


myVA
Putting Veterans First

Credit Underwriting
Peggy Wallace & Jeff Wilson
Loan Production Officers
Roanoke & Phoenix RLC


April 19-21, 2016

Veterans Benefits Administration **VA**  U.S. Department of Veterans Affairs


Credit Report Standards (Chapter 4.7.a.)

Credit reports used in analyzing VA loans must be either:

- Three-file Merged Credit Reports (MCR), or
- Residential Mortgage Credit Reports (RMCR)




- The credit report must be less than 120 days old (180 days for new construction)
- For *automatically closed loans*, the date of the credit report must be within 120 days of the date the note is signed (180 days for new construction)
- For *prior approval loans*, the date of the credit report must be within 120 days of the date the application is received by VA (180 days for new construction)

myVA **VA**  U.S. Department of Veterans Affairs

True or False?


For VA loan purposes, the credit report does not need to include Public Records.

False

myVA **VA**  U.S. Department of Veterans Affairs

Absence of Credit History (Chapter 4.7.c.)


- For applicants with no established credit history, base the determination on the applicant's payment record on utilities, rent, automobile insurance, or other expenses that applicant has paid.
- Absence of a credit history is **not** generally considered an adverse factor. It may result when:
 - recently discharged Veterans have not yet developed a credit history,
 - applicants have routinely used cash rather than credit, and/or
 - applicants have not used credit since some disruptive credit event such as bankruptcy (evidence of timely payment such as rent and utilities since the disruptive credit event should be examined)



myVA VA U.S. Department of Veterans Affairs

Bankruptcy Date vs. Foreclosure Date

Lender Inquiry :
 "The VA Lenders Handbook does not specifically address cases where a mortgage has been discharged through a bankruptcy when a two-year waiting period has occurred but the property was not foreclosed upon until much later than the discharge of the bankruptcy."



myVA VA U.S. Department of Veterans Affairs 5

Bankruptcy Date vs. Foreclosure Date


"Is it VA's policy to go by the bankruptcy discharge date or the foreclosure date to determine when the 2 year waiting period begins?"

myVA VA U.S. Department of Veterans Affairs 6

Bankruptcy Date vs. Foreclosure Date

The Underwriter should consider all facts of borrower's credit:

- Has the borrower re-established credit since the discharge?
- Is the new credit seasoned and over 12 months old?
- Is there a clean credit history since the bankruptcy?
- If the liquidation would have been timely, would the credit have been acceptable?




myVA VA U.S. Department of Veterans Affairs 7

Bankruptcy Date vs. Foreclosure Date

If an underwriter has addressed all the facts of the borrower's credit, then:

- The lender *should not* hold the servicer's delay against the borrower
- The lender should document the underwriter's decision
- Underwriter's decision should justify why the foreclosure was ignored




myVA VA U.S. Department of Veterans Affairs 8

What Would You Do?

- Veteran *did not* successfully complete a Chapter 13 bankruptcy
- Veteran then enrolled in a Chapter 7 bankruptcy
- Veteran applies for a VA loan less than 24 months after the Chapter 7 Bankruptcy was discharged
- One trade line established after applying for a VA loan

Is this Veteran credit-worthy?



myVA VA U.S. Department of Veterans Affairs 9

Timeshare Default

Question:

- Should a defaulted or foreclosed timeshare be considered a foreclosure of a mortgage?

Answer:

- No. The default or foreclosure of a timeshare should be considered an unpaid consumer debt—NOT a foreclosure of a mortgage.


myVA VA U.S. Department of Veterans Affairs 10

Veteran as Co-Obligor on Loan (Chapter 4.5.d.)

A Veteran may have a contingent liability based on co-signing a loan.

If:


- It is evidenced loan payments are being made by someone other than Veteran, **and**
- There is no reason to believe Veteran is required to participate in repayment of loan, **then**
- The lender may exclude the loan payment from the Veteran's monthly obligations



myVA VA U.S. Department of Veterans Affairs 11

Student Loans (Chapter 4.5.g.)


- If student loan repayments are scheduled to begin within 12 months of the date of VA loan closing, lenders should consider the anticipated monthly obligation in the loan analysis.
- If the borrower is able to provide evidence that the debt may be deferred for a period outside that timeframe, the debt does not need to be considered in the analysis.






myVA VA U.S. Department of Veterans Affairs 12

Policy for Income Based Repayment Plans (Student Loans)

- Lender may use the Income Based Repayment (IBR) payment if it is verified (including \$0.00) when the payment is fixed for a minimum of 12 months post-closing date
- When fixed for less than 12 months post-closing the lender *must use* the regularly calculated payment that will be due once the IBR ends
- When no payment is reported or available, the lender *must use* a payment calculation using 5% of the current report balance as the monthly payment









13

Student Loan Deferment Example

- Loan #1 shows student loan is deferred more than 12 months from date of closing, therefore, monthly payment **could be omitted**


