Loan Guaranty Service

Guaranty Remittance API Companion Document

Revision History

Date	Version	Description
9/8/2021	1.0	Initial version
11/15/2021	1.1	Header and table of contents added
6/20/2023	1.2	Updated to reflect latest specification

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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 API 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 with new Pre-Close functionality, allowing lenders to obtain feedback on a proposed closing disclosure and returning VA policy conformance and funding fee feedback, prior to the loan closing.

The Guaranty Remittance API consists of two operations:
- SubmitLoanForPreClose,
- RemitLoanForGuaranty

SubmitLoanForPreClose takes in information about the loan (before closing) including the UCD and ULAD that represent the data of the loan. 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).

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 critical exceptions and for which a funding fee is owed will initiate VA withdrawal of that funding fee from the lender's account. The LGC will be returned in the response.

Guaranty API Documentation

The documentation for the Guaranty API consists of:
- OpenAPI (Swagger) specification of the request and responses for the 2 operations included in the Guaranty API. Detailed descriptions for each field in those requests and responses are included in the OpenAPI specification. This is published on the VA Lighthouse site.
- This document, which provides high level context for the API, its operations, and for the SubmitLoanForPreClose and RemitLoanForGuaranty operations, a breakdown and business context for the major sections of the request and response.
- 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.

SubmitLoanForPreClose and RemitLoanForGuaranty Operation

Request

Information about the loan submitted for pre-close or remitted for guaranty

Generally, information about the loan remitted for guaranty is extracted from the UCD and ULAD included in the request for SubmitLoanForPreClose or 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 SubmitLoanForPreClose or 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 Refinancing Loans (IRRRLs).

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

Response
Information about the funding fee owed to VA

When a loan is submitted for pre-close or 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 SubmitLoanForPreClose or 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 SubmitLoanForPreClose or 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 SubmitLoanForPreClose or 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 SubmitLoanForPreClose or 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 Pre-Close submission or 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 SubmitLoanForPreClose or RemitLoanForGuaranty request
- Data extracted from the UCD included in the SubmitLoanForPreClose or RemitLoanForGuaranty request
- Data extracted from the ULAD included in the SubmitLoanForPreClose or RemitLoanForGuaranty request
- Data retrieved from VA systems

For the purposes of transparency and to aide 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 SubmitLoanForPreClose or 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 submitted for pre-close or 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 was 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.
- Business Issues – rule violations that may 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.
- 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.