



# LENDERS HANDBOOK

[VA-Pamphlet 26-7]

## CHAPTER 1

# LENDER APPROVAL GUIDELINES



# Chapter 1 Lender Approval Guidelines

## Overview

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**In this Chapter** This chapter contains the following topics.

<b>Topic</b>	<b>Topic</b>	<b>See Page</b>
1	Definitions and Authorities	1-2
2	Before a Lender Starts Making VA Loans	1-6
3	Lenders That are Considered Supervised	1-8
4	How a Non-supervised Lender Applies for Automatic Authority	1-10
5	Certifications a Non-supervised Automatic Lender Must Comply With	1-15
6	How a Non-supervised Automatic Lender Requests Underwriter Approval or Approval to Close Loans Involving an Affiliate	1-18
7	How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent	1-20
8	Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders	1-25
9	Withdrawal of Automatic Authority from Supervised or Non-supervised Automatic Lenders	1-31
10	Participation Fees for Supervised and Non-supervised Automatic Lenders	1-34
11	Maintenance of Loan Records	1-37
12	Lender Access to Training and Information	1-38
13	Calculation of Adjusted Net Worth	1-40
14	Elements of a Quality Control Plan	1-41
15	Application Checklist for Authority to Close Loans on an Automatic Basis	1-45

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## 1. Definitions and Authorities

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**a. Lender** Any person or entity (private sector or government) that originates, holds, services, funds, buys, sells or otherwise transfers a loan guaranteed by VA.

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**b. Supervised Lender** A lender that is subject to mandatory periodic examination and supervision by an agency of the United States or of any State or territory, including the District of Columbia.

VA determines whether the level of examination and supervision to which a lender is subject satisfies the requirement.

Examples of supervised lenders include:

- Financial institutions which are members of the Federal Reserve System,
- Financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA),
- Financial institutions which are members of the Office of Thrift Supervision,
- Federal Savings Banks,
- National Banks,
- Farm Credit System Institutions,
- State Chartered Banks,
- Insurance Companies,
- Credit Unions,
- Savings and Loan Associations, and
- Private banks.

A state acting as a lender is also considered supervised.

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## 1. Definitions and Authorities, continued

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**c. Non-supervised Lender**

Any lender that is **not** a supervised lender.

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**d. Non-supervised Automatic Lender**

A lender who has applied for authority to close loans on an automatic basis and has been formally granted such authority by VA.

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**e. Agent**

An Agent may also be referred to as a Mortgage Broker. An Agent is a person or entity that performs any activity on behalf of, or in the name of, a sponsoring lender.

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**f. Sponsoring Lender**

A lender that uses an agent to perform **any** portion of the work involved in originating and closing a VA-guaranteed loan is the “sponsoring lender” for that agent.

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**g. Mergers and Acquisitions**

Lender mergers and acquisitions are discussed in section 8 of this chapter.

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**h. Prior Approval**

A Prior Approval lender is neither a supervised or non-supervised automatic lender. All prior approval loans must be submitted to VA for underwriting and approval prior to closing the loan.

All lenders, whether or not they have automatic authority, **must** submit the following types of loans to VA for prior approval:

- Joint loans (Veteran/Veteran or Veteran/non-Veteran).
  - Loans to Veterans in receipt of VA nonservice-connected pension.
  - Loans to Veterans with a VA appointed fiduciary.
  - Interest Rate Reduction Refinancing Loans (IRRRLs) made to refinance delinquent VA loans.
  - Manufactured home loans (except when the manufactured home is permanently affixed to the lot and considered real estate under state law) unless the lender has been separately approved for this purpose.
  - Unsecured loans or loans secured by less than a first lien.
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## 1. Definitions and Authorities, continued

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### **h. Prior Approval, continued**

Lenders with automatic authority may also elect to submit a loan (of a type not on the above list) for prior approval when issues or circumstances cannot be resolved by the lender's own underwriting staff (see section 5 of [Current Issues](#)).

- The submission must include the underwriter's analysis and explanation of why it is being submitted for prior approval.
- Do **not** use this provision to shift the burden of a loan rejection to VA.

Lenders without automatic authority must submit all loans to VA for prior approval except IRRRLs made to refinance VA loans that are **not** delinquent.

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### **i. Automatic Authority (Authority to Close Loans on an Automatic Basis)**

Automatic authority is authority for a lender to close VA-guaranteed loans without the prior approval of VA. Lenders with automatic authority should use it to the maximum extent possible. The following lenders have automatic authority:

- all supervised lenders,
  - certain non-supervised lenders who apply for and are granted automatic authority by VA, and
  - any lender (even a lender who does not otherwise have automatic authority) for the limited purpose of closing an IRRRL, as long as the loan being refinanced is not delinquent.
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## 1. Definitions and Authorities, continued

**j. Supervised Versus Non-supervised Automatic Lenders**

A non-supervised lender that wishes to close loans on an automatic basis must obtain both VA authorization for automatic authority and obtain VA approval of other elements of its automatic lending operations (that is, underwriter approval). This difference between supervised and non-supervised lenders is outlined below.

<b>Authority</b>	<b>Supervised Lender</b>	<b>Non-supervised Automatic Lender</b>
To close loans on the automatic basis	No VA approval needed.	Must submit application and be authorized by VA to close loans on an automatic basis.
To use certain underwriters	No VA approval needed. Any of the lender's underwriters may underwrite loans processed on the automatic basis.	Must submit application and obtain VA approval for each person to underwrite VA loans processed on the automatic basis.
To close loans in particular states	No VA approval needed. Lender may close loans in any state.	No VA approval needed. Lender may close loans in any state.
To use agents to process VA loans	Must submit request and obtain VA recognition of each agent with whom the lender has an ongoing relationship.	Must submit request and obtain VA recognition of each agent with whom the lender has an ongoing relationship.

**k. IRRRL Exception**

IRRRLs, except those intended to refinance delinquent VA loans, can be closed automatically by any lender in any state without specific approval of automatic authority, underwriters, or the state in which the loan is made. Use of agents to process IRRRLs is subject to the same requirements as agents processing other types of loans (see Topic 7 of this chapter).

## 2. Before a Lender Starts Making Loans

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**a. Sending the  
Initial  
Information  
Package to VA**

This section applies to all lenders (supervised, non-supervised automatic, and prior approval).

First-time VA lenders must send the certain information to the VA Regional Loan Center (RLC) or the Honolulu Regional Office according to jurisdiction. A complete list may be found at: [http://www.benefits.va.gov/homeloans/contact\\_rlc\\_info.asp](http://www.benefits.va.gov/homeloans/contact_rlc_info.asp). The information that should be sent includes:

- specimen signatures of all officers, underwriters, or other personnel authorized to sign documents related to VA-guaranteed loan activities,
- [VA Form 26-8812](#), *VA Equal Opportunity Lender Certification*, and
- a letter identifying the lender's corporate address, the lender's owners, any lending personnel or officers that VA or HUD ever debarred or took other adverse action against, and a list of all the lender's branch offices that are involved in VA mortgage lending.