B	DEPT OF EDNAVY	10/15	11/08 09/15	\$6000 EDU	\$3372 LNK -	\$0	81	0	0	0	0	11	AS AGREED XRTUSE
Loan #1	PAYMENT DEFERRED; COLLATERAL DEFERRED TO 04/30/18												
B	DEPT OF EDNAVY	10/15	09/15 09/15	\$8100 EDU	\$3178 LNK -	\$0	1	0	0	0	0	11	AS AGREED XRTUSE
Loan #2	PAYMENT DEFERRED; COLLATERAL DEFERRED TO 09/30/16												




- Loan #2 shows student loan payment is scheduled to begin within 12 months after closing, therefore, the monthly payment amount **must be verified and considered**




14

Shortsale Guidance

- If a Veteran's *overall* credit record is good, selling the property at less than what was owed should not be an automatic bar to obtaining new credit
- A shortsale is **not** considered the same as foreclosure
- A mandatory waiting period is NOT necessary
- Even if there were some delinquent payments, the borrower's entire credit history should be considered and documented
- If a shortsale/compromise claim was completed on a VA property, entitlement available may be affected







15




Childcare Expense (Chapter 4.9.c.)

Costs for child care should be addressed by the applicant for any dependents under the age of twelve. If there is an associated cost expected to continue, the figure should be included in Job Related Expense under *Section D* of the Loan Analysis.

Acceptable Documentation:

- Canceled checks
- Bank statements
- Letter from Veteran explaining care
- Letter from caregiver who provides free care







16




Alimony/Child Support Payments (Chapter 4.5.b.)

Alimony and/or child support obligations should be verified and must be considered when qualifying the applicant. This figure should be included in *Section D* on the Loan Analysis.

Acceptable Documentation:

- Divorce Decree
- Separation Agreement
- State required payroll offset
- Leave & Earnings Statement (LES) or paystub garnishment







17




Allotments (Chapter 4.5.a.)

- Substantial allotments indicated on a pay stub, LES or Military Retirement Statement should be addressed by the applicant for lender to determine whether the allotment is related to a debt.
- The lender will need to take in to account how the applicant is paid (i.e. monthly, bi-weekly, bi-monthly) and frequency of allotment.

Allotment Example:


ALLOTMENTS	
Shareholder	\$ 0.00
SEA PENSION	347.00
SAVINGS	582.00
TOTAL:	939.00






18

Judgments (Chapter 4.7.f. & 4.7.c.)

- An applicant cannot be considered a satisfactory credit risk if there is a judgment lien against the property for a debt owed to the Government **until the judgment is paid or otherwise satisfied**
- Disputed Accounts:** Lenders may consider a Veteran's claim of bona fide or legal defenses regarding unpaid debts *except* when the debt has been reduced to judgment. Accounts reduced to judgment by a court must either be **paid in full or subject to a repayment plan with a history of timely payments**



myVA VA U.S. Department of Veterans Affairs 19

Judgments (Chapter 4.7.f. & 4.7.c.)

- For unpaid debts or debts that have not been paid timely, pay-off of these debts after the acceptability of applicant's credit is questioned does not alter the unsatisfactory record of payment


Credit Report—Public Record/Judgment Example:

PUBLIC RECORDS			
B S DOVER JUSTICE	File Date: 04/09	Plaintiff: SHARP ENERGY INC	
DebtId#: [REDACTED]	Amount: \$555	Action Type: JUDGMENT	
Source: XCVLJCE	Status Date: 02/10	Status: PAID	

myVA VA U.S. Department of Veterans Affairs 20

Derogatory Credit History (Chapter 4.8.c. & 4.10.c.)

- Obtain explanation for derogatory credit. Explain assessment of creditworthiness on [VA Form 26-6393](#), Loan Analysis
- A poor credit history alone is a basis for disapproving a loan**
- If credit history is marginal, look to other indicators such as residual income to support approval of the loan
- Marginal credit combined with marginal income may be a basis for disapproving a loan**



myVA VA U.S. Department of Veterans Affairs 21

Community Property Considerations

There are 9 community property states*:

- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington
- Wisconsin






* Alaska is an op-in community property state that gives both parties the option to make their property community property





22




Community Property Considerations and Credit


- Spouse's credit report must always be obtained
- Even if spouse is non-borrowing, debts of the spouse are included
- Spouse's debts can only be excluded if income is fully documented to support exclusion
- Non-borrowing spouse's bad credit is a reflection on Veteran's credit*
 - ❖ A new marriage (<6 mos.) to the Veteran could be consideration for allowing bad credit of the new spouse. Underwriter should explain
 - ❖ Over 6 months and Veteran should have started addressing new spouse's credit issues as it will reflect on Veteran's overall credit
- Divorce or court-recognized recorded separation agreement outlining responsibility for specific debts can exclude those debts




23

Questions???







