1. **Purpose.** This circular announces that the Department of Veterans Affairs (VA) Funding Fee Payment System (FFPS) has been updated to calculate the funding fee changes noted in Circular 26-11-15 per Public Law 112-37, the Veterans Health Facilities Capital Improvement Act of 2011. Lenders may now submit payments for all loans, including those closed on or after October 1, 2011. Procedures for obtaining a refund of excess fees are also described below.

2. **Loans closed October 1, 2011 through and including October 5, 2011.** Lenders may submit payments at this time and VA FFPS will automatically calculate the funding fee due, using the lower funding fee structure that was in effect from October 1 through October 5. Lenders who closed loans during this period, and who submitted funding fee payments prior to October 8, 2011 (the date VA FFPS was updated), would have been charged an incorrect (higher) fee. To generate a refund of any excess fees paid, lenders can access the record in VA FFPS, select “Correct” and resubmit. It is not necessary to change any data. By submitting the funding fee payment again, VA FFPS will automatically recalculate the correct fee. VA staff will then process any refund due, and funds will be deposited into the lender’s VA Financial Management System (FMS) account. Upon receipt of the refund, lenders are encouraged to re-review the loan closing documents to determine whether or not the Veteran is entitled to receive any/all of the refund amount. Refunds due to Veterans should be applied directly to the principal balance of the loan.

3. **Loans closed on or after October 6, 2011.** For loans closed on or after October 6, 2011, VA FFPS will calculate the higher fees noted in VA Circular 26-11-15. In cases where a Good Faith Estimate (GFE) was issued prior to enactment of Public Law 112-37, VA will waive the difference in fees between the lower October 1 fees and the higher Public Law 112-37 fees. This waiver will be in the form of a refund to lenders via FFPS. To obtain a refund, lenders must first submit the funding fee in FFPS. Once that task has been completed, lenders should scan and email a legible copy of the GFE to william.white1@va.gov. Lenders should always label the subject header of the email “Funding Fee Refund,” as this will enable timely processing. The refund will be processed in VA FFPS by VA staff, and funds will be deposited into the lender’s VA FMS account. Upon receipt of the refund, lenders are encouraged to re-review the loan closing documents to determine whether or not the Veteran is entitled to receive any/all of the refund amount. Refunds due to Veterans should be applied directly to the principal balance of the loan.

4. **Future funding fee changes.** Absent new legislation, funding fees are set to decrease
again on November 18, 2011. VA believes it is likely that Congress will pass other legislation in the coming weeks that will make additional changes to the funding fee structure. Should this occur, VA will post a notice on our website, http://www.benefits.va.gov/homeloans/, and the VA FFPS system.

5. **Rescission**: This circular is rescinded on October 1, 2012.

    By Direction of the Under Secretary for Benefits

    Michael J. Frueh
    Acting Director, Loan Guaranty Service

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