

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 1, Topic 5 — Certifications a Non-supervised Automatic Lender Must

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5. Certifications a Non-supervised Automatic Lender Must Comply With Change Date February 1, 2019 • This chapter has been revised in its entirety. 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. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-16 5. Certifications a Non-supervised Automatic Lender Must Comply With, continued 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. 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. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-17 5. Certifications a Non-supervised Automatic Lender Must Comply With, continued 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. 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. VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-18

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