

# Loan Guaranty Service

## Guaranty Remittance API Companion Document

**Revision History**

<b>Date</b>	<b>Version</b>	<b>Description</b>
9/8/2021	1.0	Initial version
11/15/2021	1.1	Header and table of contents added

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## Guaranty Remittance API Overview

The Guaranty Remittance API enables lenders to fully automate the payment of the VA funding fee, loan reporting, and receipt of the Loan Guaranty Certificate (LGC). This automation option replaces both the current process to remit funding fees via the VA Funding Fee Payment System (FFPS) as well as loan reporting and Issue Guaranty functionality in webLGY. The Guaranty API will launch in parallel with a new lender Guaranty Remittance lender experience in LGYHub that provides a continuing manual input option to remit the funding fee and provide information for LGY to calculate guaranty and issue the LGC. Adoption of the API will eliminate the need for lenders to use the new Guaranty Remittance Lender Experience.

The Guaranty Remittance API consists of three operations:

- RemitLoanForGuaranty,
- RetrieveLoanGuarantyCertificate, and
- ProvideRemediationDocumentationForRemittedLoan

RemitLoanForGuaranty takes in information about the closed loan including the final UCD and ULAD that represent the data of the loan as closed. This operation returns information about the loan processed for guaranty including the status, amount and percentage of guaranty, the amount of the funding fee owed to VA and the results of evaluating the loan against statutory and regulatory requirements (e.g., seasoning, net tangible benefits and fee recoupment).

Loans that process successfully without generating loan exceptions due to business rule failures and for which a funding fee is not owed will return the LGC in the response.

Loans that process successfully without generating loan exceptions due to business rule failures and for which a funding fee is owed will initiate VA withdrawal of that funding fee from the lenders account. The LGC will not be returned in the response. Instead, the lender must wait until VA has successfully received the VA funding fee at which time the LGC will be available for retrieval.

RetrieveLoanGuarantyCertificate takes in the loan number of a loan successfully remitted for guaranty. This operation returns the status for the loan including whether the funding fee has been collected and the status of any remediation actions required by the lender to secure evidence of VA guaranty of the loan. If any owed funding fee has been collected and if any remediation actions required by the lender have been evidenced and confirmed, the LGC is returned in the response.

ProvideRemediationEvidenceForRemittedLoan takes in the loan number of a loan successfully remitted for guaranty along with documents to evidence any remedial actions required by the lender to secure the LGC on the loan. This operation returns the status of the loan including whether the funding fee has been collected along with an updated status on any remediation actions required by the lender to secure evidence of VA guaranty of the loan.

## Guaranty API Documentation

The documentation for the Guaranty API consists of:

- OpenAPI (Swagger) specification of the request and responses for the 3 operations included in the Guaranty API. Detailed descriptions for each field in those requests and responses are included in the OpenAPI specification.
- This document, which provides high level context for the API, its operations and for the RemitLoanForGuaranty operation a breakdown and business context for the major sections of the request and response. There is a designed interplay between loan exceptions and required remediation returned in the response for loans remitted but not accepted with identified exceptions and a lenders ability to provide additional information in the LenderOverrides in a subsequent remittance to move past the exception and successfully remit for guaranty. This document conveys the design scheme.
- Guaranty Remittance Extraction of Data Elements from the UCD which explains in detail how LGY will extract data used in Guaranty Remittance from the UCD including a business context for the data being extracted and pseudocode explaining the extraction from elements in the MISMO Reference Model 3.3.
- Guaranty Remittance Extraction of Data Elements from the ULAD which explains in detail how LGY will extract data used in Guaranty Remittance from the ULAD including a business context for the data being extracted and pseudocode explaining the extraction from elements in the MISMO Reference Model 3.4.
- Guaranty Remittance API Loan Exceptions which provides the list of potential loan exceptions that could be identified during the processing of RemitLoanForGuaranty request.

## RemitLoanForGuaranty Operation

### Request

Information about the loan remitted for guaranty

Generally, information about the loan remitted for guaranty is extracted from the UCD and ULAD included in the request for RemitLoanForGuaranty. However, some information that is required by VA to process the Guaranty Remittance is not available from either the UCD or ULAD and therefore must be explicitly provided by the lender in dedicated fields of the RemitLoanForGuaranty request. This explicitly provided information is comprised of:

- General loan data,
- Information about the underwriting of the loan, and
- Identification of which borrower paid closing costs were paid with cash from the borrower versus by inclusion in the loan amount.

