2015 VA Lenders Conference

May 12 & 13, 2015
Sheraton Wild Horse Pass - Chandler, AZ

Presented by
VA Loan Guaranty Service
and
Regional Loan Center Staff

www.benefits.va.gov/homeloans

Hosted by the Phoenix Regional Loan Center
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Welcome to the 16th VA Lenders Conference! This is always my favorite event of the year, as it is a time when we get to directly interact with the people who help us deliver VA’s housing benefit to Veterans across the nation - you. It’s an exciting time for Loan Guaranty, as we continue to grow and adapt in this ever-changing mortgage market. We strive to help you help our Veterans by transforming the way we operate to continuously improve Veterans’ ability to obtain their own particular piece of the American dream. We could not accomplish what we do without your support, and I thank you for all you do, every day, to help Veterans. Throughout this conference, I ask that you stay engaged, and I welcome your feedback as we work together to shape the future of Loan Guaranty. Enjoy your conference!

Michael J. Frueh
Director, Loan Guaranty Service

Michael James Frueh is the Director of the Loan Guaranty Service at the U.S. Department of Veterans Affairs (VA). He directs the national loan program responsible for helping veterans obtain mortgages to purchase homes, adapt homes to accommodate certain service-connected disabilities, retain their homes if they experience financial difficulties, as well as the program that sells REO properties acquired through this process. Michael has more than 23 years of experience in the mortgage industry, especially in the area of secondary markets. He previously worked in the structured finance group at PricewaterhouseCoopers as well as at Bankers Trust’s asset securitization group. He owned a mortgage bank based in North Carolina. Michael has a BS in Mathematics from Pepperdine University (emphasis in Computer Science and pre-Medicine), and an MBA in Business Administration (Finance and Economics) from the George Washington University.
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TABLE OF CONTENTS

• Agenda .................................................. 5
• WebLGY Systems Updates ......................... 7
• Eligibility ............................................... 17
• Prior Approval Loan Processing .................. 29
• NOV Conditions ....................................... 33
• HUD-1 Breakdowns .................................... 41
• Guaranty Calculations ................................. 49
• Monitoring Unit Procedures ....................... 55
• Industry Outreach ...................................... 57
• Funding Fee Calculations ............................ 63
• Income Considerations ............................... 67
• Full File Loan Review Errors ..................... 73
• Loan Assumption ....................................... 75
• Construction and Valuation ....................... 79
• RLC Contact Information ............................ 89
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# Agenda

## Tuesday May 12, 2015

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Speaker</th>
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<tbody>
<tr>
<td>7:00</td>
<td>Registration</td>
<td>Amy Berumen</td>
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<tr>
<td>8:00</td>
<td>Welcome</td>
<td>Jeff Wilson</td>
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<td>8:05</td>
<td>Greeting</td>
<td>Susan Lloyd (LGO)</td>
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<td>8:10</td>
<td>Opening Remarks</td>
<td>Sergio Chao, Asst. Director</td>
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<tr>
<td>8:20</td>
<td>Introductions</td>
<td>Amy Berumen</td>
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<td>8:30</td>
<td>Loan Guaranty Overview: Past to Present</td>
<td>Mike Frueh</td>
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<td>9:00</td>
<td>VA Loan Guaranty Future</td>
<td>John Bell III</td>
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<td>9:30</td>
<td>LP Overview and Updates</td>
<td>Zaneta Jones</td>
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<td>10:10</td>
<td>WebLGY Systems Updates</td>
<td>Steve Varlas</td>
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<td>11:00</td>
<td>Eligibility (COE)</td>
<td>Jennifer Tillery</td>
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<td>Prior Approval Loan Processing</td>
<td>Peggy Wallace</td>
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<td>NOV Conditions</td>
<td>Steve Roberts</td>
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<td>HUD-1 breakdowns</td>
<td>Mark Jamison</td>
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<td>Guaranty Calculations</td>
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<td>3:30</td>
<td>Monitoring Unit Procedures</td>
<td>Dreama Walker</td>
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<td>4:00</td>
<td>Industry Outreach and Communication</td>
<td>Mark Connors</td>
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<td>Wrap up and Parking Lot Review</td>
<td>Berumen</td>
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<td>5:00</td>
<td>Break for the Day</td>
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## Agenda

**Wednesday May 13, 2015**

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<tr>
<td>8:00</td>
<td>Welcome</td>
<td>Jeff Wilson</td>
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<tr>
<td>8:05</td>
<td>Funding Fee Calculations</td>
<td>Jeff Wilson</td>
</tr>
<tr>
<td>8:30</td>
<td>Income Considerations</td>
<td>Cherie Castanares</td>
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<td>9:00</td>
<td>Lender Score Card</td>
<td>Koehler/Connors</td>
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<td>Break</td>
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<td>10:15</td>
<td>Full File Loan Review Errors</td>
<td>Dani Terrell</td>
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<tr>
<td>10:45</td>
<td>Loan Assumptions</td>
<td>Al Hipolito</td>
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<tr>
<td>11:00</td>
<td>Construction and Valuation</td>
<td>Gerry Kifer</td>
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<tr>
<td>11:45</td>
<td>Thank You Remarks</td>
<td>Susan Lloyd</td>
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<tr>
<td>11:50</td>
<td>Intermediate Closing Remarks</td>
<td>Mike Frueh</td>
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<td>12:00</td>
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<td>1:00</td>
<td>VA Loan Demographics</td>
<td>Kent Koehler</td>
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<td>1:30</td>
<td>Open Question Forum</td>
<td>Jeff Wilson</td>
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<tr>
<td>3:00</td>
<td>Round Table on Policy</td>
<td>John Bell</td>
</tr>
<tr>
<td>4:30</td>
<td>Wrap up and Parking Lot Review</td>
<td>Berumen</td>
</tr>
<tr>
<td>5:00</td>
<td>Conference End</td>
<td>Jeff Wilson</td>
</tr>
</tbody>
</table>
WebLGY Systems Updates

Correct COE

Lender Self-Service

Correct COE for Approved Records
Warning Message

An Approved COE Exists
- An Approved COE already exists. Please view the COE to ensure it meets your needs.
- If the COE is satisfactory, you may print it and use the system; you do not need to submit an electronic application.
- If the COE requires correction or restoration, please submit an electronic application.

Resubmit Application

- What may change without VA assistance?

Correct Name

- First name, middle name and suffix may be corrected through self-service
Correct Contact Info

**Veteran Personal Information**
- Name:
- Social Security Number:
- Date of Birth:

**Veteran Address**
- Address Line 1
- Address Line 2
- City
- State
- Zipcode

**Mail Certificate To Address**
- Address Line 1
- Address Line 2
- City
- State
- Zipcode
- Email Address
- Confirm Email Address

- Contact Info

Correct Branch of Service

**Branch of Service Update**
- Branch of Service: Navy

- Army
- Navy
- Air Force
- Marine Corps
- Coast Guard
- Other
- Other Qualifying Service

- Important for Veterans
• Did the veteran’s rating decisions change?

• If the system locates the new rating decision, a success page will appear.
Cash out will generate the cash out condition for the active loan.
Streamline Refinance will do nothing.
Purchase will navigate user to the Upload Page.

Click OK for the Cash out Refinance Loan Warning Message
Then Select Submit
- Make sure the active loan is displayed on the COE
- Check the exempt status

- Purchase will lead to the Upload page for Active Loans
• Provide supporting documentation

• Answer the ownership question
One Time Restoration

- Veteran will have to dispose of all properties for another restoration

What are we missing?

- Active duty to veteran COE
- Add cash out condition for paid in full loans
- Name matching – Exempt Cases
- Real time loan data updates
- Doc Upload for last name changes
- Make sure that we always re-issue new issuance date
Notes
Welcome home celebrations occur all across this great country!
Search for a COE

Eligibility Record Search

If searching by Reference Number, you must also enter an SSN, Service Number, or Last Name.