24




Eligibility




April 19, 2016
Maxine Henry & Mark Jamison

Veterans Benefits Administration **VA**  U.S. Department of Veterans Affairs

Active Duty Service Member (ADSM)




- An ADSM is considered a Veteran eligible for VA home loan benefits if he or she served on active duty in the Army, Navy, Air Force, Marine Corps, or Coast Guard for at least the minimum required Length of Service (LOS), and was discharged with an acceptable Character of Service (COS).
- An ADSM is also a Veteran who previously served or is currently serving on active duty full time. This includes both officers and enlisted personnel.
- An acceptable Character of Service (COS) for an ADSM includes:
 - Honorable
 - General
 - Under Honorable Conditions






 U.S. Department of Veterans Affairs 26




Length of Service Exceptions for ADSM:




- Discharged for a Service-Connected Disability (SCD)
- Currently on Active Duty
- Compensable SCD
- Early Out
- Convenience of the Government (COG)
- Reduction in Force (RIF)
- Hardship
- Existed Prior to Service (EPTS)
- Condition Interfered with Duty (CIWD)
- Expiration of Term of Service (ETS) – Reserve/National Guard (R/NG)
- Sole Survivor




 U.S. Department of Veterans Affairs 27

COE Conditions

- Funding Fee
- Reserve/National Guard Funding Fee
- Cash-out Refinance
- One-Time Restoration
- Active Duty
- Submit 26-8937 to the RLC—
Pension or Incompetent
- Surviving Spouse




37

Completed COE with Condition

VA Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**
FOR LOAN GUARANTY BENEFITS

REFERENCE NUMBER XXXXXXXX

NAME OF VETERAN: **Veteran Name** SERVICE NUMBER: XXXX-XX-XXXX
SOCIAL SECURITY NUMBER: XXXX-XX-XXXX

ENTITLEMENT CODE: **09** BRANCH OF SERVICE: **Navy** FUNDING FEE: **EXEMPT**

Prior Loans Charged to Entitlement				
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged (State)




THIS VETERAN'S BASIC ENTITLEMENT IS \$24,000*
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0*

The veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) listed below. Basic entitlement for veterans who have not previously used home loan benefits is \$24,000. Additional entitlement is available for most loans in excess of \$144,000. In such cases, the entitlement amount is 20% 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.homeloans.va.gov.

Issued By: VA Employee _____ Date: **March 07, 2016**

CONDITIONS

Funding Fee - Please fax a copy of the 26-8937 to the RLC of Jurisdiction. Please have lender contact VA Regional Loan Center for loan processing.




38



Putting Veterans First


**Surviving Spouse
Benefits**

Veterans Benefits Administration




U.S. Department of Veterans Affairs

Defining a Surviving Spouse (SS)




The term "Veteran" includes the SS of any Veteran which includes:

- A person who died in the active military, naval, or air service,
- Or a person who died from a service-connected disability,
- Both Active duty and Active Reserves/National Guard under Federal service can qualify.

myVA VA U.S. Department of Veterans Affairs 40

In Memory Of Your Service



The United States of America honors the memory of JAMES E. TAYLOR. This certificate is awarded by the grateful nation in recognition of devoted and selfless consecration to the service of our country in the Armed Forces of the United State.

Ronald Reagan
President of the United States

myVA VA U.S. Department of Veterans Affairs 41

Dependency and Indemnity Compensation (DIC)

Are all SS eligible for a COE?

Unfortunately, no.

All SS are not **automatically** eligible for the COE.

They must have applied for Dependency and Indemnity Compensation (DIC) benefits and there must be a **rating** of "service connected death" completed by the VA Pension Management Center (PMC) before they are eligible.

myVA VA U.S. Department of Veterans Affairs 42

Funding Fee Exemption for a Surviving Spouse

An Entitlement Code of "06" indicates that the SS is exempt from the VA funding fee.



49

Determining the DIC Amount for Underwriting

- VA Form 26-8937 will be submitted by fax to the VA Regional Loan Center of jurisdiction of where the property is being purchased or refinanced.
- It is important to have the name, date of birth and social security numbers for BOTH the deceased Veteran and the SS in order for research to be conducted.



50

RLC Fax Numbers

St. Petersburg, FL	727-319-7763
Roanoke, VA	215-842-7217
Cleveland, OH	216-522-3101
St. Paul, MN	215-991-5043
Phoenix, AZ	602-627-3221
Denver, CO	303-914-5666
Honolulu, HI	808-433-0383
Atlanta, GA	404-929-5401
Houston, TX	713-383-1772
	or
	713-383-1845



51




Entitlement

Veterans Benefits Administration **VA**  U.S. Department of Veterans Affairs

How is Entitlement Calculated?

- Entitlement is the amount available for use on a loan
- VA home loan entitlement is based on conforming loan limits
- VA conforming loan limits are based on the Federal Housing Finance Agency (FHFA) loan limits
- Loan limits are subject to change
- VA loan limits for all VA loans are based on the One-Unit loan limit in FHFA's tables

myVA **VA**  U.S. Department of Veterans Affairs 53

COE with Full Entitlement Available

VA Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**
REFERENCE NUMBER XXXXXXXX **FOR LOAN GUARANTY BENEFITS**

NAME OF VETERAN: **Veteran Name** SERVICE NUMBER: **XXXX-XX-XXXX**
 SOCIAL SECURITY NUMBER: **XXX-XX-XXXX**

ENTITLEMENT CODE: **05** BRANCH OF SERVICE: **Marine Corps** FUNDING FEE: **EXEMPT**

Prior Loans Charged to Entitlement			
VA Loan Number	State	Loan Amount	Date of Loan

THIS VETERAN'S BASIC ENTITLEMENT IS \$424,000*
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0*


*The veteran is eligible for the benefits of Chapter 37, Title 38, U.S.C. subject to any conditions/exceptions. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. Additional entitlement is available for most loans in excess of \$36,000 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.hudhomeless.va.gov.

