

### **Policy Clarification for Non-borrowers on Title Documents**

1. Purpose. The purpose of this Circular is to clarify questions that have arisen regarding the Department of Veterans Affairs (VA) policy on the use of the VA home loan guaranty. When a loan is originated that includes a Veteran borrower and a non-borrower spouse, the Veteran borrower must sign all documents including the mortgage note and the mortgage deed of trust (as required by state law). The non-borrower spouse must sign either the mortgage note or the mortgage deed. This does not apply to joint loans as outlined in Chapter 7 of the VA Lenders Handbook Pamphlet 26-7, as all borrowers must sign all documents including the mortgage note and/or the mortgage deed of trust (as required by state law).

2. Background. VA is aware lenders occasionally make loans to Veterans who wish to use their home loan benefit to purchase a home and include their spouse in ownership, but the spouse does not wish to be on the mortgage loan. Including the spouse on the deed, but not on the mortgage note can create a problem in the event the loan was to be foreclosed because the non-borrower's ownership in the property could defeat the foreclosure action. Delaying or preventing a foreclosure increases foreclosure claim cost to the government and Veteran.

3. Policy. This circular is not outlining a policy change; VA does not allow an individual to take title to a property if that individual is not on either the mortgage or a deed of trust. Accordingly, if a spouse or other owner does not want to sign a mortgage note and be obligated for a VA-guaranteed home loan that individual must sign a deed of trust.

4. Rescission: This Circular is rescinded January 1, 2018.

By Direction of the Under Secretary for Benefits

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