Search Criteria

Social Security Number or Reference Number

Service Number

Name

First

Last

Search

Search for a COE

Search

Does search result in a COE?

YES

Action

If COE is acceptable, print and exit

Click on “New Application” or “Correct COE”

NO

Exit “Search” and use ACE to order a COE
Has Veteran ever had a VA Loan?

**NOT** the same as
Does Veteran own any current VA homes purchased or refinance with VA?

Certificate of Eligibility Application

Prior VA Loan Information

 Normally VA receives notification from the lender that a loan has been paid, but this does not always happen. To prevent delays, it is advisable to provide evidence that the prior loan has been paid in full with the application. The next screen will provide you the opportunity to upload the documentation.

Has the Veteran ever had a VA home loan? * 

YES Response will require prior loan information

Click Next to continue the Certificate of Eligibility Application

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26-1880 November 2014

PREVIOUS VA LOANS (SEE INSTRUCTIONS ON THE NEXT PAGE - Attach a separate sheet if information for all homes will not fit in Item 10)

10A. DO YOU NOW OWN ANY HOME(S) PURCHASED OR REFINANCED WITH A VA-GUARANTEED LOAN?

[ ] YES (If "Yes", complete Item 10C through 10D)

[ ] NO (If "Yes", skip to Item 11A)

[ ] NOT APPLICABLE (NA) - I HAVE NEVER OBTAINED A VA-GUARANTEED HOME LOAN (If "NA", skip to Item 11A)

11A. ARE YOU APPLYING FOR THE ONE-TIME ONLY RESTORATION OF ENTITLEMENT TO PURCHASE ANOTHER HOME?

[ ] YES (If "Yes", complete Items 11B through 11D)

[ ] NO (If "Yes", skip to Item 11A)

11B. DATE OF LOAN (Month and Year)

11C. STREET ADDRESS

11D. CITY AND STATE

12A. ARE YOU APPLYING FOR A RESTORATION OF ENTITLEMENT TO OBTAIN A REGULAR (CASH-OUT) REFINANCE ON YOUR CURRENT HOME?

[ ] YES (If "Yes", complete Items 12B through 12D)

[ ] NO (If "Yes", skip to Item 12A)

12B. DATE OF LOAN (Month and Year)

12C. STREET ADDRESS

12D. CITY AND STATE

13A. ARE YOU REFINANCING AN EXISTING VA LOAN TO OBTAIN A LOWER INTEREST RATE WITHOUT RECEIVING ANY CASH PROCEEDS (IRRRL)?

[ ] YES (If "Yes", complete Items 13B through 13D)

[ ] NO (If "Yes", skip to Item 13A)

13B. DATE OF LOAN (Month and Year)

13C. STREET ADDRESS

13D. CITY AND STATE
**Conditional COE**

**Loan not restored**

**Prior Loan Information**

<table>
<thead>
<tr>
<th>VA Home Loans Ind</th>
<th>Bill Due Ind</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

**Prior Loans charged to entitlement**

<table>
<thead>
<tr>
<th>VA Loan Number</th>
<th>State</th>
<th>Loan Amount</th>
<th>Date of Loan</th>
<th>Entitlement Charged</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>$87,720</td>
<td>01/31/1996</td>
<td>$35,088</td>
<td>Paid In Full/No Restoration</td>
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</tbody>
</table>

**Paid In Full Loan** - Entitlement charged on a paid in full loan cannot be restored until the veteran applies for restoration of entitlement. Mail a completed VA Form 26-1880 to the Eligibility Center or lender may submit application electronically through ACE.

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**Conditional COE**

**Foreclosure/Deed in Lieu**

**Prior Loans charged to entitlement**

<table>
<thead>
<tr>
<th>VA Loan Number</th>
<th>State</th>
<th>Loan Amount</th>
<th>Date of Loan</th>
<th>Entitlement Charged</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>$52,900</td>
<td>05/24/1994</td>
<td>$22,500</td>
<td>Foreclosure/Deed In Lieu</td>
</tr>
</tbody>
</table>

**THIS VETERAN'S BASIC ENTITLEMENT IS $13,500**

**TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $22,500**

The veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any conditions cited below. Basic entitlement for veterans who have not previously used home loan benefits is $39,000. Additional entitlement is available for most loans in excess of $144,000. In such cases, the entitlement amount is 25% of the VA loan limit for the county where the property is located. VA county loan limits are adjusted annually, and the current limits are available at www.home-loans.va.gov.

**Foreclosure/Deed in Lieu** - Entitlement charged on a foreclosed loan cannot be restored until VA's loss on the loan has been fully repaid. Information about repayment of the loss may be obtained by contacting the Eligibility Center.
Conditional COE
Foreclosure/Deed in Lieu/Compromise

We regret to advise you that you do not meet the requirements of the law for restoration because VA suffered a loss of

<table>
<thead>
<tr>
<th>Loss amount</th>
<th>LIN</th>
</tr>
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<tbody>
<tr>
<td>$9,657</td>
<td></td>
</tr>
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</table>

In connection with your prior loan(s) and the loss has not been fully repaid. Information concerning repayment of this loss may be obtained by contacting the Eligibility Center.

Although we cannot restore the entitlement you previously used, the enclosed Certificate of Eligibility shows your remaining Loan Guaranty Entitlement. You may be able to use this remaining entitlement to obtain another GI Loan, depending on the amount of entitlement you have and the loan requested. Talk to lenders in your area to explore this possibility.

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Conditional COE
Foreclosure/Deed in Lieu

**Entitlement used / charged**
- $22,500
- Can use remaining base entitlement of $13,500
- $13,500 x 4 = $54,000
- Combine base and bonus entitlement on a loan amount above $144,000
- Loan less than $144,000 - may have to repay to have 25% guaranty

**Amount of loss to VA**
- $9,657
- Base remaining entitlement plus bonus entitlement
- Can use bonus entitlement if loan amount at least $144,001
- Use maximum loan limit for county
- Loss may not have to be repaid to use entitlement
- Can make a down payment for a higher loan amount
One time restoration or bonus entitlement?

**Previous VA Loans (See Instructions on the Next Page - Attach a separate sheet if information for all homes will not fit in Item 10)**

10A. Do you now own any homes purchased or refinanced with a VA- guaranteed loan?
- Yes (If “Yes,” complete Items 11B through 14D)
- No (If “No,” skip to Item 14)
- Not applicable (NA) - I have never obtained a VA- guaranteed home loan (If “No,” skip to Item 14)

11A. Are you applying for the one-time only restoration of entitlement to purchase another home?
- Yes
- No (If “No,” complete Items 11B through 14D)

11B. Date of loan (Month and year)
11C. Street address
11D. City and state

12A. Are you applying for a restoration of entitlement to obtain a regular (cash-out) refinance on your current home?
- Yes
- No (If “No,” complete Items 12B through 12D)

12B. Date of loan (Month and year)
12C. Street address
12D. City and state

13A. Are you refinancing an existing VA loan to obtain a lower interest rate without receiving any cash proceeds (IRRRL)?
- Yes
- No (If “No,” complete Items 13B through 13D)

13B. Date of loan (Month and year)
13C. Street address
13D. City and state

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**One time restoration bonus entitlement?**

- VA loan in paid in full
- Veteran still owns the home
- We can restore the entitlement one time to full entitlement while the Veteran still owns the home
- May wish to use bonus entitlement instead
- For future restoration, all loans must be paid in full and Veteran no longer own ALL properties after a one time restoration to obtain full entitlement
Conditional COE
Refinance “cash out” Restoration

Refinance Restoration (Cash Out) - This Certificate of Eligibility is valid only for a "cashout" refinance loan on property at ________ that secured VA loan number _______ with a closing date of ________.