Issued By: **VA Employee** Date: **March 17, 2016**

CONDITIONS

Subsequent Use Funding Fee: The veteran must pay a subsequent use funding fee on any future loan unless veteran is exempt.

Funding Fee: *Please fax a copy of the 25-8937 to the RLC of Jurisdiction. *Please have lender contact VA Regional Loan Center for loan processing.

myVA **VA**  U.S. Department of Veterans Affairs 54

VA Home Loan with Full Entitlement

Maximum FHFA Conforming Loan Limits (2016)

- COE Shows \$36,000 of basic entitlement
- \$417,000: Standard conforming county
- \$625,500: Nantucket (high cost county)
- \$580,750: San Diego (high cost county)

myVA VA U.S. Department of Veterans Affairs 55


How To Calculate Bonus Entitlement

\$417,000 maximum conforming loan limit (most counties)
 x 25% required guaranty for secondary market
 \$104,250 maximum \$ amount of guaranty
 - 36,000 basic entitlement
 \$ 68,250 bonus entitlement for 2016 (most counties)

myVA VA U.S. Department of Veterans Affairs 56

How To Calculate Bonus Entitlement

\$ 625,500 maximum conforming loan limit (**Nantucket**)
 x 25% required guaranty for secondary market
 \$ 156,375 maximum \$ amount of guaranty
 - 36,000 basic entitlement
 \$ 120,375 bonus entitlement or 2016 (**Nantucket**)



myVA VA U.S. Department of Veterans Affairs 57

How To Calculate Bonus Entitlement

\$ 580,750 maximum conforming loan limit (**San Diego**)

x 25% required guaranty for secondary market

\$ 145,187 maximum \$ amount of guaranty

- 36,000 basic entitlement

\$ 109,187 bonus entitlement for 2016 (**San Diego**)

myVA VA U.S. Department of Veterans Affairs 58

How Can You Tell If a Veteran Has Adequate Remaining Entitlement?

VA Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**
 FOR LOAN GUARANTY BENEFITS

VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Foreclosure/Deed in Lieu
		\$73,600	10/19/1987	\$27,500	
				THIS VETERAN'S BASIC ENTITLEMENT IS \$36,000*	
				TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$27,500*	

myVA VA U.S. Department of Veterans Affairs 59

Entitlement Scenario – Partial Entitlement Remaining

If Buying a Home in a Standard Conforming Loan Limit County (\$417,000)

- Veteran purchased a home in 1987 for \$73,600, and lost it in foreclosure
 - \$ 36,000 basic entitlement
 - 27,500 amount previously used
 - \$ 8,500 amount of basic remaining
 - + 68,250 bonus entitlement
- VA guaranteed \$27,500
 - \$ 76,750 total available entitlement
- VA entitlement used from the 1987 loan can only be restored if Veteran pays back foreclosure claim payment.
 - \$ 8,500 x 4 = \$ 34,000 max VA loan using basic entitlement
 - \$ 76,750 x 4 = \$ 307,000 max VA loan using remaining basic entitlement *and* bonus entitlement

myVA VA U.S. Department of Veterans Affairs 60

Entitlement Scenario – Partial Entitlement Remaining

If Buying a Home in Nantucket (\$625,500)

- Veteran purchased a home in 1987 for \$73,600, and lost it in foreclosure
 - \$ 36,000 basic entitlement
 - 27,500 amount previously used
 - \$ 8,500 amount of basic remaining
 - +120,375 bonus entitlement
 - \$128,875 total available entitlement**
- VA guaranteed \$27,500
- VA entitlement used from the 1987 loan can only be restored if Veteran pays back foreclosure claim payment.
 - \$ 8,500 x 4 = ~~\$34,000~~ max VA loan using basic entitlement
 - \$128,875 x 4 = **\$515,500** max VA loan using remaining basic entitlement *and* bonus entitlement

61

Entitlement Scenario – Partial Entitlement Remaining

If Buying a Home in San Diego (\$580,750)

- Veteran purchased a home in 1987 for \$73,600, and lost it in foreclosure
 - \$ 36,000 basic entitlement
 - 27,500 amount previously used
 - \$ 8,500 amount of basic remaining
 - +109,187 bonus entitlement
 - \$117,687 total available entitlement**
- VA guaranteed \$27,500
- VA entitlement used from the 1987 loan can only be restored if Veteran pays back foreclosure claim payment.
 - \$ 8,500 x 4 = ~~\$34,000~~ max VA loan using basic entitlement
 - \$117,687 x 4 = **\$470,748** max VA loan using remaining basic entitlement *and* bonus entitlement