In addition, VA may, at its discretion, order a credit report on a lender and/or interview principal officers.

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## 2. Before a Lender Starts Making Loans, continued

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**b. What Happens Next?**

The VA RLC of jurisdiction will provide information to the lender, including training on VA loan processing, and a VA ID number to use for all VA lending transactions and documents as an identifier of the lender.

The lender may download a copy of this VA Pamphlet 26-7, *Lender's Handbook*, at [http://www.warms.vba.va.gov/pam26\\_7.html](http://www.warms.vba.va.gov/pam26_7.html).

To receive new lender information from the VA, including updates to this manual, the lender will need to sign up for GovDelivery at <https://public.govdelivery.com/accounts/USVAVBA/subscriber/new?preferences=true>.

The VA RLC of jurisdiction will serve as the lender's primary contact point with VA. Please direct all technical questions, requests for training, or requests for VA publications and materials to that office.

As soon as a lender becomes familiar with the laws, regulations, and procedures pertaining to VA-guaranteed loans, it may begin making VA loans.

A non-supervised lender must submit all loans except certain IRRRLs to VA for prior approval, unless the lender applies for, and receives, specific authority from VA to close loans on the automatic basis.

A lender supervised by one of the Federal entities described in Topic 3 of this chapter can begin closing loans on the automatic basis immediately.

A lender that must submit a request to VA for recognition as supervised must submit all loans except certain IRRRLs to VA for prior approval until it receives recognition as supervised. See Topic 3 of this chapter for more information.

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### 3. Lenders That are Considered Supervised

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**a. Supervision  
by Certain  
Federal Entities**

VA considers any lender subject to mandatory periodic examination and supervision by any of the following Federal entities to be supervised:

- The Board of Governors of the Federal Reserve System
- The Federal Deposit Insurance Corporation
- The Comptroller of the Currency
- The National Credit Union Administration
- The Farm Credit Administration

Lenders supervised by these Federal entities are not required to request recognition from VA.

Indicate which of the above Federal entities supervises the lender in the initial information package submitted to VA.

If VA needs clarification of the lender's status, VA will request appropriate documentation from the lender.

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**b.  
Circumstances  
under which VA  
Recognition as  
Supervised is  
Needed**

These instructions apply to a lender that wishes to be recognized as a supervised lender by VA, but is not directly supervised by one of the Federal entities listed in Topic 3, Subsection a, of this chapter. In such cases, the lender must request that VA specifically recognize it as supervised and must be a wholly owned subsidiary or affiliate of a VA recognized supervised lender.

The relationship between a wholly-owned subsidiary or affiliate of a VA-recognized supervised lender and that supervised lender is to be the basis for recognition as supervised, documentation of the structure, capitalization, and ownership of the subsidiary or affiliate and its legal/financial relationship to the supervised lender must be submitted to the VA office with jurisdiction over the lender's home office.

VA will inform the lender of its decision by letter.

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### 3. Lenders That are Considered Supervised, continued

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**d. If a Lender is Supervised** A supervised lender has the authority to close VA-guaranteed loans on an automatic basis (without the prior approval of VA) except for certain types of loans that must be submitted to VA for prior approval by all lenders.

These loan types are listed in Topic 1 of this chapter under “Prior Approval.”

The supervised lender must obtain VA recognition of agents it uses to make VA loans. See Topic 7 of this chapter for more information.

If the lender uses an agent, it must submit the following to the VA office with jurisdiction over its home office by January 31 of each year:

- a list of the VA-recognized agency relationships it wishes to renew,
- the annual renewal fee (see Topic 10 of this chapter) for each lender agent that acts for the lender and had been recognized by VA as the lender’s agent as of September 30 (120 days before payment is due), and
- any other information requested by VA.

Although VA offices may issue an annual reminder notice to lenders that the above information is due, lenders bear the ultimate responsibility for timely submission of the information and appropriate fees. Failure to pay annual renewal fees could result in loss of a lender’s automatic processing authority.

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## 4. How a Non-supervised Lender Applies for Automatic Authority

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**a. Procedures and Criteria for Qualification**

Submit a completed [VA Form 26-8736](#), *Application for Authority to Close Loans on an Automatic Basis-Non-supervised Lenders*, to the VA office with jurisdiction over the lender's home office, along with:

- The documentation specified in the tables in this subsection,
- The appropriate fee(s), (see Topic 10 of this chapter), and
- The information specified in Topic 2 of this chapter, if not already submitted, or any updates to that information (including a current list of branch offices involved in VA mortgage lending).

The tables in this section describe the criteria that must be met to qualify for automatic authority, and the documentation the lender must submit with its application to meet each criterion.

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## 4. How a Non-supervised Lender Applies for Automatic Authority, continued

a. Procedures and Criteria for Qualification, continued

Criteria	Required Documentation
<p>Lender Experience (38 C.F.R. §36.4352(b))</p> <p>Either:</p> <ul style="list-style-type: none"> <li>• the lender must have at least 2 years active VA origination experience and have originated and closed at least ten VA loans (properly documented and submitted) within the past 2 years, or</li> <li>• the lender (with less than 2 years active VA origination experience) must have originated and closed at least 25 VA loans (properly documented and submitted), or</li> <li>• a principal officer who is actively involved in managing VA origination functions must have at least two years management experience in the most recent 5 years, or</li> <li>• the lender, acting as an agent for an automatic lender(s), must have originated at least 10 VA loans over the past 2 years or 25 VA loans (if less than 2 years).</li> </ul>	<p><b>Note:</b> For purposes of determining whether the experience criteria are met, IRRRLs do <b>not</b> count as VA loans originated, since no underwriting is involved.</p> <p><b>For all lenders:</b></p> <ul style="list-style-type: none"> <li>• Completed VA Form 26-8736, <i>Application for Authority to Close Loans on an Automatic Basis-Non-supervised Lenders</i>,</li> <li>• VA ID number, and</li> <li>• Resume for each principal officer (president plus any officers involved in managing loan origination functions) showing mortgage lending experience.</li> <li>• The VA underwriter certificate of completion for mandatory training must be provided to VA within 90 days of underwriter approval.</li> </ul> <p><b>Additional documentation for lenders qualifying based on experience as agent:</b></p> <ul style="list-style-type: none"> <li>• copy of the VA letter(s) recognizing the lender as an agent for the sponsoring lender(s),</li> <li>• copy of the corporate resolution sent to VA by the sponsoring lender describing the functions the agent was to perform, and</li> <li>• a letter from a senior officer of the sponsoring lender(s) indicating the number of VA loans submitted by the agent each year, and the loans have been documented and submitted in compliance with VA requirements and procedures.</li> </ul>

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## 4. How a Non-supervised Lender Applies for Automatic Authority, continued