IRRRL COE – COE is not needed
Valid while on active duty

At closing, Veteran must be able to certify on active duty on VA 26-1820. If not, need evidence of discharge from service DD214 or points statement/NGB 22

Active Duty Service Member: Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required.

Surviving Spouse Certificate of Eligibility: VA 26-1817
In memory of those that sacrifice their lives for our freedom.
Submit VA 26-8937

- Please fax a copy of VA Form 26-8937 to the VA Regional Office of jurisdiction
- Please have the lender contact VA Regional Loan Center for loan processing
- Veteran is not exempt from the VA funding fee due to receipt of non service-connected pension. Loan application will require prior approval processing by the VA
### Reserves Statement

**6 years with sufficient points with Honorable Discharge**

<table>
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<tr>
<th>Component</th>
<th>PERIODS (By reenlistment year)</th>
<th>NUMBER OF POINTS</th>
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**Reserves Statement**

**6 years without sufficient points**

Need other service to qualify

<table>
<thead>
<tr>
<th>1. BEGINNING DATE</th>
<th>2. ENDING DATE</th>
<th>3. MILITARY PERSONNEL CLASS</th>
<th>4. STATUS OR COMPONENT</th>
<th>5. INACTIVE DUTY POINTS</th>
<th>6. EXTENSION COURSE POINTS</th>
<th>7. MEMBERSHIP POINTS</th>
<th>8. ACTIVE DUTY POINTS</th>
<th>9. QUALIFYING FOR RETIREMENT YRS MOS DAYS</th>
<th>10. TOTAL POINTS CREDITABLE</th>
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</table>
Obtaining Proof of Service

www.ebenefits.va.gov

What Is eBenefits?
eBenefits (www.eBenefits.va.gov) is an online tool giving Servicemembers, Veterans, and their families instant access to DoD and VA benefits information.

With eBenefits You Can:
- Apply for VA benefits online
- Check Post-9/11 GI Bill enrollment status
- Generate a VA home loan certificate of eligibility
- Check the status of compensation and pension claims
- Transfer education benefits to a dependent
- Update direct deposit and contact information
- View VA payment history
- Check veteran benefits eligibility and view TRICARE information
- Obtain military personnel records (DD Form 214)

For a complete list of online tools available, visit www.eBenefits.va.gov/today.

Obtaining Proof of Service for Reserves or Guard

- National Guard or Army Reserve
  - www.hrc.army.mil
  - 888-276-9472
  - Prior to 2002 Reserves—archives
  - After 2002 Reserves 888-276-9472

- Navy Reserve
  - www.npc.navy.mil
  - Prior to 1995 — archives
  - After 1995 — 866-827-5672

- Archives
  - www.archives.gov
  - 866-272-6272

- Air Force Reserves
  - www.arpc.afrc.mil
  - Prior to 2004 — archives
  - After 2004 — 800-525-0102 option 3, option 2, option 1

- Marine Corps Reserve
  - No website
  - 704-784-9307

- Coast Guard Reserves
  - www.uscg.mil
  - 866-772-8724
Is a Vet/Vet married couple that is using both entitlements considered a prior approval loan?  Yes / No

What is a Prior Approval Loan?

- Joint loans (Vet/Vet, Vet/Non-Vet) (Chapter 7.1.)
- Veterans in receipt of non-service connected pension (Chapter 5.4.)
- Veterans rated incompetent by VA (Chapter 5.4.)
- IRRRLs made to refinance delinquent VA loans (Chapter 6.2.)
- Prior Approval Lenders (Chapter 5.4.)
Submission Process

File Received at RLC
- 10 days from date stamp to process request
- If all docs received → Commitment issued
- Loan may close by lender

Suspended Status
- If missing docs, loan is suspended and clock stops
- Loan may NOT close yet

New Documents Received from Lender
- RLC reviews new docs
- If missing docs, requested from lender
- If all docs received → Commitment issued and loan may close!

How to Submit Documents to VA

Before submitting loan documents to VA:
- Establish the reasonable value of the property (Appraisal)
- Underwrite the loan (Chapter 5.4)

Submit file to applicable RLC for prior approval review:
- Tacked down in a file folder
- Clearly labeled as a “Prior Approval Loan”
- Follow stacking order in Chapter 5.4.c.

Submit documents to applicable RLC for issuance of Guaranty:
- Report the loan to VA within 60 days of closing
- Ensure compliance with commitment conditions (Chapter 5.4.j)
- Pay the VA Funding Fee (or enter as “Exempt”)
- Follow list of required documents in Chapter 5.4.j.
Can a prior approval lender close an IRRRL that is not delinquent?  
Yes / No

VA has recognized the same-sex marriage request.  
Can a lender close the loan automatically?  Yes / No

References

• www.benefits.va.gov/homeloans
• Cl.4.c. (Current Issues)  
• Chapter 5.4.a-j.  
• Chapter 6.2.a-d.  
• Chapter 7.1.  
• Chapter 8.8.
Energy Conservation Improvements

- Check this item for properties appraised as “existing construction.”
- Proposed construction and new construction properties are not eligible.

Wood Destroying Insect Information

- Check if the property is located in an area that is “very heavy” or “moderate to heavy” for termite infestation.
  - Inspection Report (Existing)
  - Soil treatment Guarantee (Proposed/New)

- Check local conditions/RLC of jurisdiction.
  
  [Link](http://www.benefits.va.gov/homeloans/appraiser_cv_local_req.asp)

- Inspection reports are valid for VA purposes for 90 days from date of inspection.
Lien-Supported Assessment

• Enter HOA fee.

• Enter for “other descriptions.”

Condominium Requirements

Check this section if the property is located in a condominium.

• The condominium must be VA approved.

• All approval-related requirements satisfied for the property to be eligible for VA loan guaranty.

Water/Sewage System Acceptability

• Check for property served by an individual,
  – Water supply or well, or,
  – Septic system in all cases appraised as proposed or under construction and in new and existing cases if there is an indication of soil problems. See if this is a local VA RLC requirement.
  – Evidence from the local health authority or other source authorized by VA that the individual _____ water supply, _____sewage disposal system(s) is/are acceptable.
Connection to Public Water/Sewer

- Check if appraisal report for home on individual well or septic shows that public water or public sewer is available.

- Provide evidence of connection to _____ public water, _____ public sewer, if available, and that all related costs have been paid in full.

Private Road/Common Use Driveway

- All properties with a private road or common use drive way
- Required for single family homes, PUDs and condos.

Flood Insurance

- Special Flood Hazard Area (SFHA)
- Flood zones A & V
- Lender obtains and maintains flood insurance
Airport Acknowledgement

- Located in airport noise zone or safety-related zone.

Repairs

- Check who is certifying the repairs are completed.
  - Lender
  - Appraiser
- List of Repairs
  - Existing Construction
    - Repairs to meet MPRS.
    - No certifications unless a problem is identified.
  - New Construction
    - Customer preference items.
Not Inspected Acknowledgement

- VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder’s warranty period.
- VA will not intercede on your behalf in the processing of any construction complaints.

Ten-Year Insured Protection Plan

- If the builder provides the 10-year warranty.

- Local Authority does not perform construction inspections. Property must be covered by both a 10-year insurance backed protection plan and 1 year VA builders warranty.

Energy Efficient Construction

- Properties appraised as new construction
- Certification not required:
  - Manufactured home built to HUD Code.
  - Condo over two stories high.
Lead/Water Distribution System

- Check for properties appraised as new construction

Offsite Improvements

- Properties appraised as proposed/ under construction and new construction.
- Offsite improvements have not made, such as:
  - Streets
  - Sidewalks
  - Drains
  - Sewers

Proposed Construction

- Properties appraised as proposed construction.
- Make sure all construction exhibits are identified in appraisal report.
Construction Inspections

• Local authority to perform construction inspections.
  – Certificate of Occupancy (CO)m, final approval or equivalent.