62

Certificate of Eligibility with \$0 Basic Entitlement

VA Department of Veterans Affairs

REFERENCE NUMBER

NAME OF VETERAN

ENTITLEMENT CODE: **IS** BRANCH OF SERVICE: **Air Force** FUNDING FEE: **EXEMPT**

CERTIFICATE OF ELIGIBILITY

FOR LOAN GUARANTEE BENEFITS

SERVICE NUMBER

SOCIAL SECURITY NUMBER

Prior Funding Charged to Entitlement		
VA Loan Number	Loan Amount	Amount of Entitlement Charged
1	\$179,307	\$48,379
2	\$208,212	\$48,379
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43		
44		
45		
46		
47		
48		
49		
50		
51		
52		
53		
54		
55		
56		
57		
58		
59		
60		
61		
62		
63		
64		
65		
66		
67		
68		
69		
70		
71		
72		
73		
74		
75		
76		
77		
78		
79		
80		
81		
82		
83		
84		
85		
86		
87		
88		
89		
90		
91		
92		
93		
94		
95		
96		
97		
98		
99		
100		

THIS VETERAN'S BASIC ENTITLEMENT IS \$0*

TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$48,379*

*The veteran is eligible for the benefits of Chapter 31, Title 38, U.S. Code, subject to any conditions/limitations. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. Additional entitlement is available for most loans in excess of \$36,000. In each case, 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.homescreen.va.gov.

Issued By: _____ Date: May 27, 2015

CONDITIONS

Subsequent Use Funding Fee: The veteran must pay a subsequent use funding fee on any future loan unless waived as exempt.

Funding Fee: Veterans are exempt from Funding Fee due to receipt of service-connected disability compensation of 50% monthly.




63

No Basic Entitlement Available

Lender Question: Where does it say you can close a VA loan with \$0 in basic entitlement?


VA Answer: VA Pamphlet 26-7, Chapter 2, Section 2b




Note: The possible additional entitlement for certain loans in excess of \$144,000 may be available even if the veteran has no entitlement or partial basic entitlement. However, in such cases, the lack of full entitlement may result in lenders receiving less than a 25 percent guaranty from VA. It is the lender's responsibility to ensure they receive a sufficient amount of guaranty to satisfy secondary market requirements.




64

Certificate of Eligibility with \$0 Basic Entitlement

- Veterans can still use remaining bonus entitlement for a loan over \$144,000
- Calculation involves taking maximum total guaranty based on location minus entitlement charged
- In this case, Veteran closed on an IRRRL, whereby the original entitlement used for the purchase is booked against the loan, not 25% of the new IRRRL.









65

Certificate of Eligibility with \$0 Basic Entitlement

**If Buying a Home in a Standard Conforming Loan Limit County—
Veteran cannot obtain a VA loan between \$1 - \$144,000**

- Veteran purchased a home in 2007 for \$185,494. VA guaranteed \$46,373. The home is still owned.
- Veteran closed an IRRRL in 2012 for \$179,822 and VA guaranteed \$44,955.
- Prior purchase guaranty is held against Veteran, or \$46,373
- VA entitlement used from the 2007 loan can only be restored if Veteran sells the home and pays off the initial VA loan.

\$ 36,000 basic entitlement	
- 36,000 amount previously used	
<u>\$ 0</u> amount of basic remaining	
\$104,250 max guaranty standard county	
- 46,373 entitlement used	
\$ 57,877 remaining entitlement	
x 4	
\$ 231,508 maximum VA loan	




66

**Certificate of Eligibility with
\$0 Basic Entitlement**

**If Buying a Home in Nantucket-Veteran cannot obtain a VA loan between
\$1 - \$144,000**

- Veteran purchased a home in 2007 for \$185,494. VA guaranteed **\$46,373**. The home is still owned.

\$ 36,000 basic entitlement
- 36,000 amount previously used
\$ 0 amount of basic remaining
- Veteran closed an IRRRL in 2012 for \$179,822 and VA guaranteed \$44,955.

\$156,375 max guaranty (Nantucket)
- 46,373 entitlement used
\$110,002 remaining entitlement
- Prior purchase guaranty is held against Veteran, or **\$46,373**

x 4
\$440,008 maximum VA loan (Nantucket)
- VA entitlement used from the 2007 loan can only be restored if Veteran sells the home and pays off the initial VA loan.

67

**Certificate of Eligibility with
\$0 Basic Entitlement**

**If Buying a Home in San Diego-Veteran cannot obtain a VA loan between
\$1 - \$144,000**

- Veteran purchased a home in 2007 for \$185,494. VA guaranteed **\$46,373**. The home is still owned.

\$ 36,000 basic entitlement
- 36,000 amount previously used
\$ 0 amount of basic remaining
- Veteran closed an IRRRL in 2012 for \$179,822 and VA guaranteed \$44,955.

