VA Lenders Handbook (VA Pamphlet 26-7), Chapter 1, Topic 4 — How a Non-supervised Lender Applies for Automatic

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4. How a Non-supervised Lender Applies for Automatic Authority Change Date February 1, 2019 • This chapter has been revised in its entirety. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-11 4. How a Non-supervised Lender Applies for Automatic Authority, continued a. Procedures and Criteria for Qualification, continued Criteria Required Documentation Lender Experience (38 C.F.R. §36.4352(b)) Either: • 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 • 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 • 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 • 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). Note: For purposes of determining whether the experience criteria are met, IRRRLs do not count as VA loans originated, since no underwriting is involved. For all lenders: • Completed VA Form 26-8736, Application for Authority to Close Loans on an Automatic Basis-Non-supervised Lenders, • VA ID number, and • Resume for each principal officer (president plus any officers involved in managing loan origination functions) showing mortgage lending experience. • The VA underwriter certificate of completion for mandatory training must be provided to VA within 90 days of underwriter approval. Additional documentation for lenders qualifying based on experience as agent: • copy of the VA letter(s) recognizing the lender as an agent for the sponsoring lender(s), • copy of the corporate resolution sent to VA by the sponsoring lender describing the functions the agent was to perform, and • 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-12 4. How a Non-supervised Lender Applies for Automatic Authority, continued a. Procedures and Criteria for Qualification, continued Criteria Required Documentation Qualified Underwriter(s) (38 C.F.R. §36.4352(b)(2)) A senior officer of the lender must nominate at least one full-time qualified employee to act as

an underwriter who has either: • at least 3 years experience in processing, pre-underwriting or underwriting mortgage loans, and • at least 1 year of the most recent 3 years must have included making underwriting decisions on VA loans, • a current AMP (Accredited Mortgage Professional) designation from the Mortgage Bankers Association (MBA), or • a current CRU (Certified Residential Underwriter) designation from MBA. All VA-approved underwriters must be familiar with VA's credit underwriting standards and this VA Lender's Handbook. For all underwriters VA Form 26-8736a, Non-supervised Lender's Nomination and Recommendation of Credit Underwriter, 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. Additional documentation for underwriters qualifying based on 3 years of experience Underwriter's resume, outlining the underwriter's specific experience with VA loans. (Note: For purposes of determining whether the experience criteria are met, IRRRLs do not count as processing, pre-underwriting, or underwriting.) Additional documentation for underwriters qualifying based on AMP/CRU designation Evidence that he or she is a current AMP/CRU as designated by the MBA. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-13 4. How a Non-supervised Lender Applies for Automatic Authority, continued a. Procedures and Criteria for Qualification, continued Criteria Required Documentation Sanctions For Prior Acts There must be no factors indicating the lender would not exercise the necessary care and diligence. A statement of facts is required in any case where: • the lender, or any director or principal officer was ever debarred or suspended or otherwise formally sanctioned by the Government, or • any director or officer was ever a director or officer of a debarred or suspended firm, or • the lender had a servicing contract with an investor terminated for cause. 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. Continued on the page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-14 4. How a Non-supervised Lender Applies for Automatic Authority, continued 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. VA Pamphlet 26-7, Revised Chapter 1: Lender Approval

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