• Local authority does not perform construction inspections.
  – Property must be covered by both a 10-year insurance backed protection plan and 1-year VA builders warranty.

Construction Warranty

• Properties appraised as proposed construction or new construction

• New construction and the builder will provide a one-year warranty.
  – VA Form 26-1859, Warranty of Completion of Construction, signed by by an authorized official.

Other Conditions

• List any other VA conditions or requirements:
  – Written acknowledgments, such as non-vented fireplace, meets local requirements.
Review

• Evidence of the NOV conditions is an important part of the Veterans protection.

• As my LP counterparts here would agree, many of our non-compliance loans are that way for missing evidence to clear NOV conditions for MPR items.

Notes
Which HUD-1 Settlement Statement does VA require in an audit?

a) Initial
b) Final
c) All HUD-1’s issued
d) None of the above

Which HUD-1 line items need specific itemizations to satisfy a VA audit?

a) 800 Series
b) 1100 Series
c) 200 Series
d) Lender/Seller credits
e) All of the above
HUD-1 Settlement Statement

**800. Items Payable in Connection with Loan**

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Premium</td>
<td>$7,450.00</td>
</tr>
<tr>
<td>Annual mortgage insurance</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Appraisal fee to ABC Appraisal</td>
<td>$400.00</td>
</tr>
<tr>
<td>Credit report to DEF Credit</td>
<td>$50.00</td>
</tr>
<tr>
<td>Flood certification</td>
<td></td>
</tr>
<tr>
<td>V.A. Funding Fee</td>
<td>$4,500.00</td>
</tr>
</tbody>
</table>

**HUD-1 Itemization:**

**Line 801:**
- Origination Fee: $2,000.00
- Broker Compensation: $5,450.00
- Line 801 Totals: $7,750.00

**Line 802:**
- Broker Credit: $5,450.00
- Premium Pricing Credit: $1,000.00
- Line 802 Totals: $6,450.00

**Line 803:**
- Your Adjusted Origination Charges: $1,000.00

**Title Charges**

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title services and lender’s title insurance</td>
<td>$1,665.00</td>
</tr>
<tr>
<td>Settlement or closing fee</td>
<td>$1.00</td>
</tr>
<tr>
<td>Owner’s title insurance</td>
<td>$1,076.00</td>
</tr>
<tr>
<td>Lender’s title insurance</td>
<td>$1,076.00</td>
</tr>
<tr>
<td>Agent’s portion of the total title insurance premium</td>
<td>$1,388.00</td>
</tr>
<tr>
<td>Underwriter’s portion of the total title insurance</td>
<td>$1,388.00</td>
</tr>
<tr>
<td>Wire Fee</td>
<td>$15.00</td>
</tr>
<tr>
<td>Closing Protection Letter</td>
<td>$75.00</td>
</tr>
</tbody>
</table>

**HUD-1 Itemization:**

**Line 1101:**
- Title Services and Lenders Title Insurance: $1,665.00

- Lenders Title Insurance: $1,575.00
- Wire Fee: $15.00
- Closing Protection Letter: $75.00
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit or earnest money</td>
<td>$0.00</td>
</tr>
<tr>
<td>Principal amount of new loan(s)</td>
<td>$200,000.00</td>
</tr>
<tr>
<td>Existing loan(s) taken subject to</td>
<td></td>
</tr>
<tr>
<td>Seller Credit</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>Lender Credit</td>
<td>$1,500.00</td>
</tr>
</tbody>
</table>

**HUD-1 Itemization:**

**Line 205: Seller Credit**
- Appraisal: $400.00
- Credit Report: $50.00
- Transfer Taxes: $1,700.00
- Recording Fees: $150.00
- State Tax Stamps: $35.00
- Title Services: $1,665.00

**Line 206: Lender Credit**
- Escrow Deposit: $1,500.00
A premium pricing credit can negate the 1% origination charge?

a) True  
b) False

Which items do not go on Line 802 of the HUD-1?

a) Premium pricing credit  
b) Discount points  
c) Broker compensation credit  
d) Lender/Seller credits

Where should you put RESPA Violation refunds on the HUD-1?

a) 800 Series  
b) 1100 Series  
c) 200 Series  
d) 100 Series
For a non-exempt Veteran, failure to disclose a VA funding fee on the Good Faith Estimate will result in a RESPA violation?

a) True  
b) False

VA mandates that a lender maintain a tax and insurance escrow for VA loans?

a) True  
b) False

Reference VA Pamphlet 26-7, Chapter 9, Section 11a

Can a Veteran be charged a Realtor Administration Fee, or Realtor Broker Fee on a VA home loan?

a) Yes  
b) No

Reference VA Pamphlet 26-7, Chapter 8, Section 3c
If the lender does not charge a 1% origination fee, can the Veteran be charged a termite inspection fee?

a) Yes  
b) No


Is it acceptable for a Veteran to receive a Realtor credit on a VA home loan?

a) Yes  
b) No

Can both a title binder and title policy be charged to a Veteran?

a) Yes  
b) No
On a VA Interest Rate Reduction Refinance Loan (IRRRL), can premium pricing credits be used to reduce total closing costs for the recoupment period?

a) Yes
b) No

If the 1% origination fee has been charged, which of the following title fees are considered unallowable:

a) Title policy
b) Title search
c) Settlement fee
d) All of the above

An appraiser charged $500 for an appraisal due to “longer than normal distance”, but the allowable fee is $400, how much should you pay the appraiser?

a) $500
b) $450 (split the difference)
c) $400
d) None of the above
VA Closing Costs

The lender opts to not charge a 1% origination fee. What items are allowable?

a) Realtor administration fee
b) Attorney review fee charged by the lender
c) Processing fee
d) All of the above

If the lender pays for the credit report fee, does VA still require an itemized receipt?

a) Yes
b) No

What should a lender do with excess seller/lender credits, when the Veteran doesn’t have to pay anything out of pocket?

a) Give remaining funds to Veteran in cash
b) Give remaining funds to seller in cash
c) Apply excess to principal balance
d) None of the above
Calculating the Guaranty

• Guaranty is always calculated on the total loan amount which includes:
  
  – Base loan amount
  – Applicable VA funding fee included in loan amount

Base Loan Amount + Funding Fee = Total Loan Amount

VA County Loan Limits

• VA has no maximum loan amount

• Limitations on the maximum guaranty amount
  • Value, county loan limit and available entitlement are factors
  • Down Payment—not a VA requirement, may be lender/investor requirement

• County Loan Limits & Guaranty Calculation Examples:
  • www.benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp
  • Circular 26-14-39
Basic Entitlement Example

Veteran has full entitlement available and is purchasing a home for $300,000 where the county loan limit is $417,000

\[
\begin{align*}
\$417,000 \times 25\% &= \$104,250 \text{ Maximum Guaranty and Available Entitlement} \\
\$300,000 \times 25\% &= \$75,000 \text{ Guaranty and Down Payment Combination Required} \\
\end{align*}
\]

OR

\[
\begin{align*}
\$417,000 \div 4 &= \$104,250 \text{ Maximum Guaranty and Available Entitlement} \\
\$300,000 \div 4 &= \$75,000 \text{ Guaranty and Down Payment Combination Required} \\
\end{align*}
\]

Second Tier Entitlement

• “Bonus Entitlement”

• Additional entitlement is available for most loans in excess of $144,000 even if the Veteran has no entitlement or partial basic entitlement.
Second Tier Entitlement NOT Available Example

- Veteran wishes to borrow $144,000 in a county with a loan limit of $417,000. The Veteran is funding fee exempt and is presently using $40,000 of entitlement in connection with another VA loan.