\$145,187 max guaranty (San Diego)
- 46,373 entitlement used
\$ 98,814 remaining entitlement
- Prior purchase guaranty is held against Veteran, or **\$46,373**

x 4
\$395,256 maximum VA loan (San Diego)
- VA entitlement used from the 2007 loan can only be restored if Veteran sells the home and pays off the initial VA loan.

68

Restoration of Entitlement

One-time Only Restoration

- VA loan is paid in full
- Veteran still owns the property
- Entitlement can be restored one time to full entitlement while Veteran owns the home
- Any future restoration will require disposal of all properties obtained with a VA loan
- Bonus entitlement should be used before the Veteran uses a one-time restoration

Cash-Out Refinance

- Veteran is paying off the current VA loan to obtain another VA loan on the same property
- The Veteran is refinancing a non-VA loan on a property that was previously encumbered by a VA loan where the entitlement is currently tied up on the property still owned

69

Conditional COE Loan not restored

Prior Loan Information

VA Home Loan Ind:

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status
1		\$87,720	01/31/1996	\$35,088	Paid In Full/No Restoration

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.

****A paper 26-1880 is not necessary when the lender completes an electronic COE application**

70

One-Time Restoration

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 NO NOT APPLICABLE (N/A) - I HAVE NEVER OBTAINED A VA-GUARANTEED HOME LOAN

10B. DATE OF LOAN (Month and Year)

10C. STREET ADDRESS

10D. CITY AND STATE

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

YES NO NOT APPLICABLE (N/A)

11B. DATE OF LOAN (Month and Year)

11C. STREET ADDRESS

11D. CITY AND STATE

11E. ARE YOU APPLYING FOR A **REGULAR (CASH-OUT) REFINANCE ON YOUR CURRENT HOME?**

YES NO NOT APPLICABLE (N/A)

11F. DATE OF LOAN (Month and Year)

11G. STREET ADDRESS

11H. CITY AND STATE

12A. ARE YOU REFINANCING AN EXISTING VA LOAN TO OBTAIN A LOWER INTEREST RATE **WITHOUT RECEIVING ANY CASH PROCEEDS (HRRRL)?**

YES NO NOT APPLICABLE (N/A)

12B. DATE OF LOAN (Month and Year)

12C. STREET ADDRESS

12D. CITY AND STATE

I CERTIFY THAT the information in this document is true and complete to the best of my knowledge.

Condition on COE:

One Time Restoration. Entitlement previously used for **VA LIN** has been restored without disposal of the property, under provision of 38 U.S.C. 3702b(4). Any future restoration requires disposal of All property obtained with a VA loan.

71

Cash-Out Refinance

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 NO NOT APPLICABLE (N/A) - I HAVE NEVER OBTAINED A VA-GUARANTEED HOME LOAN

10B. DATE OF LOAN (Month and Year)

10C. STREET ADDRESS

10D. CITY AND STATE

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

YES NO NOT APPLICABLE (N/A)

11B. DATE OF LOAN (Month and Year)

11C. STREET ADDRESS

11D. CITY AND STATE

11E. ARE YOU APPLYING FOR A **REGULAR (CASH-OUT) REFINANCE ON YOUR CURRENT HOME?**

YES NO NOT APPLICABLE (N/A)

11F. DATE OF LOAN (Month and Year)

11G. STREET ADDRESS

11H. CITY AND STATE

12A. ARE YOU REFINANCING AN EXISTING VA LOAN TO OBTAIN A LOWER INTEREST RATE **WITHOUT RECEIVING ANY CASH PROCEEDS (HRRRL)?**

YES NO NOT APPLICABLE (N/A)

12B. DATE OF LOAN (Month and Year)

12C. STREET ADDRESS

12D. CITY AND STATE

I CERTIFY THAT the information in this document is true and complete to the best of my knowledge.

Condition on COE:

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 11/17/1995.

72

Restoration in WEBLGY




- Answer "YES" to these questions to enter prior loan information


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? *

Does the Veteran now own any home(s) that you purchased or refinanced with a VA guaranteed loan? * **Provide the veterans prior loan information**







73



Putting Veterans First




Back-to-Back Closings

April 19, 2016
Maxine Henry & Mark Jamison




U.S. Department of Veterans Affairs

Back-to-Back Closings

- The sale of one property and the purchase of another property around the same time
- Both closings can happen on the same day
- The sale of the property with the current VA loan **must** close before the purchase of the new property using a VA loan to restore entitlement
- An updated COE should be requested after the previous VA loan closed to restore entitlement prior to the guaranty of the new loan