**a. Procedures and Criteria for Qualification,**  
continued

Criteria	Required Documentation
<p><b>Qualified Underwriter(s)</b> (38 C.F.R. §36.4352(b)(2))</p> <p>A senior officer of the lender must nominate at least one full-time qualified employee to act as an underwriter who has either:</p> <ul style="list-style-type: none"> <li>• at least 3 years experience in processing, pre-underwriting or underwriting mortgage loans, and</li> <li>• at least 1 year of the most recent 3 years must have included making underwriting decisions on VA loans,</li> <li>• a current AMP (Accredited Mortgage Professional) designation from the Mortgage Bankers Association (MBA), or</li> <li>• a current CRU (Certified Residential Underwriter) designation from MBA.</li> </ul> <p>All VA-approved underwriters must be familiar with VA’s credit underwriting standards and this VA Lender’s Handbook.</p>	<p><b>For all underwriters</b></p> <p>VA Form 26-8736a, <i>Non-supervised Lender’s Nomination and Recommendation of Credit Underwriter</i>, completed by a senior officer if the underwriter is not located in the lender’s corporate office, a senior officer’s certification that the underwriter reports to and is supervised by an individual who is not a branch manager or other person with production responsibilities.</p> <p><b>Additional documentation for underwriters qualifying based on 3 years of experience</b></p> <p>Underwriter’s resume, outlining the underwriter’s specific experience with VA loans.</p> <p>(<b>Note:</b> For purposes of determining whether the experience criteria are met, IRRRLs do <b>not</b> count as processing, pre-underwriting, or underwriting.)</p> <p><b>Additional documentation for underwriters qualifying based on AMP/CRU designation</b></p> <p>Evidence that he or she is a current AMP/CRU as designated by the MBA.</p> <p>See “Underwriter Approval” in Topic 6 of this chapter for mandatory training requirements for newly approved underwriters and underwriters who have not underwritten VA loans in the past 24 months.</p>

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## 4. How a Non-supervised Lender Applies for Automatic Authority, continued

**a. Procedures and Criteria for Qualification,**  
continued

Criteria	Required Documentation
<p><b>Sanctions For Prior Acts</b></p> <p>There must be no factors indicating the lender would not exercise the necessary care and diligence.</p>	<p>A statement of facts is required in any case where:</p> <ul style="list-style-type: none"> <li>• the lender, or any director or principal officer was ever debarred or suspended or otherwise formally sanctioned by the Government, or</li> <li>• any director or officer was ever a director or officer of a debarred or suspended firm, or</li> <li>• the lender had a servicing contract with an investor terminated for cause.</li> </ul>

**b. Application Checklist**

The application checklist provides a quick-reference checklist for application materials and requirements. Please see Topic 15 of this chapter for more information.

**c. Nationwide Authority**

All lenders who have been approved by VA for automatic authority may use this authority on a nationwide basis.

**d. Notification of VA Decision**

The VA office of jurisdiction reviews the application materials submitted, and makes a determination regarding the lender’s qualifications. The office then sends the lender written notice of its decision and, if approved, any conditions attached to its automatic authority.

Lenders are expected to use their automatic authority to the maximum extent possible.

Loans uploaded for prior approval that are **not** required to be submitted for prior approval **must** include a written explanation from the underwriter. See Chapter 5, Topic 4 of this handbook for more information.

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## **4. How a Non-supervised Lender Applies for Automatic Authority, continued**

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**e. Probationary Period** The lender will be subject to a probationary period of 1 year or longer, during which the VA offices to which it submits loans will carefully review the quality of the lender's underwriting, completeness of loan submissions, compliance with VA requirements and procedures, and delinquency and foreclosure rates.

VA must perform a complete review including underwriting analysis for a minimum of the first 15 loans closed and guaranteed, and fifty percent (50%) of the next 50 loans closed automatically.

VA may withdraw automatic authority at any time during the probationary period based on poor underwriting and/or consistently careless processing.

At the expiration of the probationary period, VA sends the lender written notice of its decision to terminate the probationary period, extend it, or revoke automatic authority.

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## 5. Certifications a Non-supervised Automatic Lender Must Comply With

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**a. Do Not Close Loans for Others** The president or principal officer must certify on [VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis-Non-supervised Lenders](#), that the lender will **not** close loans on an automatic basis for the following:

- As a courtesy or accommodation for other mortgage lenders regardless of whether or not such lenders are approved themselves to close on an automatic basis. This does not prevent the lender from closing loans based on documents prepared by an authorized agent.
  - For any builder or other entity in which the lender has a financial interest or which it owns, is owned by, or with which it is affiliated, without the express approval of the VA.
  - See “Approval to Close Loans Involving an Affiliate” in Topic 6 of this chapter, for details.
  - If the only connection between the lender and the builder is a construction loan, the lender may close the permanent mortgage on an automatic basis without VA approval.
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**b. Notify VA of Significant Changes including Merger or Acquisition** The president or principal officer must certify on [VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis-Non-supervised Lenders](#), that the lender will notify the VA office with jurisdiction over its home office of any changes in its corporate structure, operations, or financial condition which **may** have a bearing on the lender’s continued qualifications for authority to close loans automatically.

If the lender no longer meets the qualifications for automatic authority, but **no** change in ownership has occurred (that is, working capital becomes inadequate), submit a plan of correction to the VA office of jurisdiction.

Continue to close loans on the automatic basis until the lender receives a determination from VA, except if the lender no longer has a VA-approved underwriter, it may no longer close loans on the automatic basis.

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## 5. Certifications a Non-supervised Automatic Lender Must Comply With, continued

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**b. Notify VA of Significant Changes including Merger or Acquisition,**  
continued

Notification of change of ownership and/or name change of the non-supervised automatic lender should be made through the RLC of the surviving entity.

All mergers and acquisitions always extinguish automatic authority of the lender unless the new entity is supervised. See Topic 8 of this chapter for requirements in the case of a merger, acquisition, or change in ownership and consequences to the lender.

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**c. All Loans Must be Reviewed by a VA-Approved Underwriter**

The president or principal officer must certify that **all** prospective VA loans to be closed on an automatic basis will be reviewed and decided by a VA-approved underwriter.

All VA-approved underwriters must be familiar with the VA Lender's Handbook, specifically [Chapter 4: Credit Underwriting](#).

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**d. Submit Annual Financial Statements**

The president or principal officer must certify that the lender will submit annual financial statements audited and certified by a Certified Public Accountant (CPA) to VA within 120 days of the end of its fiscal year. The financial statements must be sent to the RLC with jurisdiction over the lender's home office.

The statements must show either:

- a minimum of \$50,000 working capital. Either the balance sheet must be classified to distinguish between current and fixed assets and between current and long-term liabilities or the information must be provided in a footnote to the statement, or
  - a minimum of \$250,000 in adjusted net worth. Adjusted net worth must be calculated by a CPA in accordance with the requirements in Topic 13 of this chapter.
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## 5. Certifications a Non-supervised Automatic Lender Must Comply With, continued

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**d. Submit Annual Financial Statements, continued**

When submitting the financial statements to the [RLC of jurisdiction](#), the lender **must** also submit the following:

- a list of VA-recognized agent relationships the lender wants to renew, if the lender uses agents for making VA loans, and
- the annual fees specified in Topic 10 of this chapter.