- Can this VA loan be guaranteed?
  - No
  - **Explanation:** Veteran currently has no available entitlement since the loan is not greater than $144,000

Second Tier Entitlement Example

- COE displays entitlement charged of $96,375 which cannot be restored
- Borrower is purchasing a home in Fairfax, VA
- The 2015 County Loan Limit for Fairfax, VA is: $625,500.

**Calculation:**

\[ \begin{align*}
\text{\$625,000 (2015 Fairfax loan limit)} \\
\times \quad 25\% \\
\quad = \quad \text{\$156,375 (maximum entitlement available)} \\
\quad - \quad \text{\$96,375 (entitlement not restored on COE)} \\
\quad = \quad \text{\$60,000 (remaining entitlement available)} \\
\times \quad 4 \\
\quad = \quad \text{\$240,000 (maximum total loan amount for a 25% guaranty, Including Funding Fee)}
\end{align*} \]
Second Tier Entitlement Example

- Veteran wishes to borrow $400,000 in a county with a loan limit of $625,500. The Veteran presently has $70,000 of entitlement not restored. The calculation reveals that the maximum loan amount for a 25% guaranty would be $345,500.

- Will the lender most likely require a down payment?
  - YES
  - Explanation: The lender/investor may require a down payment to cover the shortfall on the VA guaranty.

Second Tier Entitlement Example—Down Payment

\[
\begin{align*}
\text{maximum entitlement available} & = \frac{625,500}{4} = 156,375 \\
\text{entitlement used} & = 70,000 \\
\text{entitlement available} & = 86,375 \\
\text{maximum total loan amount for 25\% guaranty} & = 86,375 \times 4 = 345,500 \\
\text{guaranty percentage on LGC} & = \frac{86,375}{400,000} = 21.59\% \\
\text{Lender/investor will most likely require a down payment of:} & \\
\text{down payment} & = \frac{400,000 - 345,500}{4} = 13,625
\end{align*}
\]
IRRRL Guaranty

What is the minimum guaranty a lender will receive on an IRRRL?

A. Same guaranty percentage as the previous VA loan
B. 25% of the total loan amount up to the county loan limit
C. 25% guaranty even if over county loan limit

Joint Loans

Vet/Vet or Vet/Non-Vet Loans:

- A loan involving two (or more) Veterans, not married to each other, using both entitlements [Vet/Vet]
- Entitlement available may not always be equal [Vet/Vet]
- Unequal charges may be made with written agreement if only unequal entitlement available [Vet/Vet]
- County loan limit is per loan, not per Veteran! [Vet/Vet]
- A loan involving one Veteran and one non-Veteran (not spouse) [Vet/Non-Vet]
- Only the Veteran’s portion of the loan will be displayed on the LGC [Vet/Non-Vet]
- Lender must satisfy itself or investor requirements (regarding down payment) [Both]
Guaranty Issues

- Miscalculation of available or remaining entitlement
- VA Funding Fee added to base loan amount and county loan limit is exceeded
- Failure to restore Veteran’s entitlement before guaranty of new loan
- Loan amount under $144,000 and $36,000 (or more) entitlement already utilized

Notes
Monitoring Unit

May 2015
Dreama Walker, Chief Monitoring Unit

Changes, Changes, Changes

• Previous Audit Procedures

• File Review

• Three Days in Office

New Procedures – Operational Audit

• Pre-Audit Work by Auditors

• Quality Control

• SARS/Underwriters

• Declined Loans and Non-compliant files

• Marketing Materials

• Workload/Training/Branch Offices/etc.
Audit Timeline

- Initial Contact – 45-calendar days prior to site visit
- Auditors review pre-audit documentation
- Administrative Contact – 7-calendar days prior to visit via email
- Requested Documentation Due – within 3-calendar days of email
- Site Visit (Monday-Wednesday)
- Documents/Comments/Response Due – 7-calendar days from exit briefing

Findings

- Commendable Finding
  - Unique innovation or newly created technique, method, process, or activity; and
  - The item complies with program requirements; and
  - The lender has documented results that clearly demonstrate the item improves performance, increases efficiency, and/or improves quality

- Best Practice – must meet all of the preceding criteria; and
  - The item has been fully developed, tested and proven successful in achieving a specific, predetermined set of results; and
  - The item is approved by Loan Guaranty Central Office (LGCO); and
  - The item meets or exceeds the quality standards as set forth and approved by VA Guidelines, and industry standard, if applicable; and
  - The item meets the level of national implementation

- Action items
  - Closed action item – The deficiency is not a repeat finding based on any review during and since the last lender/servicer audit. The lender/servicer has fully remedied all deficiencies when appropriate, during the onsite visit by complying with policy
  - Open (non-repeat) action item – The deficiency is not a repeat finding based on any review during and since the last lender/servicer audit. The lender/servicer cannot remedy all deficiencies during the onsite visit
  - Open (repeat) action item – The deficiency is a repeat finding based on any review during and since the last lender/servicer audit, and therefore, it will remain open until the next audit. However, the lender/servicer will strive to remedy all deficiencies during the onsite visit when appropriate, or provide milestones and projected completion date, requesting an extension from the audit team leader

- Observations
- Recommendations
2015 Lenders Conference!!
Lender Liaison

Presentation Overview

- Direct from the LPOs! “Top 10 things they want you to know”
- Protocol for resolving case-specific issues
- Protocol for resolving audit findings
- How to obtain answers to general questions
- eBenefits
- LGY Origination Newsletter

Top 10 things LPOs what you to know

1. Research answers prior to contacting RLC
   - Research Lenders Handbook
   - Remember – VA uses guidelines – relatively few hard and fast rules
   - Check with colleagues
   - Only contact one RLC
   - Allow reasonable time for response before submitting second request
Top 10 things LPOs what you to know

“I would suggest the best training guide already exists - the Lenders Handbook. Chapter 4 is the primary tool for underwriting VA loans. Because it encourages flexibility in delivering the VA benefit, it gives wide latitude to lenders. The expectation is that lenders, especially lenders with automatic authority, will use their own judgment when necessary. As long as lenders document their reasoning, it’s extremely unlikely VA staff would ever take issue with their decision. **

We deliberately promulgated wide ranging credit guidelines, rather than attempting to deal with minute scenarios. This way, lenders can use their judgment and expertise when processing VA loans.”

Bill White

** Document! Document!! Document!!! Tell the story!!!

2. Obtaining a COE should be your first step
   ✓ Helps ensure Veteran does not incur costs and undue burdens
   ✓ Greatly reduces the number of urgent requests
   ✓ Updated COEs... Let’s talk...

3. Don’t encourage Veterans to contact VA on COE issues
   ✓ If you tell them you’ll assist them – there’s no need for Veteran to contact VA

4. Prior Approvals
   ✓ Prior approvals should be fully underwritten prior to submitting to VA
   ✓ Do not order closing prior to submitting file to VA
   ✓ Only underwriters (not loan officers) can submit priors - must be signed by UW
   ✓ Ensure the underwriter’s name and full contact information is clearly identified
   ✓ Appraisals must be ordered prior to submitting to VA

5. Lender PIN
   ✓ Ensure your “Admin” POC understands their authority
   ✓ Validate as soon as you receive the email notice
   ✓ Keep accounts active!
   ✓ Do not lose your PIN
   ✓ The above actions will significantly reduce calls/emails to RLC

6. Guaranty Calculation
   ✓ We understand the calculation can sometimes be confusing
   ✓ Recommend each lender appoint a Guaranty Calculation SME
   ✓ See “Guaranty Calculation Examples” on Loan Limits page

7. 12-month employment history
   ✓ Connect the dots and document!
   ✓ Remarks section of Loan Analysis
Top 10 things LPOs what you to know

