

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 1, Topic 1 — Definitions and Authorities

Register va-m26-7-ch01-t01

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1. Definitions and Authorities Change Date February 1, 2019 • This chapter has been revised in its entirety. 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. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-3 1. Definitions and Authorities, continued c. Non-supervised Lender Any lender that is not a supervised lender. 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. 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. 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. g. Mergers and Acquisitions Lender mergers and acquisitions are discussed in section 8 of this chapter. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-4 1. Definitions and Authorities, continued 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. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-5 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.

Authority	Supervised Lender	Non-supervised Automatic Lender
To close loans on the automatic basis	No VA approval needed.	Must submit application and be authorized by VA
To use certain underwriters	No VA approval needed.	Any of the lender's underwriters may underwrite loans processed on the automatic basis.
To close loans in particular states	No VA approval needed.	Must submit application and obtain VA approval for each person to underwrite VA loans processed on the automatic basis.
To use agents to process VA loans	No VA approval needed.	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). VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-6

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