Any other information requested by VA. Although VA offices may issue an annual reminder notice to lenders that the above information is due, lenders bear the ultimate responsibility for timely submission of this information.

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**e. Other Certifications**

When the president or principal officer signs [VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis - Non-supervised Lenders](#), he or she certifies that the lender will comply with a number of other requirements. These include:

- complying with VA regulations, directives, and law,
  - submitting at any time to VA examination of its records and accounts,
  - furnishing VA any requested information,
  - maintaining \$50,000 working capital or \$250,000 adjusted net worth, and
  - using its automatic authority to the maximum extent possible; if not used, submitting an explanation as to why a loan was processed prior approval.
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## 6. How a Non-supervised Automatic Lender Requests Underwriter Approval or Approval to Close Loans involving an Affiliate

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**a. Underwriter Approval**

All VA loans to be closed on an automatic basis must be reviewed and either approved or rejected by a VA-approved underwriter.

A VA-approved underwriter must sign a [VA Form 26-6393, Loan Analysis](#), on each loan to certify his or her review of such loan. An electronic signature is acceptable.

The lender may request approval of additional underwriters at any time after its initial approval for automatic authority by submitting a request to the VA office with jurisdiction over its home office, including the appropriate fee (as listed in Topic 10 of this chapter) and the documentation for underwriter approval (as listed in Topic 4, Subsection a, of this chapter).

All VA-approved underwriters must be familiar with VA's credit underwriting standards and the VA Lender's Handbook.

All VA-approved underwriters must attend a 1-day (8 hour) training course on underwriter responsibilities, VA underwriting requirements, and VA administrative requirements, including the usage of VA forms, within 90 days of approval. Web-based training is also available. The Credit Standards training course is located on your landing page within the Veterans Information Portal (VIP): <https://vip.vba.va.gov/portal/VBAH/Home>. Successful completion of the Internet-based training meets the 1-day training requirement.

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## 6. How a Non-supervised Automatic Lender Requests Underwriter Approval or Approval to Close Loans involving an Affiliate, continued

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### a. Underwriter Approval, continued

VA underwriter training is required of **all** underwriters whether approved based on experience or based on an AMP or CRU designation. It is also required of underwriters who have not underwritten VA-guaranteed loans in the past 24 months. Underwriters who consistently approve loans that do not meet VA credit standards will be required to retake this training.

VA approval of an underwriter is automatically terminated (without notice) if the underwriter is no longer employed by the same lender. The lender **must** report any such circumstances to VA.

The lender may **not** continue to close loans automatically without a VA-approved underwriter.

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### b. Approval to Close Loans Involving an Affiliate

The lender may request VA approval to close loans involving an affiliate on an automatic basis (“affiliate” as used here includes a real estate brokerage firm and/or residential builder or developer that the lender has a financial interest in, owns, is owned by, or is affiliated with). The lender may request such approval at the time it applies for automatic authority or any time thereafter. Submit the request to the VA office with jurisdiction over the lender’s home office along with a corporate resolution from the lender and each affiliate indicating they are separate entities operating independently of each other.

The lender’s corporate resolution must indicate that it will not give more favorable underwriting consideration to its affiliate’s loans.

The affiliate’s corporate resolution must indicate that it will not seek to influence the lender to give their loans more favorable underwriting consideration.

Letters from permanent investors indicating the percentage of all VA loans based on the affiliate’s production originated by the lender over a 1 year period that are past due 90 days or more. This delinquency ratio must be no higher than the national average for the same period for all mortgage loans.

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## 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent

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**a. Limitations on Use of Agents** A lender must request VA recognition of an ongoing relationship with an agent. The lender may designate any individual or entity as an agent to perform loan-related functions on its behalf or in its name.

The extent of the relationship between the lender and the agent is at the lender's discretion and the following lender responsibilities must be met:

- The lender **must** accept full responsibility for the acts, errors, or omissions of the agent in processing and/or closing loans.
- The lender accepts this responsibility by certification on [VA Form 26-1820, Report and Certification of Loan Disbursement](#), and the corporate resolution.
- The lender may **not** subsequently claim that it should not be held accountable for inaccurate or fraudulent credit information or other loan data because it relied on the agent.
- Irregularities resulting from acts or omissions of the agent are treated as acts or omissions of the lender.
- The lender's use of an agent will not prevent VA from taking actions in appropriate cases such as denial of liability, claim adjustments, collection of the amount of any loss incurred due to irregularities, and imposition of sanctions against both the lender and the agent.

If the lender is a non-supervised automatic lender, loans made by an agent on its behalf which are closed automatically must be reviewed and approved by a VA-approved underwriter employed by the lender.

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## 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued

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### **b. How to Request VA Recognition of an Agent**

To begin a relationship with an agent, submit a request for recognition of the agent relationship to the VA office with jurisdiction over the lender's home office. Include a corporate resolution which contains:

- the agent's name, address, telephone, e-mail address, and Federal Tax ID number,
- the agent's function(s) (such as, taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement),
- a statement that the lender takes full responsibility for all acts, errors, or omissions of the agent and its employees, and
- if the agent will enter into interest rate lock-in agreements on the lender's behalf, a statement that the lender will honor the lock-in.

**Note:** A conditional loan purchase agreement, wherein the lender agrees only to purchase the agent's production subject to the lender's review and approval, is unacceptable.

Also include a fee of \$100 for each agent with the request.

The lender may begin to use an agent after VA sends recognition of the relationship to the lender in writing. Even with formal VA recognition, the lender **must** identify the agent and its function on [VA Form 26-1820, Report and Certification of Loan Disbursement](#), for each loan.

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## 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued

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### **c. Lenders That use a Multitude of Agents**

Lenders that use a multitude of agents on an ongoing basis may submit a “blanket” corporate resolution that contains:

- the agents’ function(s) (such as, taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement),
- a statement that the lender takes full responsibility for all acts, errors, or omissions of its agents and agents’ employees,
- if agents will enter into interest rate lock-in agreements on the lender’s behalf, a statement that the lender will honor the lock-in, and
- the identity of the officer(s) of the lender who is (are) delegated authority to request recognition of additional agents under the “blanket” corporate resolution and delete agents.

Even using a “blanket” corporate resolution, a request for VA recognition must be made for each new agent and appropriate fees paid. Include the agent’s name, address, telephone number, e-mail address, Federal Tax ID number and refer to the “blanket” corporate resolution, giving the date the board adopted it. The lender may begin to use an agent after VA sends recognition of the relationship to the lender in writing.

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*Continued on next page*

## 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued

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**d. How to Complete VA Form 26-1820**

If the loan is closed and funded by the lender (**not** the agent), or an agent conducts the closing but a sponsoring lender buys (funds) the loan at closing (commonly called table funding), enter the:

- lender's VA ID number in item 2B, and
- name and function of the agent in item 24J.