8. VA Form 26-8937
   ✓ Make Sure you ask questions to each and every Veteran!
   ✓ Rely on 26-8937 info – even if in conflict with COE (i.e. exempt/non-exempt)

9. Learn how to calculate remaining entitlement
   ✓ We understand the calculation can sometimes be confusing
   ✓ Recommend each lender appoint a Guaranty Calculation SME
   ✓ See “Guaranty Calculation Examples” on Loan Limits page

10. Please don’t shop RLCs for answers
    ✓ Perfect transition!

VA’s Protocol for Resolving Issues

1. Case-specific questions
   ➢ Contact RLC with jurisdiction
   ➢ Discuss with Loan Specialist
   ➢ Elevate to ALPO/LPO if not resolved
   ➢ Elevate to Lender Liaison if still unresolved

2. Audit finding questions
   ➢ Attempt to resolve with auditor
   ➢ Elevate to ALPO/LPO
   ➢ Elevate to Lender Liaison if still unresolved

3. General questions
   ➢ Research in Lenders Handbook
   ➢ Refer to Bill White’s guidance
   ➢ Contact RLC with jurisdiction
Promotional & Informational Materials

Web Badges
Help spread the word about eBenefits by displaying the eBenefits Web Badge on your site. All you need to do is add the following code wherever you want the badge to appear.

Rounded Corner Web Badge

Veterans Job Bank Web Badge

LGY Newsletter and GovDelivery

- LGY Newsletter
- GovDelivery

Mark J. Connors
Lender Liaison
Loan Guaranty Service
U.S. Department of Veterans Affairs
(202) 632-8821

Office Address: 1800 G St, NW, 8th Floor Washington, DC 20006
Mailing Address: 810 Vermont Ave, NW Washington, DC 20420
mark.connors@va.gov
Notes
Fun with Funding Fees

Presented by:
Jeff Wilson
Loan Production Officer
Phoenix HLC

Veterans Benefits Administration

U.S. Department of Veterans Affairs

Pop Quiz

A Veteran provided you a letter from VA indicating he was rated 0% disabled but showed that he is receiving $113 per month from VA.
Is the Veteran exempt from the Funding Fee?

Yes
No
Determining Funding Fee Status

- Determine if the veteran is EXEMPT
- New COE will (in most cases) have status
- Misconception is that the veteran must be rated 10% or more disabled
- Veteran must be in receipt of compensation or:
  - Would be worse if not for deployment on AD
  - Receiving retired or reserve/guard pay in lieu of compensation
- If evidence COE is wrong contact RLC

How to calculate the Funding Fee

- For all loans except Interest Rate Reduction Refinance Loans (IRRRL)
  - Apply appropriate fee from table Pam 26-7, Chp 8
  - For IRRRL use VA Form 26-8923
- Calculate fee based on loan amount without fee
- For Joint loans see calculation in Chp 7
- For Purchase and Refinance loans:
  - First time use will be 2.15% of base loan for A/D
  - First time for Guard/Reserve will be 2.4%
  - Subsequent use is 2.8% of base loan for both
- Purchase loans with 5% but under 10% funding fee is 1.5% for A/D and 1.75% Guard/Reserve
- Purchase loans with 10% or more funding fee is 1.25% for A/D and 1.5% for Guard/Reserve
- For Interest Rate Reduction Refinance Loans:
  - .5% of amount shown on line 16
  - Guard/Reserve will be the same
- Funding fee for assumptions are .5%
The funding fee is first determined on line 7 and then subtracted on 15 and recalculated on 17.

How to Calculate the Funding Fee (cont.)

- For Joint Loans
  - The loan amount is allocated equally between borrowers
  - Any down payment is allocated equally regardless of where funds come from
- Vet/Vet loan is easy, fee is split equally
- Vet/non-Vet
  - Any down payment is applied to the total loan
  - Funding fee is calculated on the veteran’s portion

Example: Vet/non-Vet loan with veteran first time use
$100,000 purchase price
$ 5,000 down payment (doesn’t matter who)
$ 95,000 base loan amount
$ 47,500 veteran’s portion to calculate FF
$ 712.50 funding fee based on 1.5%
Funding Fee Payment System

- Lenders must remit to FFPS
- If paid over 15 days a 4% late fee assessed
- If paid more than 30 days interest will be assessed in addition to the late fee

Funding Fee Refunds

- Several reasons for refunds
  - If lender indicated something incorrect in FFPS
    - Reserve instead of active duty
    - Subsequent use instead of first time use
    - Miscalculated on 26-8923
  - Borrower was exempt but charged on HUD-1
- For all overpayments or refunds, lender must show:
  - Principal reduced if originally financed
  - Refunded to borrower if paid in cash or loan paid off with other than another VA loan
- If underpaid on HUD-1
  - Lender must pay the balance due plus late charge and any interest penalty
  - Lender cannot charge borrower after the fact
  - If COE was incorrect, lender will not be required to make up shortage

- READ THE COE!

Thank You for your support of the VA Home Loan Program and THANK YOU FOR YOUR SERVICE TO VETERANS!
Income Considerations

Presented by:
Cherie Castanares
Loan Specialist
Honolulu Regional Office

Agenda

- Grossing up
- Rental Income
- Self-employment Income
- Income from Commissions
- Military Income
- Part time/Second Job Income
- Mortgage Credit Certificates

- Lenders Handbook Chapter 4, Section 2 and 3

Grossing up

- Only non-taxable income can be grossed up
  - Tax tables should be used to determine the percent
  - Veteran receiving only non-taxable income
    - Refer to tax table as if the income was taxable (usually 15%)
2015 Tax Table

Married/Filing jointly and qualifying widow(er)s

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<thead>
<tr>
<th>Income Range</th>
<th>Taxable Income</th>
<th>Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $18,450</td>
<td>$0.00 + 10%</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>$18,450 - 74,900</td>
<td>1,845.00 + 15%</td>
<td>1,845.00</td>
<td></td>
</tr>
<tr>
<td>74,900 - 151,200</td>
<td>10,312.50 + 25%</td>
<td>10,312.50</td>
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<tr>
<td>151,200 - 230,450</td>
<td>29,287.50 + 28%</td>
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<tr>
<td>230,450 - 411,500</td>
<td>51,577.50 + 33%</td>
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<tr>
<td>411,500 - 464,850</td>
<td>111,324.00 + 35%</td>
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<tr>
<td>464,850 - 129,996.50 + 39.6%</td>
<td>464,850</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Single

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Taxable Income</th>
<th>Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
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<td>$0.00 + 10%</td>
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<td>9,226 - 37,450</td>
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<td>18,481.25 + 28%</td>
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<td>189,300 - 411,500</td>
<td>46,075.25 + 33%</td>
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<td>109,401.25 + 35%</td>
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<td>443,200 - 129,996.50 + 39.6%</td>
<td>443,200</td>
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</table>

Rental Income

Multi-Unit Property Securing VA Loan

- **Required documentation:**
  - Evidence of cash reserves totaling at least 6 months of mortgage payments (PITI)
  - Prior experience managing rental units or background involving property maintenance and rental
- **Analysis:** Rental income as effective income
  - 75% of prior rents collected on the units or
  - Appraiser’s opinion of the property’s fair monthly rental

Rental of Property Occupied Prior to New Loan

- **Required documentation:**
  - Rental agreement
  - Information on current rental market
- **Analysis:**
  - Prospective rental income can only be used to offset the mortgage payment on the rental property
  - This rental income may NOT be included in effective income
Rental Income, continued

Rental of Other Property Not Securing VA Loan
• Required Documentation
  • Evidence of cash reserves totaling at least 3 months mortgage payments (PITI)
  • Individual tax returns with applicable schedules for previous 2 years, showing rental income generated
• Analysis:
  • If income is stable and reliable, it may be used as effective income
  • Depreciation claimed as a deduction on tax returns may be included in effective income