This information is a primary source of the loan data that is processed for guaranty.

### UCD/ULAD

Loans remitted for guaranty through the Guaranty Remittance API are required to include the UCD and ULAD representing final loan information as the loan closed. Specifically, the UCD must be a valid MISMO Reference model 3.3 XML string and the ULAD must be a valid MISMO Reference model 3.4 XML string. Validation to ensure the XML strings are both well-formed and valid with respect to the respective MISMO schemas and the UCD/ULAD extension schemas will be performed on both files.

Most loan information used by LGY to both evaluate the loan for suitability to guarantee and commit the loan for guaranty is extracted from the UCD and ULAD. The documents *Guaranty Remittance extraction of data elements from the UCD* and *Guaranty Remittance extraction of data elements from the ULAD* explain in detail how data is extracted from UCD and ULAD. Most of the information extracted from the UCD and ULAD is echoed back to the lender in the InputData section of the RemitLoanForGuaranty response so lenders can confirm that the information extracted from these files was the information meant to be conveyed.

### Information about the loan being refinanced

For refinancing loans remitted for guaranty, LGY requires information about the loan being refinanced to accurately assess whether statutory and regulatory rules governing the guaranty of refinancing loans are being met. Note, for VA to VA loans, LGY usually has some information on the loan being refinanced due to servicer reporting to VALERI-R. In the future, Guaranty Remittance will use this information to validate information about VA loans being refinanced to further assure an accurate assessment of conformance to statutory and regulatory rules.

### Lender certifications and disclosures

VA statute and regulations require lenders to provide certain certifications and evidence of certain disclosures depending on the type of loan. These certifications include but are not limited to:

- Certification by the lender that the remitted loan is in first lien position on the subject property,
- Certification that no default exists on the loan remitted for guaranty which has continued for more than 30 days
- Certification that at least six consecutive payments have been made on a prior VA loan being refinanced by the loan remitted for guaranty, and
- Certification that the lender adhered to disclosure requirements for Interest Rate Reduction Refinance Loans (IRRRLs).

Evidence of initial and final disclosures for cash-out refinance loans are also required and captured in this section of the response.

### Lender overrides

The Lender Override section of the RemitLoanForGuaranty request primarily provides lenders with the ability to signal on re-remittance that they want to proceed with Guaranty Remittance for loans where a loan exception of type issue requires a lender override was initially identified and to acknowledge with specifics that the lender will complete any required remediation measures to resolve the exception.

The Lender Override section also provides lenders with the ability to:

- Provide VA with more current data about the disposition status for prior VA loans currently encumbering the guaranty entitlement available to the Veteran(s) on the loan to resolve loans receiving a guaranty amount less than maximum.
- Clarify the relationship with Veteran obligors for parties on the title of the subject property but not obligors on the loan remitted for guaranty.
- Detail and provide proof of consent for how entitlement will be charged unequally for Veterans originating a joint loan where one of the Veterans has encumbered entitlement.

- Clarify and provide evidence that a widow of a deceased Veteran originating an IRRRL was an obligor on the loan being refinanced.
- Clarify discrepancies between VA data of record and data provided by the lender regarding the loan type of the loan.
- Assert necessary remediation(s) to cure violations of regulatory and statutory loan requirements as identified in the Loan Exceptions. Remediations may include but are not limited to the following:
  - Indemnification of the loan up to the life-of-loan
  - Principal reduction
  - Refund sent directly to the Veteran from the lender.

Lenders are encouraged, but not required, at time of re-remittance to provide documentary evidence substantiating additional information provided in the lender overrides. Additional information refers to things such as:

- A lender's intent to enter a life-of-loan indemnification agreement required to guarantee the loan
- Monetary remediation amounts (either in cash or by loan principal reduction) the lender is agreeing to provide
- Prior loan dispositions provided by the lender

Providing evidence of the override information at time of remittance will hasten LGY review/confirmation of that evidence which is a necessary step before LGY will release the evidence of Guaranty (LGC) to the lender.

If the remedial measure has yet to occur and the lender must expedite their remittance for guaranty to avoid a late charge or late interest on the VA funding fee, they may remit without evidence of the remedial action. Lenders must then supply the necessary evidence through the ProvideRemediationEvidenceForRemittedLoan operation and LGY must review/confirm that evidence prior to release of the LGC.