**Note:** The lender must complete items 25 and 26.

If the loan is closed and funded in the agent's name pursuant to an agent agreement, enter the following:

- agent's VA ID number in item 2B
- name and function of the agent in item 24J, and
- agent's name, followed by the words "agent for (lender's name)," and agent's address in 25A.

**Note:** The agent must complete items 25 and 26.

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**e. Enter Both ID Numbers on VA Form 26-0286**

[VA Form 26-0286](#), *VA Loan Summary Sheet*, contains spaces marked "Lender VA ID Number" and "Agent VA ID Number (if applicable)." Always enter both ID numbers if an agent has performed any function(s) on behalf of the sponsoring lender in connection with the loan.

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**f. Who is the LGC Issued to?**

VA will issue the Loan Guaranty Certificate (LGC) to the sponsoring lender in WebLGY.

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*Continued on next page*



## 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued

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**g. When Can an Agent Close Loans Automatically?**

If the lender has automatic authority, its agent can close loans automatically on its behalf. This can be done to the extent the loans could be closed automatically if made by the lender, provided VA requirements for recognition of an agency relationship and reporting it on [VA Form 26-1820, Report and Certification of Loan Disbursement](#), have been complied with.

If the lender is a non-supervised automatic lender, this means all loans must be reviewed and approved by a VA-approved underwriter employed by the lender.

**Exception:** The underwriter's certification must appear on [VA Form 26-6393, Loan Analysis](#), as required for VA loans closed on the automatic basis that do not involve agents.

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**h. Prior Approval Lenders**

If the lender does not have automatic authority, they may not use the services of an agent. Follow prior approval procedures in Chapter 5 of this handbook.

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## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. The Issue** Changes in ownership or corporate structure of a lender may impact its continued qualifications for automatic authority. Lenders must notify VA whenever a merger, acquisition, or change in the ownership of the lender occurs, so that VA can evaluate any impact on the lender's participation in the VA Home Loan program.

Although only the terms "merger" and "acquisition" and "selling," "acquiring" or "surviving" entities are used in this paragraph, the concepts and procedures in this paragraph apply to every type of restructuring that has a significant impact on an organization's ownership, structure, or assets, and so on.

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*Continued on next page*

## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders, continued

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### b. Required Submissions

Whenever a supervised or non-supervised lender with automatic authority is involved in a merger or acquisition, it **must** submit a \$100 processing fee along with the following information to the RLC with jurisdiction over its home office:

- the names of the acquiring and selling entities, and the surviving entity.
- the information listed in Topic 2, Subsection a, of this chapter for the surviving entity.
- a general description of the assets being acquired in the merger or acquisition.
- the addresses of all branch offices and their current VA ID numbers that are involved in VA mortgage lending, and whether they will continue to operate or be closed.
- a list of agents and their VA ID numbers that will be used by the surviving entity and have already been recognized by VA as agents of the selling or acquiring entities. Requests for recognition of **new agents** may accompany the submission along with appropriate fees and corporate resolutions. See Topic 7 of this chapter for more information.

**Note:** Any of these items that remain unchanged do **not** have to be resubmitted; simply indicate that they are unchanged.

Questions about merger or acquisition transactions should be sent to the RLC of jurisdiction. Since each merger or acquisition is unique, VA may discover that it needs to request additional information from the lender during its review. Lenders with questions may send an e-mail to [LoanPolicy.VBAVACO@va.gov](mailto:LoanPolicy.VBAVACO@va.gov).

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*Continued on next page*

## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders, continued

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### c. Additional Submissions for Non-supervised Automatic Lenders

Non-supervised automatic lenders must also provide:

- a resume for each new owner or principal officer (president plus any officers involved in managing loan origination functions) of the surviving entity showing mortgage lending experience, and
  - a list of underwriters to be employed by the surviving entity who had already been approved by VA as underwriters for the selling or acquiring entities. Requests for approval of new underwriters may accompany the submission along with appropriate fees and application materials.
- 

### d. Additional Submissions for the Lender Appraising Program (LAPP)

LAPP lenders must also provide a list of LAPP Staff Appraisal Reviewers (SAR) to be employed by the surviving entity that had already been approved by VA as SARs for the selling or acquiring entities. Include their SAR ID numbers and a copy of any VA letter(s) which state that these SARs have met the VA training and case review requirements.

An additional submission is required for any of these SARs **if** the entity that employed them when they were approved by VA bore a different company name than the surviving entity. For each such SAR, submit a newly executed SAR application and lender certifications by the surviving entity, in the prescribed order. (See [Chapter 15](#) of this handbook.)

**Exception:** If the entity that previously employed the SAR was a wholly owned subsidiary of the surviving entity, this additional submission may not be required.

Also provide a list of the LAPP SARs (and their ID numbers) of the selling or acquiring entities that will no longer be employed by the surviving entity.

Requests for approval of new SARs may accompany the submission along with appropriate fees and application materials.

**Reference:** See [Chapter 15](#) of this handbook.

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## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders, continued

**e. Immediate Impact While VA Reviews Submission**

A change in the ownership of a non-supervised automatic lender always extinguishes the automatic authority (and therefore the LAPP authority) of the lender unless the new entity is supervised.

Whenever a supervised lender undergoes merger or acquisition, apply the standards detailed in Topic 4 of this chapter, to determine whether the surviving entity is supervised.

The following table lists some of the scenarios that can emerge from a merger or acquisition and provides whether the surviving entity can exercise automatic authority while VA is reviewing its merger/acquisition submission, and any additional submissions the entity must send to VA.

**Note:** These are in addition to the required submissions detailed in the preceding material in this section.

<b>Prior Status of Restructured Entity(ies)</b>	<b>Status of Surviving Entity Appears to be</b>	<b>Additional Submissions Needed</b>	<b>Authority of Surviving Entity while Awaiting VA Review</b>
Supervised and/or Non-supervised Automatic	Supervised by a Federal entity listed in Topic 3 of this chapter.	None	Automatic authority continues.

*Continued on next page*

## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders, continued

e. Immediate Impact While VA Reviews Submission, continued

<b>Prior Status of Restructured Entity(ies)</b>	<b>Status of Surviving Entity Appears to be</b>	<b>Additional Submissions Needed</b>	<b>Authority of Surviving Entity while Awaiting VA Review</b>
At least one of the entities was supervised	Supervised, but status is not clear. VA recognition as supervised is required under section 3 of this chapter.	Request for recognition as supervised and information specified in section 3 of this chapter.	If the nature and source of supervision of the surviving entity is the same as for the prior supervised entity, automatic authority continues. If supervision has changed, submit all loans for prior approval until VA makes a determination.
Non-supervised Automatic only	Supervised, but status is not clear. VA recognition as supervised is required under section 3 of this chapter.	Request for recognition as supervised and information specified in section 3 of this chapter.	Submit all loans for prior approval until VA makes a determination.