Self-Employment Income
• Required documentation
  • Current YTD Profit & Loss Statement and balance sheet
  • Individual tax returns plus all schedules for the past 2 years
• Stability: 2 years
  • Unless applicant has previous related employment or specialized training
• Analysis:
  • Depreciation claimed as a deduction on the tax returns and financial statements may be included in effective income
Income from Commissions

- Required documentation
  - VOE or other written verification showing:
    - Actual commissions paid YTD
    - Basis for payment (salary plus commission, straight commission, or draws against commission)
    - When commissions are paid (monthly, quarterly, semiannually, or annually)
    - Individual tax returns plus all schedules for the previous 2 years
  - Stability: 2 years
    - Unless applicant had previous related employment or specialized training

Military Income

- Required documentation
  - LES instead of VOE
  - If ETS is within 12 months:
    - Re-enlistment or extension documentation
    - Valid employment offer
    - Statement from service member that they intend to reenlist or extend
    - Statement from commanding officer that member is eligible to reenlist
Part time/Second Job Income

- Stability
  - Continued and verified for 2 years
  - Income must be regular and predictable, and
  - Likely to continue in the foreseeable future
  - Hours are compatible with primary job
  - Length applicant has been employed under such arrangement
- Analysis
  - If income cannot be included in effective income but is verified for at least 12 months, it can be used to offset debt.

Mortgage Credit Certificates

- Calculation:
  - $300,000 (loan amount)
  - x 4% (interest rate)
  - x 20% (MCC percentage)
  - = $2,400
- Annual limit on tax credit is $2,000
- $2,000/12 = $167 can be included in monthly analysis
Notes
Full File Loan Review Errors

Dani Terrell
Denver RLC
Loan Production Officer
May 2015

Today’s Topics

- Submitting Files
- Missing Documents
- Verifications/Explanations
- Unallowable Fees

Submitting Files for Full File Loan Review

- Announced in VA Circular 26-14-9
- Avoid excessive documentation
- Uploads limited to 30 MB
- Typically no need to split files
Missing Documents

- NOV Conditions
  - Road maintenance (identify paragraph in covenants)
  - Pest inspection report (signed by Veteran)
  - Condo approval
- HUD-1 Breakdowns missing
  - VA Circular 26-10-1 (Origination fees)
  - VA Circular 26-10-9 (Title fees and credits)
- Credit report fees
  - Invoice is best to avoid confusion
- YTD Profit and Loss for self-employment income

Verifications/Explanations

- Child care certification
  - Expense must be considered
  - Children 12 and under
- Discretionary allotments on LES
- Remaining enlistment <1 year
  - Intent to reenlist
  - Eligible to reenlist

Unallowable Fees

- Premium pricing used to pay
  - Unallowable fees (>1%)
  - Debts on behalf of the borrower
- Settlement/Closing fee
- Tax service fee
Loan Assumption

Al Hipolito
Houston Regional Loan Center

Background

Under certain circumstances, properties that are security for VA-guaranteed loans may be sold even though the loans are not paid in full. Borrowers who sell their properties under these conditions remain liable to VA for any loss that may occur as a result of a future default and subsequent claim payment, unless the property is sold to a creditworthy purchaser who agrees to assume the payment obligation.
Transfer of Ownership

Who can process loan assumptions?

Approval Requirements:

- Loan must be current
- Prospective purchaser is creditworthy
- Assume all of the loan obligations
- Indemnify VA

Processing & Decision

- Approvals
- Disapprovals
- VA Appeals

Retroactive Approval

- Funding Fee
- All obligations assumed
- Legally binding
- Purchaser willing to satisfy obligations
Release of Liability Procedures

- Loans guaranteed prior to March 1, 1988
- Divorce
  - Divorce final
  - Quit claim
  - No property settlement

Substitution of Entitlement

- Eligible Veteran
- Certify occupancy
- Agree to the Substitution of Entitlement

Unrestricted Transfer

- Death of borrower
- Spouse or child added as joint owner
- Divorce
Reporting Package to VA

- Cover letter
  - Completed transfer
  - Request for VA approval
  - Appeal to VA
- VA LIN
- Original Veteran
- Contact Information

Questions

Reference:
VA Lenders Handbook, Ch 5
VA Lenders Handbook, Ch 4
VA Circular 26-08-3
38 CFR 36.4840
Loan Guaranty Service
Construction and Valuation Section

Construction and Valuation

Agenda

- Opening Remarks
- Circulars
- Appraisal Management Services (AMS)
Circular 26-13-14
SAR TPSS Online Training Program

The purpose of this circular is to announce the VA SAR online training program known as the SAR Training and Performance Support System (SAR TPSS). The SAR TPSS is a no cost, self-directed, online training course, which uses web-based interactive technology to teach VA appraisal processing under the Lender Appraisal Processing Program (LAPP).

✓ Total training time is 16 total hours to complete
✓ To date ±950 SAR applicants have successfully passed the course

Circular 26-15-XX
New Appraisal Requirements & Instructions For SARS

The purpose of this circular is to announce the VA automated Appraisal Management Service (AMS) for use by SARs in enhancing the appraisal review process prior to issuance of the Notice of Value (NOV). AMS will provide SARs assistance in quickly assessing appraisal risk for property eligibility, VA policy compliance violation, over/under-valuation, and appraisal quality issues.

✓ Total training time is 1+/- total hours to complete
✓ SARs access online Training to watch
On November 2013 CoreLogic was awarded a five year contract to provide C&V section with Appraisal Management Services (AMS).

The primary objective is transition to a risk-based analysis of appraisals to improve the quality of oversight of the fee appraiser panel and SARs.

With the implementation of AMS, SARs will have automated risk-based reviews from one reliable source that will provide them with additional information regarding the property in an effort to evaluate the accuracy and credibility of the appraisal.
Complete Appraisal Risk Analysis

LoanSafe Appraisal Manager

- Valuation Risk – is the appraised value reasonable and supported?
- Integrity Risk – Are there fundamental issues with the construction of the appraisal?
- Comparable Selection – Were the most similar comparables used?
- Property Complexity – Does the subject conform to the area, or is it very unique?
- Market Risk – is the subject located in a high risk area?
- Misrepresentation Risk – Are there issues within the subject chain of title posing risk?

Valuation Risk Score: 744
Integrity Risk Score: 893

Comprehensive / Smart Rule Set

1. 1,000+ Rules – Within seconds, LSAM analyzes every field in the appraisal
2. Smart/Intelligent Rules – dynamically constructed with conditions similar to how a reviewer reviews an appraisal. This minimizes false positive rates, reduces unnecessary work and identifies meaningful issues similar to what an experienced reviewer would identify.
3. Compliance – Assure compliance with FIRREA, USPAP, FHA, VA, UAD
4. Data Consistency – Assure consistency throughout the appraisal.
5. Configurable – Turn on/off alerts, change alert severity and modify the Recommended Action.
Robust MLS Data

- 67% Nationwide Coverage
- MLS Photos
- Listing Status, DOM, Original List Price, Current List Price, Agent Remarks, MLS Listing History

Data Validation

- Knowing you have an appraisal with accurate data is **very** important. To do this manually takes a significant amount of time.
- LSAM instantly compares the most important characteristics in the appraisal to CoreLogic Public Record and MLS Databases quickly alerting the user to data inconsistencies.

VA Benefits Briefing
Interactive Maps

- Value Map Shows Shaded Areas Depicting Value Ranges
- Quickly Identify Comps Located In Superior/Inferior Areas Compared To The Subject

Revisiting LSAM, AVM & MARS Basics Interactive Maps

- Value Map Shows Shaded Areas Depicting Value Ranges
- Quickly Identify Comps Located In Superior Inferior Areas Compared To The Subject

- Zoom in/Zoom out, Birds Eye View, Aerial View
- Displays Appraisal Comps Along With CoreLogic MLS and Public Record Comps
Comparable Search Results

- Dynamic comparable search with grouping logic similar to an appraiser’s search logic
- The appraisal comps are grouped with the same logic so the user can see where they group in relation to the comps LSAM found in CoreLogic MLS and public record databases.

