

CHAPTER 6. PRE-APPROVAL

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6.01 PRE-APPROVAL

a. VA requires servicers to follow VA regulatory requirements for servicing loans guaranteed by VA unless extenuating circumstances prevent them from doing so. If servicers must deviate from a regulatory requirement, they can submit a pre-approval request to VA for review. A pre-approval means “prior approval” to deviate from a regulation based on the circumstances of the loan.

b. Servicers may request to deviate from a regulation more than once if circumstances change during the life of the loan. If a servicer needs to deviate from multiple regulations at a given time, they should submit all requests to deviate in one pre-approval request. It is the servicer’s responsibility to adhere to all other regulatory requirements and ensure all actions are in the best interest of the Veteran and Government.

c. Servicers must submit a pre-approval request to The VA Loan Electronic Interface (VALERI) through the Servicer Web Portal (SWP) along with supporting documentation to justify the need to deviate from a VA regulation. When this occurs, VALERI will automatically open up a Pre-Approval process for review by the VA-assigned technician.

1. For loans that have not reached the 61st day of delinquency, servicers must first report the Electronic Default Notification (EDN), which will assign the loan to a VA loan technician. Additional information on reporting the EDN can be found in Chapter 4 of this handbook.

6.02 PRE-APPROVAL REQUESTS

a. Regulation deviations that may be submitted for a pre-approval are:

1. Modify a current loan (38 C.F.R. §36.4315(a)(1)).
2. Modify a loan with less than 12 payments (38 C.F.R. §36.4315(a)(4)).
3. Modify a loan more than once in a three-year period (38 C.F.R. §36.4315(7)).
4. Modify a loan more than three times (38 C.F.R. §36.4315(7)).
5. Modify a loan with questionable credit history (38 C.F.R. §36.4315(a)(3)).
6. Modify a loan with an interest rate exceeding Freddie Mac rate requirements (38 C.F.R. §36.4315(a)(8)(i)).
7. Modify a loan with interest rate more than one percent higher than existing rate (38 C.F.R. §36.4315(a)(8)(ii)).
8. Modify a loan with a term longer than allowable (38 C.F.R. §36.4315(a)(9)).

9. Acceptance of a compromise sale for less than net value (38 C.F.R. §36.4322(e)(1)(ii)).

10. Other regulatory requirement - any deviation from regulatory requirements caused by unusual circumstances.

b. The VA-assigned technician will review the documentation provided by the servicer as well as their pre-approval request. If further clarification is needed during the review from the servicer, the SWP VA-assigned technician will contact the servicer. VA's decision can also be viewed on the Pre-Approval Status Report and on the individual case in the SWP.

c. VA should only complete an underwriting review on a loan modification if the servicer is requesting to modify a loan with questionable credit history or requests VA to review underwriting as part of their justification.

1. VA does not review underwriting of a loan modification, unless requested by the servicer. However, if the supporting documentation shows a basic requirement of a modification is not being met, the technician cannot grant preapproval. For more information on the basic requirements for loan modifications, refer to Chapter 5 of this manual.