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## 8. Mergers and Acquisitions Involving Supervised or Non-supervised Automatic Lenders, continued

e. Immediate Impact While VA Reviews Submission, continued

Prior Status of Restructured Entity(ies)	Status of Surviving Entity Appears to be	Additional Submissions Needed	Authority of Surviving Entity while Awaiting VA Review
Non-supervised automatic with different ownership than surviving entity and/or a supervised lender	Non-supervised lender	If the surviving entity wishes to have automatic authority, it must submit a complete new application for automatic authority with the appropriate fee (see section 5 of this chapter).	Automatic authority is extinguished. Submit all loans for prior approval until VA makes a determination on the application for automatic authority.
Non-supervised automatic with same ownership as surviving entity	Non-supervised lender	None	Automatic authority continues if lender retains its VA-approved underwriter(s).

## 9. Withdrawal of Automatic Authority from Supervised or Non-supervised Automatic Lenders

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- Change Date** February 1, 2019
- This chapter has been revised in its entirety.
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**a. General** VA can withdraw a lender’s automatic authority for proper cause, after giving the lender 30 days notice. This applies to both supervised and non-supervised lenders. VA regulations at [38 CFR 36.4349](#) provide the framework. The lender may continue processing loans on a prior approval basis after its automatic authority has been withdrawn.

The remainder of this Topic gives the reasons a lender’s automatic authority can be withdrawn, and the corresponding period for which the withdrawal will be effective.

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**b. Withdrawal for an Indefinite Period** Withdrawal for an indefinite period can be based on any of the following:

Failure to continue meeting basic qualifying criteria:

- For supervised lenders, this includes loss of status as an entity subject to examination and supervision by a Federal or State regulatory agency.
- For non-supervised lenders, this includes no approved underwriter, failure to maintain \$50,000 working capital or \$250,000 adjusted net worth, and/or failure to file the required financial statements.

Any of the causes for debarment set forth in [38 CFR 44](#).

During the probationary period for newly-approved non-supervised automatic lenders, automatic authority may be withdrawn for poor underwriting consistently careless processing, failure to provide loan files timely, or to provide other necessary documents as requested by VA.

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*Continued on next page*



## 9. Withdrawal of Automatic Authority from Supervised or Non-supervised Automatic Lenders, continued

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**c. Withdrawal for 60 Days** Withdrawal for 60 days can be based on any of the following:

- Loan submissions show deficiencies in credit underwriting after repeatedly being called to the lender's attention, such as the use of unstable sources of income to qualify borrower or ignoring significant adverse credit items affecting applicant's creditworthiness.
- Employment or deposit verifications are hand carried by applicants or otherwise improperly permitted to pass through the hands of a third party.
- Consistently incomplete loan submissions after repeatedly being called to the lender's attention.
- Continued instances of disregard of VA requirements after repeatedly being called to the lender's attention.

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## 9. Withdrawal of Automatic Authority from Supervised or Non-supervised Automatic Lenders, continued

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### d. Withdrawal for 180 Days

Withdrawal for 180 days can be based on any of the following:

- Loans conflict with VA credit standards and would not have been made by a lender acting prudently.
- Failure to disclose to VA significant obligations or other information so material to the Veteran's ability to repay the loan that undue risk to the Government results.
- Employment or deposit verifications are hand carried by the applicant or otherwise mishandled, resulting in submission of significant misinformation to VA.
- Substantiated complaints are received that the lender misrepresented VA requirements to Veterans to the detriment of their interests.

#### *Examples:*

- The Veteran was dissuaded from seeking a lower interest rate based on lender's incorrect advice that such options were excluded by VA requirements.
  - Closing documents show instances of improper charges to Veteran after the impropriety of such charges are called to lender's attention by VA, or the lender refuses to refund such charges after notification by VA.
  - Other instances of lender actions prejudicial to the interests of Veterans such as deliberate delays in scheduling loan closings.
- 

### e. Withdrawal for 1 to 3 Years

Withdrawal for 1 to 3 years can be based on any of the following:

- Failure to properly disburse loans, such as loan disbursement checks are returned due to insufficient funds.
  - Involvement by the lender in the improper use of a Veteran's entitlement, such as knowingly permitting the Veteran to violate occupancy requirements.
  - Lender involvement in the Veteran's sale of entitlement to a third party, such as a lender makes the loan with the knowledge that the Veteran is not purchasing the property to be his or her home. Instead, the Veteran intends to transfer title to a third party who assumes the loan shortly after closing.
-

## 10. Participation Fees for Supervised and Non-supervised Automatic Lenders

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. Introduction** Per 38 C.F.R. 36.4348, VA is authorized **to** collect fees from lenders with automatic authority to help defray the costs of administering the VA Home Loan program. Always submit fees to the RLC with jurisdiction over the lender's home office. Fees consist of annual participation fees, and administrative fees (for processing lender requests).

If the lender submits a request for administrative action without the correct processing fee, VA will delay processing of the request until the fee is received.

Fees are nonrefundable, even if the request is denied (except in cases of accidental overpayment).

Pay all fees by lender's check to the Department of Veterans Affairs.

If an agent, underwriter, or SAR approved by VA for a role with one lender begins work for another lender, the new lender must request and pay the fee for a new VA recognition or approval of that individual.

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**b. Annual Fees for Non-supervised Automatic Lenders** Remit fees within 120 days of the end of the lender's fiscal year to the RLC with jurisdiction of the lender's home office. If the lender has ongoing VA-recognized agency relationships, a list of agent relationships is required.

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## 10. Participation Fees for Supervised and Non-supervised Automatic Lenders, continued

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**b. Annual Fees for Non-supervised Automatic Lenders, continued**

The fees are as follows:

- \$200 annual recertification fee.
- \$100 for annual renewal of each agent that acts for the lender and was recognized by VA as the lender's agent as of the end of its fiscal year.  
**Note:** No annual fee is due for an agent if VA's letter of recognition is dated within the last quarter of the lender's most recent fiscal year.
- \$500 for processing an application for automatic authority.

The required fee includes any requests submitted simultaneously for the review of underwriter nominees, and does not include simultaneous requests for recognition of agents. This requires an additional \$100 fee per agent.

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**c. Other Administrative Fees for Non-supervised Automatic Lenders**

Remit fees along with requests for approval, recognition, or other VA actions related to lender status.

The required fees are:

- \$100 for processing requests for approval of each nominee for underwriter. This is not required if submitted with the request for automatic authority,
- \$100 for processing requests for VA recognition of each lender agent,
- \$200 for processing requests for reinstatement of lapsed or terminated automatic authority, and
- a minimum fee of \$100 per request for any other VA administrative actions pertaining to a lender's participation in the automatic lending program.

**Examples:**

- Submission from a lender that undergoes a merger.
  - If the fee to process a request is greater than \$100, VA will notify the lender.
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## 10. Participation Fees for Supervised and Non-supervised Automatic Lenders, continued

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**d. Annual Fees for Supervised Lenders**

Annual fees for supervised lenders are **only** required of lenders with ongoing agency relationships. Remit fees by January 31 of each year based on the lender's agent relationships in the previous calendar year, along with a list of agent relationships the lender wants to renew.

The required fee is \$100 for annual renewal of each lender agent that acts for the lender and has been recognized by VA as the lender's agent.

