VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 1 — How to Establish the Applicant's Eligibility for a VA Loan

Register va-m26-7-ch02-t01

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 1 — How to Establish the Applicant's Eligibility for a VA Loan.

1 verbatim provision(s). Each quote is a verified substring of the regulator-published source snapshot, not retyped.

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 1 — How to Establish the Applicant's Eligibility for a VA Loan

1. How to Establish the Applicant's Eligibility for a VA Loan Change Date March 28, 2019 • This chapter has been revised in its entirety. a. What is Eligibility Eligibility means the Veteran meets the basic criteria of length of service (LOS) and character of service (COS) for the home loan benefit. Entitlement is the amount a Veteran has available for a guaranty on a loan. An eligible Veteran must still meet credit and income standards in order to qualify for a VA-guaranteed loan. b. The Lender's Role The Certificate of Eligibility (COE) issued in WebLGY is the proof of eligibility for the lender. The lender must ensure the applicant is an eligible Veteran before an appraisal is ordered, the loan cannot be processed or closed. Lenders should never close a loan before they establish eligibility. VA cannot guarantee a loan for an ineligible Veteran. Once a COE is issued there may be conditions on the COE which must be met in order to receive a guaranty. The conditions that could appear on the COE are: • Active Duty Service Member (ADSM) - Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required. This COE is not valid if the ADSM was discharged after the date of the certificate. In this instance, a new COE must be obtained. • Funding Fee – Please fax a copy of VA Form 26-8937 to the Regional Loan Center (RLC) of Jurisdiction. Please have the lender contact the RLC for loan processing. • Funding Fee – Veteran is not exempt from funding fee due to non- service connected pension. Loan application will require prior approval processing by VA. • Reserve or National Guard Member – Valid unless discharged or released subsequent to the date of this certificate. A certification of continuous service in the Selected Reserve or National Guard as of the date of the note is required. Continued on next page VA Pamphlet 26-7, Revised Chapter 2: Veteran's Eligibility and Entitlement 2-3 1. How to Establish the Applicant's Eligibility for a VA Loan, continued b. The Lender's Role, continued • Reserve/National Guard Funding Fee – Entitlement is based on service in the Selected Reserve and/or National Guard so an increased funding fee is required. • Refinance Restoration – Restored entitlement previously used or charged for a VA Loan Indetification Number (LIN) as shown here is available only for use in connection with the property which secured that loan. • One-Time Restoration – Entitlement previously used for a VA LIN has been restored without disposal of the property, under provision of 38 U.S.C. 3702 (b)(4). Any future restoration requires disposal of all property obtained with a VA loan. • Subsequent Use Funding Fee – Entitlement code of "5" indicates previously used entitlement has been restored. The Veteran must pay a subsequent use funding fee on any future loan unless the Veteran is exempt. • Surviving Spouse – Eligibility of the surviving spouse and the validity of guaranty entitlement hereby evidenced will be null and void if any change in marital status occurs, subsequent to the date of this COE and prior to the date a loan to the widow or widower is closed, unless the lender making the loan was not aware of any change in marital status and obtained on the date the loan closed an affidavit from the surviving spouse in the form prescribed by the

Secretary. • Prisoner of War/Missing in Action (POW/MIA) – This certificate evidences eligibility under 38 U.S.C 3701 (b)(3) of the individual named as the spouse of a Servicemember missing in action or prisoner of war. Any unused entitlement will terminate automatically upon the receipt of official notice that the Servicemember is no longer in a category specified in 38 U.S.C. 3701 (b)(3) or upon dissolution of marriage. • Paid-in-Full Loan – Entitlement charged on a paid-in-full loan cannot be restored until the Veteran applies for restoration of entitlement. The lender shall submit the application electronically through VA's Automated Certificate of Eligibility (ACE) online application. • Foreclosed Loan – Entitlement charged on a foreclosed loan cannot be restored until VA's loss on the loan has been fully repaid. Information about repayment of the loss may be obtained by contacting an RLC. Continued on next page VA Pamphlet 26-7, Revised Chapter 2: Veteran's Eligibility and Entitlement 2-4 1. How to Establish the Applicant's Eligibility for a VA Loan, continued b. The Lenders Role, continued Although this chapter discusses some of the basic eligibility criteria, it is not intended to provide a lender with all the knowledge necessary to make an eligibility determination; consequently, all the various exceptions and nuances of eligibility are not included. Appendix 1-A at the end of this chapter provides a quick reference and overview of basic eligibility criteria. Lenders must use VA's ACE online application to obtain the COE. Go to VA's Information Portal (VIP) and select WebLGY from the applications toolbar; then select Eligibility and follow the prompts. In many cases, a COE can be generated in seconds. If not, lenders should select the link to submit an electronic application. This method allows lenders to upload supporting documentation and submit an application electronically to be processed by one of the RLCs. A Veteran can apply for a COE through eBenefits at http://www.ebenefits.va.gov or, if necessary, by completing VA Form 26- 1880, Request for a Certificate of Eligibility and mailing it to the listed RLC. Simultaneous applications may delay COE processing. To ensure quicker responses, it is preferable to apply online. c. IRRRL Eligibility Determination VA systems will not generate a VA case number for an Interest Rate Reduction Refinancing Loan (IRRRL) if there is no record of an active VA loan. This means if a lender successfully obtains a case number for an IRRRL, a COE is not required. VA Pamphlet 26-7, Revised Chapter 2: Veteran's Eligibility and Entitlement 2-5

Source: VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 1 — How to Establish the Applicant's Eligibility for a VA Loan · snapshot 488cf6b152dfffb7