75


Relocation Agreements

- A **signed** contract under a company plan to purchase the Veteran's home
- Loan **must be** paid in full to receive restoration
- Signed contract alone **does not** meet disposal requirement
- Proof of disposal includes:
 - VA Form 26-1880: Veteran's declaration of ownership of property previously encumbered by a VA loan
 - HUD-1 settlement statement /Closing Disclosure Statement, or similar documentation
 - Warranty deed evidencing transfer of ownership


myVA VA U.S. Department of Veterans Affairs 76

Resource Page


- www.benefits.va.gov/homeloans/lenders
 - Lender's Handbook
 - VA Loan Guaranty Circulars
 - VA Loan Limits
 - Lenders' COE Tutorial
- www.archives.gov



myVA VA U.S. Department of Veterans Affairs 77





myVA VA U.S. Department of Veterans Affairs 78






Closing Disclosure Fees and Charges

Jeff Bolla, Central Office
Jeff Wilson, Loan Production Officer



 U.S. Department of Veterans Affairs

Itemization of Seller Credits on the CD

- Seller credits will be itemized and listed in the "Seller-Paid" column.
- Any remaining balance of the credit will be listed under sections (L) Paid Already by or on Behalf of Borrower at Closing as a Seller Credit.
- Excess Seller Credit can be used to pay any other charges without itemization.







 U.S. Department of Veterans Affairs

Unacceptable Loan Costs

Closing Cost Details	Borrower Paid		Seller Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$930.00				
01 % of Loan Amount (Points)					
02 Lender Origination Fee	\$930.00				
03					
04					
05					
06					
07					
B. Services Borrower Did Not Shop For	\$446.00				
01 Credit Report Fee for Coverage		\$15.00			
02 Appraisal Fee	\$30.00	\$475.00			
03 LHA of Loan Paid for Coverage	\$175.00				
04 Tax Service Fee for Coverage	\$36.00				
05					
06					
07					
08					
C. Services Borrower Did Shop For	\$1,208.50				
01 Title Closing Settlement Charge	\$130.00				
02 Title Commitment Fee	\$75.00				
03 Lender Title to Charge Title	\$27.50				
04 Escrow/Title Insurance Fee for Charge Title	\$6.00				
05 Title Insurance Endorsement for Charge Title	\$108.00				
06					
07					
08					
D. TOTAL LOAN COSTS @Borrower Paid	\$2,834.50				
Loan Costs Subtotal (A + B + C)	\$1,444.50	\$490.00			

The circled charges will be considered over charges regardless of any lender or seller credits identified in J or L.

A refund of \$520.50 would be required.




 U.S. Department of Veterans Affairs

Acceptable Seller Credits

Closing Cost Details			
Loan Costs	Borrower Paid		Paid by Others
	At Closing	Before Closing	
A. Origination Charges			
(1) Origination Charge	\$930.00		
(2) % of Loan Amount (Points)			
(3) Lender Origination Fee	\$930.00		
B. Services Borrower Did Not Shop For			
(1) Credit Report Fee for Lender	\$15.00		
(2) Appraisal Fee	\$30.00	\$475.00	
(3) Title of Loan Proceeds Charge	\$17.00		
(4) See Seller Paid for Charge			\$89.00
C. Services Borrower Did Shop For			
(1) Title Closing Settlement Charge			\$100.00
(2) Title Commitment Fee			\$75.00
(3) Lender Title to Charge Title	\$837.00		
(4) Recording Service Fee to Charge Title			\$6.50
(5) Title Insurance Endorsements to Charge Title	\$100.00		
D. TOTAL LOAN COSTS (Borrower Paid)			
	\$2,414.00		
Loan Costs Subtotals (A + B + C)	\$1,824.00	\$490.00	

The over charges were moved to the seller paid column and not charged to the Veteran. They are now acceptable and would be subtracted from the total contractual seller credits, as a net in L.

Itemization of Lender Credits on the CD

- Itemize Lender Credits in the “Paid by Others” column.
- Remaining balance of the credit is listed under sections (J) Total Closing Costs in the Lender Credit section or in (L) Other Credits.
- Excess Lender Credit will be applied as a principal balance reduction on the CD. Excess credits on Cash-out Refinances can be paid to the Veteran.