**Note:** an annual fee is not due for an agent if VA's letter of recognition is dated within the last quarter of the most recent calendar year.

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**e. Administrative Fees for Supervised Lenders**

The fee is \$100 for processing requests for VA recognition of each lender agent.

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**f. LAPP Fees**

Lenders must pay a one-time \$100 fee for each SAR applicant. Remit the fee with the SAR application to the appropriate VA office. The fee is non-refundable, even if the applicant is found not to be acceptable.

If a SAR is approved and subsequently moves to another lender, a \$100 application fee must be paid by the new employer.

For detailed information on the LAPP, see [Chapter 15](#) of this handbook.

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## 11. Maintenance of Loan Records

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. Requirement** Lenders must maintain all loan origination records on VA-guaranteed home loans for at least 2 years from the date of loan closing. Even if the loan is sold, the original lender must maintain all records (or legible copies) for the required period.

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**b. Examples of Loan Records** Loan origination records include:

- the loan application (including any preliminary application),
- verifications of employment and deposit,
- all credit reports (including preliminary credit reports),
- copies of each sales contract and addendum(s),
- letters of explanation for adverse credit items and discrepancies,
- direct references from creditors,
- correspondence with employers,
- appraisal and compliance inspection reports ,
- reports on termite and other inspections of the property,
- builder change orders, and
- all closing papers and documents.

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**c. Accessibility** Lenders must make these records accessible to VA personnel conducting audit reviews.

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## 12. Lender Access to Training and Information

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. VA Training Sessions** The RLCs and the Honolulu Regional Office conduct regular training sessions for lenders and other program participants in their jurisdictions. Each lender should:

- at a minimum, have a representative attend one VA training session per year.
- increase participation if lender management or VA identifies a greater need.

Discuss any special training needs with the RLC of jurisdiction.

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**b. Web-based Training** VA offers interactive web-based training sessions to lenders and servicers. The HomeTown USA credit standards training course is located on your landing page within VIP at <https://vip.vba.va.gov/portal/VBAH/Home>.

Additionally, Loan Guaranty training resources are available through the VA Home Loan website at <https://www.benefits.va.gov/homeloans/index.asp>.

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**c. Electronic Documents and Files** The Lender's Handbook, Servicing Guide, VA circulars, and other information are all available through the Lenders, Servicers, and Real Estate Professionals pages on the VA Home Loan website at <https://www.benefits.va.gov/homeloans/index.asp>.

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**d. Receipt of VA Mailings** It is essential that lenders inform the appropriate VA office whenever they have point of contact, address, or email changes. Informational mailings are sent to the address associated with a lender's VA ID number.

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**e. VA Offices of Jurisdiction** Contact the [RLC with jurisdiction](#) over the lender's home office to request any information not found in the VA Lender's Handbook, or to discuss a particular loan.

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## **12. Lender Access to Training and Information, continued**

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**f. VA  
Escalation  
Protocol for  
Resolving  
Policy Issues**

VA's escalation protocol to resolve policy issues can be found at:  
[https://www.benefits.va.gov/HOMELOANS/documents/docs/Protocol\\_for\\_Resolving\\_Policy\\_Issues.pdf](https://www.benefits.va.gov/HOMELOANS/documents/docs/Protocol_for_Resolving_Policy_Issues.pdf).

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## 13. Calculation of Adjusted Net Worth

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<b>Change Date</b>	February 1, 2019 <ul style="list-style-type: none"><li>This chapter has been revised in its entirety.</li></ul>
<b>a. Method</b>	Net worth for VA purposes is determined by 38 C.F.R. §36.4352(b)(4)(ii).
<b>b. CPA Requirement</b>	Adjusted net worth must be calculated by a CPA using an audited and certified balance sheet from the lender's latest financial statement, per the above regulation.
<b>c. Calculation</b>	Adjusted net worth is total assets, minus total liabilities, minus the following unacceptable assets: <ul style="list-style-type: none"><li>Any assets of the lender pledged to secure obligations of another person or entity.</li><li>Any asset due from either officers or stockholders of the lender or related entities, in which the lender's officers or stockholders have a personal interest, unrelated to their position as an officer or stockholder. Personal interest indicates a relationship between the lender and a person or entity in which that specified person has a financial interest in or is employed in a management position by the lender.</li><li>Any investment in related entities in which the lender's officers or stockholders (or their family members) have a personal interest unrelated to their position as an officer or stockholder.</li><li>That portion of an investment in joint ventures, subsidiaries, affiliates and/or other related entities, which is carried at a value greater than equity, as adjusted ("equity, as adjusted" means the book value of the related entity reduced by the amount of unacceptable assets carried by the related entity).</li><li>All intangibles, such as goodwill, covenants not to compete, franchisee fees, organization costs, and so on, except unamortized servicing costs carried at a value established by an arm's-length transaction and presented in accordance with generally-accepted accounting principles.</li><li>That portion of an asset not readily marketable and for which appraised values are very subjective carried at a value in excess of a substantially discounted appraised value. Assets such as antiques, art work, and gemstones are subject to this provision and should be carried at the lower of cost or market.</li><li>Any asset that is principally used for the personal enjoyment of an officer or stockholder and not for normal business purposes.</li></ul>

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## 14. Elements of a Quality Control Plan

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. Purpose** A quality control (QC) plan must be submitted with every non-supervised lender's application for automatic authority. This exhibit outlines the criteria which the QC plan must satisfy. Although supervised lenders are not required to submit a QC plan with their application, VA will review the QC plan when VA performs a lender audit.

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**b. Audit Program** The QC plan must provide for:

- a program of internal or external audit of the lender's compliance with VA loan processing and underwriting requirements, or
- independent review by management personnel knowledgeable of such requirements who have **no** direct loan processing or underwriting responsibilities.

---

**c. Adequate Scope** The QC plan must provide:

- Audits or reviews are not less than ten percent of all VA-guaranteed mortgages originated by the lender monthly, including its branches and authorized agents except that lenders making more than 140 VA mortgages monthly may use statistical sampling methods in lieu of the ten percent.
- Loans processed by all loan officers and underwriters and a random selection which includes loans from all branch offices and authorized agents.
- Procedures for expanding scope when fraudulent activity or patterns of deficiencies are identified.
- For lenders participating in LAPP, that reviews include the QC procedures.
- Procedures for validating third party verification data obtained through Automated Underwriting Systems (AUS).
- For each branch office that originates VA loans, an on-site branch office review should be conducted at least once annually.

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## 14. Elements of a Quality Control Plan, continued

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**d. Management Notification** The QC plan must provide for written notification of deficiencies cited as a result of audits or reviews at least quarterly to the lender's senior management.

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**e. Corrective Action by Management** The QC plan must require that:

- prompt and effective corrective action by senior management on all deficiencies identified by either the lender or VA.
- maintenance of documentation of deficiencies and corrective actions taken.
- Where patterns of deficiencies have been identified, corrective instructions be provided to all relevant employees.