Key Benefits

- **Increases Efficiency**
  - Eliminates the need for complex review workflows
  - ImmEDIATELY identify high/low risk appraisals and route them appropriately

- **Delivers Consistency**
  - Eliminates inconsistent manual reviews
  - LSAM models, rules and logic runs the same way on every appraisal every time

- **Reduces Cost**
  - Eliminates the need for review tools such as iSight, Fidellity, AVM’s MLS subscriptions
  - Stop paying high priced underwriters/reviewers to review low risk appraisals

- **Provides Transparency**
  - Scores & alerts provide a clear view of risk resulting in transparency to all on why a particular decision was made
  - AMC, lenders and investors can view the same risk results and data

- **Robust Data**
  - The Most Comprehensive Real Estate Data in the Nation
  - 67 MLS + MLS Coverage (agent, comments, MLS photos, CDM, etc.)

- **Objective Quality Measurement**
  - Eliminates the manual review subjectively
  - Use LSAM objective scores in your AMC/appraiser panel approachs
Proposed VA Appraisal Workflow Process

Recommend VA appraisal review workflow process:
- Cursory Review: 300-700 Valuation Risk Score and Integrity Risk Score <=700.
  - Review LSAM Header, Scoring Summary, and Appraisal Review Alerts.
  - Quick scan of the appraisal sales comparison grid to see if any adjustments stand out.
- Look at appraisal subject and comparable sales photos. (Check LSAM for photos)
- In general, does the appraisal appear to meet VA requirements to include MPRAs and local.
  - High Risk Review: <300 or >700 Valuation Risk Score and Integrity Risk Score <=700
  - Comprehensive review of the LSAM and the appraisal.
  - Look at Appraisal Review Alerts that impact the credibility of the report.
  - Ensure other VA requirements such as MPRAs, local conditions, and eligibility is met per VBA
    Circulars and/or VA Landers Handbook (VA Pamphlet 26-7).
  - Did the appraiser perform the scope of work and develop and report credible results?
  - Request appraisal for more information and/or resubmit appraisal for LSAM review.

Current State of Affairs

Roanoke, 51%
Phoenix, 62%
St. Paul, 45%
St. Pete, 44%
Honolulu, 51%
Denver, 53%
National, 46%
Atlanta, 45%
Cleveland, 45%

RLC Cursory Review

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<tr>
<th>City</th>
<th>Cleveland</th>
<th>Denver</th>
<th>Phoenix</th>
<th>Roanoke</th>
<th>St. Paul</th>
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<td>23,114</td>
<td>23,204</td>
<td>18,450</td>
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<td>Total Aggregate</td>
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<td>24,829</td>
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<tr>
<td>% Cursory Review</td>
<td>42%</td>
<td>45%</td>
<td>53%</td>
<td>51%</td>
<td>42%</td>
<td>46%</td>
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*Curvory Review is defined as appraisals that have a Valuation Risk Score between 300-499 and Integrity Risk Score under 500.

Data Source: June 1, 2011 to January 28, 2012
Useful Information

✓ Loan Guaranty Service:
  http://www.benefits.va.gov/homeloans/

✓ VA Pamphlet 26-7, VALender’s Handbook
  http://www.benefits.va.gov/WARMS/pam26_7.asp

✓ Title 38 – United States Code, Chapter 37

✓ Regional Loan Centers:
  http://www.benefits.va.gov/homeloans/rlcweb.asp

✓ Circulars:
  http://www.benefits.va.gov/HOMELOANS/resources_circulars.asp
Notes
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<tr>
<th>Regional Loan Center</th>
<th>Jurisdiction</th>
<th>Mailing Address/Phone/Website</th>
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</thead>
<tbody>
<tr>
<td><strong>Atlanta</strong></td>
<td>Georgia • North Carolina • South Carolina • Tennessee</td>
<td>Department of Veterans Affairs VA Regional Loan Center 1700 Clairmont Rd. Decatur, GA 30033-4032 (Mail: P.O. Box 100023, Decatur, GA 30031-7023) 1-888-768-2132 <a href="http://www.benefits.va.gov/atlanta/regional-loan-center.asp">http://www.benefits.va.gov/atlanta/regional-loan-center.asp</a></td>
</tr>
<tr>
<td><strong>Cleveland</strong></td>
<td>Connecticut • Delaware • Indiana • Maine • Massachusetts • Michigan • New Hampshire • New Jersey • New York • Ohio • Pennsylvania • Rhode Island • Vermont</td>
<td>Department of Veterans Affairs VA Regional Loan Center 1240 East Ninth Street Cleveland, OH 44199 1-800-729-5772 <a href="http://www.benefits.va.gov/cleveland/regional-loan-center.asp">http://www.benefits.va.gov/cleveland/regional-loan-center.asp</a></td>
</tr>
<tr>
<td><strong>Denver</strong></td>
<td>Alaska • Colorado • Idaho • Montana • Oregon • Utah • Washington • Wyoming</td>
<td>Department of Veterans Affairs VA Regional Loan Center 155 Van Gordon Street Lakewood, CO 80228 (Mail: Box 25126, Denver, CO 80225) 1-888-349-7541 <a href="http://www.benefits.va.gov/denver/regional-loan-center.asp">http://www.benefits.va.gov/denver/regional-loan-center.asp</a></td>
</tr>
<tr>
<td><strong>Honolulu</strong></td>
<td>Hawaii • Guam • American Samoa • Commonwealth of the Northern Marianas</td>
<td>Department of Veterans Affairs VA Regional Office Loan Guaranty Division (26) 459 Patterson Rd. Honolulu, HI 96819 *Although not an RLC, this office is a fully functioning Loan Guaranty operation for Hawaii. 1-808-433-0481 <a href="http://www.benefits.va.gov/honolulu/regional-loan-center.asp">http://www.benefits.va.gov/honolulu/regional-loan-center.asp</a></td>
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| Houston             | • Arkansas • Louisiana • Oklahoma • Texas | Department of Veterans Affairs  
VA Regional Loan Center  
6900 Almeda Road  
Houston, TX 77030-4200  
1-888-232-2571  
| Phoenix             | • Arizona • California • New Mexico • Nevada | Department of Veterans Affairs  
VA Regional Loan Center  
3333 N. Central Avenue  
Phoenix, AZ 85012-2402  
1-888-869-0194  
| Roanoke             | • District of Columbia • Kentucky • Maryland • Virginia • West Virginia | Department of Veterans Affairs  
VA Regional Loan Center  
210 Franklin Road, S.W.  
Roanoke, VA 24011  
1-800-933-5499  
| St. Paul            | • Illinois • Iowa • Kansas • Minnesota • Missouri • Nebraska • North Dakota • South Dakota • Wisconsin | Department of Veterans Affairs  
VA Regional Loan Center  
1 Federal Drive, Ft. Snelling  
St. Paul, MN 55111-4050  
1-800-827-0611  
| St. Petersburg       | • Alabama • Florida • Mississippi • Puerto Rico • U.S. Virgin Islands | Department of Veterans Affairs  
VA Regional Loan Center  
9500 Bay Pines Blvd.  
St. Petersburg, FL 33708  
(Mail: P.O. Box 1437, St. Petersburg, FL 33731)  
1-888-611-5916  
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Our Mission

To fulfill President Lincoln's promise “To care for him who shall have borne the battle, and for his widow, and his orphan” by serving and honoring the men and women who are America’s Veterans.