

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 1, Topic 8 — Mergers and Acquisitions Involving Supervised or Non-

Register va-m26-7-ch01-t08

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8. Mergers and Acquisitions Involving Supervised or Non- supervised Automatic Lenders Change Date February 1, 2019 • This chapter has been revised in its entirety. 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-26 8. Mergers and Acquisitions Involving Supervised or Non- supervised Automatic Lenders, continued 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-27 8. Mergers and Acquisitions Involving Supervised or Non- supervised Automatic Lenders, continued 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 Processing 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. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-28

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.

Prior Status of Restructured Entity(ies)	Status of Surviving Entity	Appears to be	Additional Submissions Needed	Authority of Surviving Entity while Awaiting VA Review
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 VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-29
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	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.	Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-30	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). VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-31

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