Unacceptable Lender Credit

Closing Cost Details			
Loan Costs	Borrower Paid		Paid by Others
	At Closing	Before Closing	
A. Origination Charges			
(1) Origination Charge	\$1,125.00		
(2) % of Loan Amount (Points)			
(3) Lender Origination Fee	\$1,125.00		
B. Services Borrower Did Not Shop For			
(1) Credit Report Fee for Lender	\$15.00		
(2) Appraisal Fee	\$43.00		
(3) Title of Loan Proceeds Charge	\$17.00		
(4) See Seller Paid for Charge			\$97.00
C. Services Borrower Did Shop For			
(1) Title Closing Settlement Charge			\$100.00
(2) Title Commitment Fee			\$75.00
(3) Lender Title to Charge Title	\$837.00		
(4) Recording Service Fee to Charge Title			\$6.50
(5) Title Insurance Endorsements to Charge Title	\$100.00		
D. TOTAL LOAN COSTS (Borrower Paid)			
	\$4,776.00		
Loan Costs Subtotals (A + B + C)	\$4,346.00	\$430.00	
Other Costs			
A. Taxes and Other Government Fees			
(1) Recording Fees			\$380.00
(2) Mortgage Insurance Premium (2.25%)			\$1,899.69
(3) Property Taxes			\$32.00
(4) See Seller Paid for Charge			\$1,297.31
B. Fees			
(1) Homeowner's Insurance Premium (12 mos.)			\$1,040.00
(2) Mortgage Insurance Premium (12 mos.)			\$32.00
(3) Prepaid Interest (600) (per day from 2/29/2016 to 2/29/2016)			\$32.00
(4) Property Taxes			\$1,297.31
C. Seller/Borrower Payment of Charges			
(1) Homeowner's Insurance	\$86.42	per month for 3 mos.	\$259.26
(2) Mortgage Insurance	per month for 3 mos.		\$96.00
(3) Property Taxes	per month for 3 mos.		\$320.26
(4) City fee 0.1% 30 year month 4 months			\$120.00
D. Other			
(1) Aggregate Adjustment			-\$174.68
(2) Property Inspection			\$100.00
(3) Loan Commitment Fee			\$65.00
(4) Seller Title			\$154.00
(5) See Seller Paid for Charge			\$1,000.00
E. TOTAL OTHER COSTS (Borrower Paid)			
	\$4,346.00		\$4,346.00
Other Costs Subtotals (E + F + G + H)	\$4,346.00	\$430.00	\$4,776.00
F. TOTAL CLOSING COSTS (Borrower Paid)			
	\$9,122.00		\$9,122.00
Closing Costs Subtotals (D + E + F)	\$9,122.00	\$430.00	\$9,552.00

Despite the Lender Credit in J, the charges shown in B and C are not acceptable because the lender already charged a 1% origination fee.

A refund of \$584 would be required on this loan.

Acceptable Lender Credit

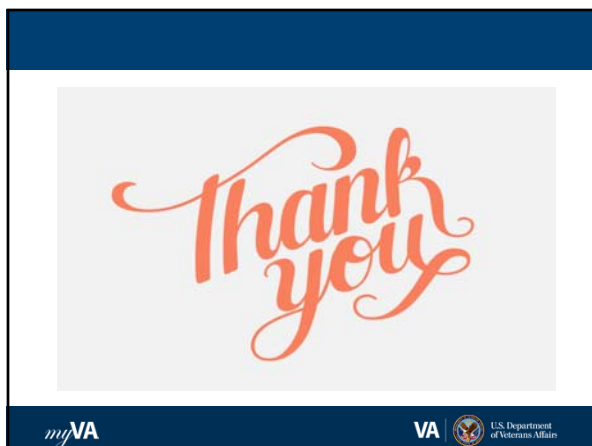
Closing Cost Details				Other Costs			
Item	Borrower Paid		Seller Paid		Paid by Others	Borrower Paid	
	At Closing	Before Closing	At Closing	Before Closing		At Closing	Before Closing
I. Origination Charges							
1. % of Loan Amount (Points)		\$12,000.00					
2. Underwriting Fee	\$1,000.00						
3. Appraisal							
4. Home Inspection							
5. Title Insurance							
6. Survey							
7. Pre-Inspection							
8. Services Borrower Did Not Pay For	\$4,750.00						
1. Early Review Fee Charge	\$15.00						
2. Origination	\$17.00						
3. Late Payment Charge	\$415.00						
4. Delinquent Payment Charge							
5. Mismatching	\$3,713.00						
9. Services Borrower Did Pay For	\$200.00						
1. Title Closing Settlement Charge	\$200.00						
2. Lender Fee							
II. Taxes and Other Government Fees							
1. Recording Fees							
2. Mortgage Insurance Premium - 1st year							
3. Mortgage Insurance Premium - 2nd year							
4. Property Taxes - 1st year							
5. Property Taxes - 2nd year							
III. Prepaid							
1. Homeowner's Insurance Premium - 1st year							
2. Mortgage Insurance Premium - 1st year							
3. Prepaid Interest - 1st year (from 2.70% to 2.75%)							
4. Property Taxes - 1st year							
5. Property Taxes - 2nd year							
IV. Initial Borrower Payment at Closing							
1. Homeowner's Insurance							
2. Mortgage Insurance							
3. Property Taxes							
4. Other Initial Borrower Payments							
5. Acquisition Adjustment							
VI. Other							
1. Property Inspection	\$100.00						
2. Loan Condition Fee	\$85.00						
3. Other Fee	\$100.00						
7. TOTAL OTHER COSTS (Borrower Paid)	\$4,140.00						
8. Other Costs (Seller Paid)	\$3,150.00						
9. TOTAL CLOSING COSTS (Borrower Paid)	\$8,290.00						
10. Other Costs (Seller Paid)	\$3,150.00						
11. Lender Credit							\$1,850.00

Over charges moved to Paid by Others column (lender)

Lender credit is now smaller but fees in Paid by Others column plus Lender Credit still allow for the charges and net credit from the lender.

Itemization of Lender and Seller Credits

Proper placement of credits on the CD eliminates the need for any additional itemization of credits from the lender or Seller.



myVA
Putting Veterans First

Open Forum

April 19th

Veterans Benefits Administration **VA**  U.S. Department of Veterans Affairs