---

**f. Deficiencies Reported to VA** The QC plan must:

- Require prompt reporting of any violation of law or regulation, false statements or program abuses by the lender, its employees or any other party to the transaction to the VA office of jurisdiction, and
- Provide for furnishing audit or review findings to VA on demand.

---

**g. Current VA Underwriting Policies and Procedures Maintained** The QC plan must ensure that:

- The lender's procedures are revised in a timely manner to accurately reflect changes in VA requirements.
- Each of the lender's offices, including its approved agent(s) and branches, maintains copies of all VA publications, including regulations, handbooks, and releases, which are relevant to the lender's VA loan origination activities. They must be accessible to all employees, periodically reviewed with appropriate staff, and kept current.

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**h. Only Authorized Persons Process Loans** The QC plan must ensure that all loans submitted by the lender to VA for guaranty are processed by employees of the lender or its authorized agent(s).

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*Continued on next page*

## 14. Elements of a Quality Control Plan, continued

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**i. Funding Fees Paid**      The QC plan must ensure that VA funding fees are remitted within 15 days from the date of loan closing and late charges and interest penalties are promptly submitted.

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**j. Escrow Fund Management**      The QC plan must ensure that escrow funds received from borrowers are **not** excessive and are **not** used for any purposes other than that for which they are received.

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**k. Debarred Persons Not Employed**      The QC plan must ensure that the lender does not employ for VA loan origination, or underwriting, any individual who is debarred or suspended.

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**l. Review of Loans**      The QC plan must provide for the following on loans selected for review:

- Review of loans within 90 days of loan closing.
- Written re-verification of borrower’s employment, deposits, and all sources of funds.
- Reordering of a new credit report from another credit source. *Note:* Report may be a Residential Mortgage Credit Report (RMCR) or an in-file report which merges the records of the three national repositories of credit files, commonly known as a 3-file merge.
- The reviewer determines whether underwriting conclusions and lender documentation are overall complete and accurate per the table below:

Step	Action
1	Does each loan file contain all required loan processing, underwriting and legal documents?
2	Were all relevant loan documents <b>not</b> pre-signed in blank by the borrower or employee(s) of the lender, and were all corrections initialed by the borrower or employee(s) of the lender?
3	Were verifications of employment, verifications of deposit, and the credit report not handled by the borrower or any interested third party?
4	Do credit reports conform to RMCR standards, if used, and if more than one credit report was ordered, were all credit reports submitted with the loan package to VA?

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## 14. Elements of a Quality Control Plan, continued

**I. Review of Loans,**  
 continued

Step	Action
5	<p>Is there a correlation of each outstanding liability and each asset of the borrower and co-borrower used to qualify for the loan to those listed on the initial loan application?</p> <p><i>Note:</i> If discrepancies exist, the loan file must show they have been explained or otherwise resolved.</p>
6	<p>Were any outstanding judgments appearing on the credit report listed on the application with an accompanying explanation and documentation?</p> <p><i>Note:</i> When there is a delinquency or judgment involving debt to the Federal Government, evidence must be provided showing the delinquent account was brought current or satisfactory arrangements were made between the borrower and the Federal agency owed, or the judgment was paid or otherwise satisfied.</p>
7	<p>Does the loan file contain required tax returns?</p> <p><i>Note:</i> If the borrower is self-employed, the loan file must include 2 years of tax returns and a profit and loss statement for year-to-date since the end of the last fiscal year, and a current balance sheet showing all assets and liabilities.</p>
8	<p>Was the Closing Disclosure accurately prepared and properly certified?</p>
9	<p>Were fees charged to the Veteran appropriate and accurate?</p>
10	<p>Was the loan properly documented and submitted in accordance with VA standardized loan file set-up procedure?</p>
11	<p>Was the loan current at the time it was submitted to VA for guaranty?</p>
12	<p>Did the borrower transfer the property at the time of closing or soon after, indicating possible misuse of the Veteran's loan entitlement?</p>
13	<p><b>Were all conflicting information or discrepancies resolved and properly documented in writing prior to submission of the loan to VA for guaranty?</b></p>

## 15. Application Checklist for Authority to Close Loans on an Automatic Basis

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**Change Date** February 1, 2019

- This chapter has been revised in its entirety.

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**a. Checklist**

**1) Experience**

Your firm must meet one of the following experience requirements:

**Company Experience**

- Firm actively engaged in originating VA loans for at least 2 years, and firm has originated and closed a minimum of ten VA loans (excluding IRRRLs); **or**,
- Firm actively originating and closing VA loans for less than 2 years, and firm has originated and closed at least 25 VA loans (excluding IRRRLs).

**Principal Officer Experience**

**Documentation**

Resumes for each principal officer (president plus any officers involved in managing loan origination functions) showing mortgage lending experience.

**Experience Requirement**

A principal officer who is actively engaged in managing VA origination functions must have at least 2 recent years management experience in the most recent 5 years.

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## 15. Application Checklist for Authority to Close Loans on an Automatic Basis, continued

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a. Checklist,  
continued

**Agent Experience**

**Documentation**

- A copy of the VA letter approving the firm as an agent for the sponsoring lender;
- a letter from a senior officer of the lender indicating the number of VA loans submitted and compliance with VA requirements and procedures; and
- a copy of the corporate resolution.

**Experience requirement**

- Firm actively operating as an agent for an automatic lender for 2 years, and originated a minimum of ten VA loans; **or**,
- Firm actively operating as an agent for an automatic lender for less than 2 years, and originated a minimum of 25 VA loans.

**2) Underwriter(s)**

**Documentation**

VA Form 26-8736a completed by a senior officer outlining the underwriter's specific experience with VA loans. If the underwriter is not located in the home office, provide certification from a senior officer that the underwriter is supervised by an individual other than a branch manager or other person with production responsibilities must be provided.

**Experience Requirement**

- Minimum 3 years of experience in processing, pre-underwriting or underwriting mortgage loans, and at least 1 recent year of this experience making underwriting decisions on VA loans (recent = within the past three years); **or**,
- Accredited Residential Underwriter (ARU) by the Mortgage Bankers Association.

**3) Working Capital or Net Worth**

- A minimum of \$50,000 in working capital must be demonstrated; **or**
- Lender has \$250,000 net worth and reported by CPA in annual financial statements (see Topic 14 of this chapter).

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*Continued on next page*

## **15. Application Checklist for Authority to Close Loans on an Automatic Basis, continued**

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**a. Checklist,**  
continued

- 4) Financial Statements** audited and certified by a CPA **and** current to within 6 months of the application date.
  - 5) Line of Credit of at Least \$1 Million Dollars**
  - 6) Two Permanent Investors** with addresses, telephone numbers and name(s) of contact person(s)
  - 7) Quality Control Plan That Meets VA Requirements** (see Topic 14 of this chapter)
  - 8) Designated Liaison Officer**
  - 9) Corporate Resolutions and Delinquency Data for Affiliates**
  - 10) List of Branch Offices or Corporate Resolutions for Agents**
  - 11) Application Fee Submitted**
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