## Response

### Information about the funding fee owed to VA

When a loan is remitted for guaranty, VA-LGY calculates the appropriate funding fee due for the loan (plus any late charge or late interest due on loans remitted late). The appropriate funding fee is calculated using the loan data provided in the RemitLoanForGuaranty request (both explicitly and extracted from the UCD) along with Veteran exemption status and first/subsequent use of the benefit that is retrieved from VA systems. While VA-calculated funding fee will often be the same as the funding fee amount collected by the lender at closing, there are a variety of scenarios where VA-calculated funding fee amount will differ from that collected by the lender. Examples of this include:

- Lender mistake in calculating the appropriate funding fee rate by treating a Veteran as a subsequent user of the benefit when it is their first use of the benefit.
- Veteran exemption due to a recent service-connected disability determination unknown by the lender at closing.
- Lender closes a loan with a loan amount that exceeds the allowable maximum (e.g., a cash-out refinance where the loan amount exceeds reasonable value) and calculates the funding fee against the excessive loan amount.

In all cases, the funding fee amount calculated by VA will be collected/withdrawn from the lender as part of Guaranty Remittance. Detailed information regarding the breakdown of the full funding fee owed VA is provided in the `FundingFeeOwedVA` section of the `RemitLoanForGuaranty` response.

If the funding fee collected by the lender at closing exceeds what VA calculates to be required, information about the amount over-collected and the amount to be refunded are returned in the `OvercollectedFundingFeeRefundRequiredFromLender` section of the `RemitLoanForGuarantyResponse`. Note that in these cases a corresponding Loan Exception will also be returned, and any refund amounts included in the aggregate amounts provided to the lender in the `RequiredRemediation` section of the response.

### Information about the guaranty the loan will receive

A detailed breakdown of the amount of guaranty a lender will receive on the loan is returned in the `GuarantyResults` section of the `RemitLoanForGuaranty` response. This breakdown includes an account of the Guaranty Entitlement available and used by each Veteran on the loan including any encumbrances on that entitlement due to other active VA loans or prior VA loans where the subject property has not been sold by the Veteran. This information is provided to allow a lender to understand why a guaranty amount/percent might be less maximum.

Purchase loans remitted for guaranty that are the second half of back-to-back closings where the Veteran sold the property securing an existing VA loan immediately prior to closing the loan remitted for guaranty will likely show an encumbered Guaranty Entitlement available to that Veteran with the prior loan. These loans will initially result in a less than max guaranty loan exception. Lenders can resolve this scenario by certifying to VA that the prior VA loan has been paid in full and the property was sold by the Veteran (as well as documentary evidence) in the `LenderOverrides.PriorLoanDispositions` section of the `RemitLoanForGuaranty` request and re-remitting the loan for guaranty.

### Loan data used by VA to calculate guaranty, the funding fee owed and evaluate business rules

The loan data used by VA to process the Guaranty Remittance and in so doing calculate guaranty, the funding fee and evaluate the loan for compliance with statutory and regulatory requirements comes from four sources:

- Data explicitly provided by the lender in the `RemitLoanForGuaranty` request
- Data extracted from the UCD included in the `RemitLoanForGuaranty` request
- Data extracted from the ULAD included in the `RemitLoanForGuaranty` request
- Data retrieved from VA systems

For the purposes of transparency and to aid lenders in understanding why a particular loan exception was identified or why the guaranty or funding fee calculated to the amounts they did, the loan data as recognized by VA is echoed back in the `InputData` section of the `RemitLoanForGuaranty` response. Details on the source of particular data points can be found in the descriptions of those fields in the OpenAPI documentation (Swagger).

### Refinancing loan evaluation results

LGY evaluates refinancing loans remitted for guaranty for compliance with statutory and regulatory rules. Detailed breakdowns of the results of the evaluation of the remitted loans for compliance with those rules is provided for:

- Net tangible benefits evaluations
- Fee recoupment evaluations
- IRRRL requirements
- Prior loan seasoning requirements

These detailed breakdowns are provided to better enable lenders to understand why a remitted loan might be found to not be in conformance with statutory and regulatory rules.

