

FUNDING FEE UPDATES

1. Purpose. The purpose of this circular is to provide lenders with information on pending Congressional action affecting Department of Veterans Affairs (VA) funding fees. VA Circular 26-11-17 and other announcements noted the likelihood of funding fees remaining at their present levels.

2. Pending Congressional Action. H.R. 674 has passed the Senate, and is under consideration in the House of Representatives. This legislation would keep funding fees at their present levels through Fiscal Year 2016. VA expects the House of Representatives will pass this bill, and that it will be sent to the President for signature during the week of November 15, 2011.

3. Procedures for Remitting Higher Funding Fees than Required. If H.R. 674 is not signed by November 18, 2011, funding fees will decrease as scheduled for a short period of time. If funding fees do reset to the lower amounts, VA's Funding Fee Payment System will collect only the statutory lower amount. Lenders who disclosed higher funding fees on closing documents based on anticipation of Congressional action, will have to refund the difference to the Veteran borrower, either in the form of a principal curtailment for financed funding fees, or a check for funding fees paid at closing.

4. Procedures once H.R. 674 becomes Law. Once the bill becomes law, funding fees will revert to their current levels. VA expects all lenders to remit the correct funding fees on these loans, regardless of closing document disclosures. VA will not waive the difference in fees between the lower November 18, 2011, fees and the higher H.R. 674 fees in these situations.

5. Further Updates. As soon as we receive definitive information on the status of this legislation, we will post a notice on our website, <http://www.benefits.va.gov/homeloans/>, and issue a circular. We appreciate your patience and efforts to help Veterans use their home loan benefit during this process.

6. Rescission: This circular is rescinded November 1, 2012.

By Direction of the Under Secretary for Benefits

Michael J. Frueh
Acting Director, Loan Guaranty Service

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