

VA Loan Origination Guidance During a Federal Government Shutdown

1. Purpose. This Circular provides guidance for Department of Veterans Affairs (VA) home loan borrowers affected by the Federal Government shutdown, and describes measures regarding loan origination.

2. Employment Directly Affected by the Shutdown. For borrowers employed by the Federal Government or other individuals whose employment is directly impacted by the shutdown, a loan is not rendered ineligible for guaranty by VA solely based upon the shutdown. If a borrower is furloughed or directly impacted on or after closing of the mortgage loan due to the shutdown, the loan remains eligible for guaranty, provided that the lender has been able to obtain all required documentation (paystubs, W-2s, verbal VOs, etc.) prior to guaranty and the loan is current.

3. Income Verification Guidelines. It is recognized that the IRS Form 4506-T may be unobtainable during the shutdown, but unavailability should not present a sole barrier to originating a purchase or refinance loan. VA guidelines for standard and alternative documentation do not include a requirement to obtain IRS Form 4506-T. This applies to both W-2 wage earners and self-employed borrowers. The VA Lender's Handbook references IRS Form 4506-T in Chapter 4, Topic 8, Documentation for Automated Underwriting Cases (AUS). The IRS Form 4506-T requirement is sometimes listed as a condition on the AUS feedback certificate, or imposed during a manual underwrite by the lender. It is important to note that even if this condition exists, it would be considered an investor or lender overlay exceeding the guidelines established by VA.

4. Underwriting. For income analysis purposes, VA guidelines generally require income to be stable and reliable for 2 years. If the applicant were subject to furlough, that period should not be considered a break in employment provided they returned to work in the same status, and the applicant provides their furlough letter for verification purposes.

5. Flood Insurance Requirement. Per the VA Lenders' Handbook, Chapter 9, Topic 10, the lender is responsible for ensuring that flood insurance, if needed, is obtained and maintained on any building or personal property that secures a VA loan. Due to the Federal Government shutdown, VA recognizes the Federal Emergency Management Administration (FEMA) and other federal entities may be unavailable for routine certifications or correspondence. In such cases, we remind lenders that non-federal flood insurance policies are acceptable provided coverage is sufficient per current VA policy. See FEMA Memorandum: Write Your Own (WYO) Company Principal Coordinators National Flood Insurance Program (NFIP) Servicing Agent for further information. <https://www.fema.gov/what-write-your-own-program>.

(LOCAL REPRODUCTION AUTHORIZED)

6. Rescission: This Circular is rescinded January 1, 2020.

By Direction of the Under Secretary for Benefits

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