### Loan exceptions

As part of Guaranty Remittance, LGY evaluates loans remitted for guaranty for compliance with certain statutory and regulatory rules. These evaluations are based on loan data provided by the lender either directly or extracted out of the UCD and ULAD. If these evaluations determine that a loan remitted for guaranty is not conformant with all applicable requirements, loan exceptions detailing each rule violation will be returned in the RemitLoanForGuaranty response. See the document *Guaranty Remittance API Loan Exceptions* for the full list of Loan Exceptions. Loan exceptions are classified into three types:

- Critical errors - rule violations that preclude the loan from being guaranteed and if those violations are remediable, any possible remedial action that must be completed manually by the lender and VA. (e.g., an expired or lack of a notice of value (NOV) on the closing date of a purchase, construction, or cash-out refinance loan). Loans with these errors cannot be successfully remitted for guaranty without a change in the underlying loan data (or in some cases VA data) to stop the rule from failing.
- Issue requires lender override – rule violations that require either specific remedial action (e.g., principal reduction on the loan) by the lender or need lender acknowledgement of a less than ideal outcome for the lender (e.g., guaranty less than max) to proceed with issuance of the LGC. Loans with these loan exceptions will initially fail but the lender can opt to accept and agree to perform the necessary remedial measures or acknowledge the less-than-ideal guaranty outcome by setting appropriate flags in the LenderOverrides section of the API request and re-submitting the loan.
- Advisory – rule violations that the lender needs to be aware of but that do not prevent the immediate processing of the Guaranty Remittance.

Each loan exception is separately evaluated and returned in the loan exceptions collection if identified.

### Required remediation actions

Remitted loans with identified loan exceptions of the type Issue Requires Lender Override usually need remedial measures taken by the lender to secure the LGC. These remedial measures fall into 3 categories:

- Indemnification of the loan up to the life-of-loan
- Monetary remediation by the lender in the form of a principal reduction to remedy loan amounts that exceed what is allowed based on statutory or regulatory requirements.

- Monetary remediation by the lender in the form of a cash refund to the Veteran to remedy situations where the lender over collected the VA funding fee paid by the Veteran in cash or collected excess fees from the Veteran paid for in cash.

A loan could potentially violate multiple rules and result in multiple loan exceptions requiring monetary remediation. The `RequiredPrincipalPaydown` and `CashToRefundToVeteran` amounts returned in the `RequiredRemediation` of the response are aggregate values spanning all identified loan exceptions that require monetary remediation. If a lender elects to perform the remediation and proceed with guaranty, the aggregate values in this section are what is required. If a lender remits this loan again with the appropriate fields in the `LenderOverrides` section of the request, the values the lender inputs for principal reduction or cash refund to the Veteran they agree to perform are checked against the required aggregate values and must match for the loan to process successfully.

For example - A lender includes 3 discount points in the loan amount of an IRRRL for a Veteran where the VA funding fee required for the loan was also included in the loan amount. In this scenario, it is highly likely that two loan exceptions of a type `Issue requires lender override` will be identified: one for the 1 discount point above what is allowed, and a second one for an overcharged funding fee included in the loan amount since it is likely the lender charged the funding fee rate against the loan amount that includes 3 discount points whereas the appropriate amount to charge the funding fee rate was the loan amount only including 2 discount points. The collection of `LoanExceptions` will include two distinct exceptions, but the `RequiredPrincipalPaydown` in the `RequiredRemediation` will be the aggregate sum of the two remediation amounts and represent the bottom line that the lender must pay down the principal of the loan to proceed with guaranty.

### Loan Guaranty Certificate (LGC)

Loans remitted for guaranty that are successfully processed (returning no loan exceptions that are not advisory) for guaranty will immediately generate and return the LGC if:

- No funding fee is owed to VA because all Veterans on the loan were exempt from the funding fee
- No post remittance remedial actions are required to substantiate information provided by the lender in the `LenderOverrides` section of a loan remitted for guaranty after initially triggering loan exceptions

With Guaranty Remittance, LGY will not release evidence of the guaranty (LGC) until the VA funding fee has been collected from the lender's account. The collection process typically takes 48 to 72 hours to complete. Lenders can periodically poll the `RetrieveLoanGuarantyCertificate` operation in the Guaranty API to check on the status of LGC release. `RetrieveLoanGuarantyCertificate` will return the LGC when the funding fee has been collected and all other post remittance remedial actions are complete.