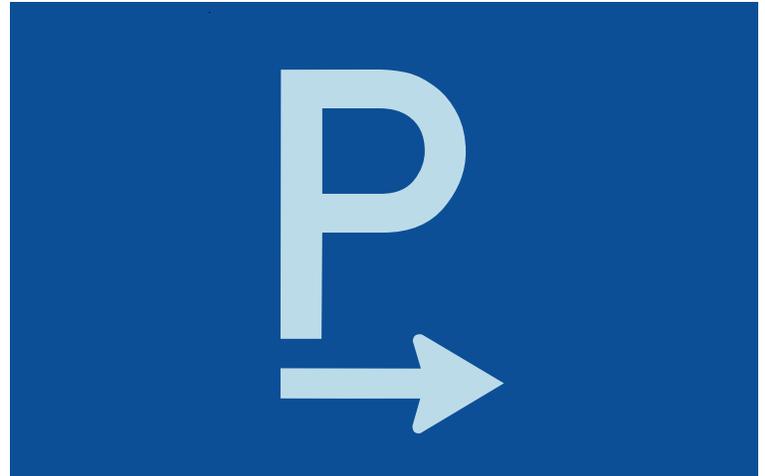
In a situation where a couple has been faced with business losses, the Veteran and his or her spouse may want to consider both being on the loan in order to potentially qualify.

**QUESTION #3:** VA Pamphlet 26-7, Chapter 4, Section 7c states: "Account balances reduced to judgment by a court must either be paid in full or subject to a repayment plan with a history of timely payments." What is considered "timely payments"?

**ANSWER:** A history of timely payments would be considered like any other credit obligation. Seasoning is generally 12 months. However, in certain cases when a judgment has only been in place for a few months, an underwriter could justify a shorter seasoning if the record shows the Veteran immediately addressed the judgment after it was filed and began a repayment plan without delay.

**QUESTION #4:** When do you expect to publish the updated VA Lender's Handbook, VA Pamphlet 26-7?

**ANSWER:** We are currently working on an updated VA Lender's Handbook and will provide future effective dates for when these final chapters become effective policy.



**QUESTION #5:** When is the Alive and Well Statement required?

**ANSWER:** VA Pamphlet, Chapter 9, Section 7 states: The lender must always verify that the Veteran is alive at the time of loan closing, whether or not the Veteran is still in the military. We only require an Alive and Well certification from a Veteran when a POA is being used, regardless of whether they are in the military or not. An Alive and Well statement is not necessary for a Veteran's spouse, if the Veteran is signing the loan documents with a power of attorney as attorney-in-fact for the spouse.

**QUESTION #6:** How should an underwriter address the payment and credit issues of collection accounts?

**ANSWER:** VA does not require that collection accounts be paid-off prior to loan closing. However, an underwriter must address the existence of the collection accounts with an explanation for excluding or ignoring the negative credit history they represent. If the account is listed on the credit report with a minimum payment, then the debt should be recognized at that minimum payment amount. Refer to VA Pamphlet 26-7, Chapter 4, Section 7.

**QUESTION #7:** How should an underwriter address the payment on student loans that have no established payment?

**ANSWER:** We are currently reviewing this and expect to release a Circular on this topic.

**QUESTION #8:** If the TRID-CD changes after the Veteran signs it, does the lender have to have the Veteran sign it again?

**ANSWER:** The short answer is yes. The lender is required to provide the TRID Closing Disclosure no later than three business days before consummation (closing in most states) as instructed in 12 CFR §1026.19(f). The lender is required to provide a corrected CD to the borrower 3 days before consummation in certain instances, and at or before consummation if other types of changes occur, such as adjustment of costs or credits. Therefore, any changes made that require a changed CD must have the borrower's signature.

**QUESTION #9:** Is the Amendatory Clause mandatory for all purchase loans?

**ANSWER:** Yes, the Amendatory Clause is mandatory for all purchase loans. Refer to VA Pamphlet 26-7, Chapter 9, Section 1.

**QUESTION #10:** On assumptions, does VA require the Closing Disclosure to be signed?

**ANSWER:** Yes, whether the assumption includes a Substitution of Entitlement or not, the CD must be signed to release the original Veteran from liability. Additionally, the lender must also request an updated COE in the system for the original Veteran. Refer to VA Pamphlet 26-7, Chapter 5, Section 7.

**QUESTION #11:** When Road Service Agreements are provided by state law, am I required to obtain a waiver from the RLC?

**ANSWER:** When provided by state law, Road Service Agreements are acceptable and don't require waiver requests from the RLC.

**QUESTION #12:** Is spousal support treated as a reduction in income or as a liability?

**ANSWER:** Spousal support may be treated as a reduction in income; however, child support is treated as a liability. Refer to VA Pamphlet 26-7, Chapter 4.

**QUESTION #13:** Can cash out from a refinance be counted as required PITI reserves on rental property?

**ANSWER:** Cash out from a refinance cannot be counted as the required PITI reserve on rental property. The reserve must be in the borrower's account before the loan closes. Refer to VA Pamphlet 26-7, Chapter 6.

**QUESTION #14:** Does a separation agreement need to be signed by an officer of the court?

**ANSWER:** Lenders have latitude to use their judgment and expertise when processing and approving VA loans. In this situation, a lender should make an informed decision based on local law and available information, while documenting the reasoning behind the decision.

**QUESTION #15:** On new manufactured homes, who completes the warranties and/or builders cert if the unit is being sold by a seller when the unit is less than 1 year old and never occupied?

**ANSWER:** The Contractor who installs the foundation should be a VA registered builder and warrant the foundation [this may be the manufactured housing sales company, but usually is someone else]. The home manufacturer's representative provides whatever warranties are specific to the manufactured unit. Refer to VA Pamphlet 26-7, Chapter 10.

**QUESTION #16:** Should decks be included in the inspection for termites?

**ANSWER:** Yes, wooden decks should be included in the inspection.

**QUESTION #17:** Please provide more information on VA's policy regarding water tests on properties with cisterns when there are no building or health authority standards?

**ANSWER:** When there is no building or health authority standards the VA Pamphlet, Chapter 12, Section 12.08 calls for the water supply to meet U.S. Public Health Authority standards.