VA Lenders Handbook (VA Pamphlet 26-7), Chapter 2, Topic 2 — What the Certificate of Eligibility Tells the Lender

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2. What the Certificate of Eligibility Tells the Lender Change Date March 28, 2019 • This chapter has been revised in its entirety. a. Eligibility b. Amount of Entitlement The lender may rely on a COE as proof the Veteran is eligible for the home loan benefit. Although eligible for the home loan benefit, Veterans must still qualify based on income and credit before loan approval is granted. Entitlement is the amount available for use on a loan. The amount of basic entitlement is $36,000. This may be reduced if a Veteran has used entitlement before which has not been restored. The amount of basic entitlement will be displayed near the center of the COE. For example it may say: “THIS VETERAN’S BASIC ENTITLEMENT IS $_________ . TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $_______ .” For loans greater than $144,000, bonus entitlement may be available. For loans greater than $144,000, but less than $484,350, the entitlement is 25 percent. For loans greater than $484,350, the maximum entitlement is 25 percent of the loan limit, which can vary by county. For a list of loan limits by county, visit http://www.benefits.va.gov/homeloans/lenders.asp. Please note county limits can change yearly. VA will post the limits for each year on our website as they change. The Veteran may have entitlement for loans greater than $144,000, the COE does not reflect the bonus entitlement. Instead, an asterisk by the word “available” refers to a note, which explains the possibility of additional entitlement. If the Veteran previously used entitlement, which has not been restored, available entitlement is reduced by the amount used on the prior loan(s). The lender has three options in this situation: • Make the loan knowing that VA’s guaranty is limited to the amount of available entitlement, or • Have the Veteran apply for restoration of previously used entitlement, or • The Veteran may provide a downpayment in conjunction with their remaining entitlement. Continued on next page VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-6 2. What the Certificate of Eligibility Tells the Lender, continued VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-7 c. Funding Fee Field and Conditions on the COE The “funding fee” field appears near the top of the COE. The exemption status, either “exempt”, “non- exempt” or “contact RLC” will appear to the right of this field: • Exempt status indicates a Veteran is exempt from paying the funding fee. • Non-exempt status indicates a Veteran is not exempt from paying the funding fee. • Contact RLC indicates a system-generated determination is not available, or any loan may need to be submitted to VA as prior approval. Lenders must be sure to comply with all “conditions” appearing near the middle portion of the COE: • For COEs with “exempt” status, the following “conditions” may appear: a) Funding Fee – Veteran is exempt from the funding fee due to receipt of service-connected disability compensation of $ _______________________monthly. b) Funding Fee – Veteran is exempt from the funding fee due to receipt of service-connected disability compensation. Monthly compensation rate has not been determined to date. c) Funding Fee – Please fax a copy of VA Form 26-8937 to the VA RLC of jurisdiction. d) Funding Fee – Please have the lender contact the VA RLC for loan

processing. Please fax a copy of VA Form 26-8937 to the RLC of jurisdiction. • For COEs with a “non-exempt” status, the following “conditions” may appear: a) Funding Fee – Veteran is not exempt from the funding fee. b) Funding Fee – Veteran is not exempt from the funding fee due to receipt of non-service connected pension. Loan application will require prior approval processing by VA. • For COEs with “contact RLC” status, the following “condition” will appear: a) Funding Fee – Please fax a copy of VA Form 26-8937 to the RLC of jurisdiction of where the property is located. Continued on next page VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-8 2. What the Certificate of Eligibility Tells the Lender, continued d. IRRRL Exemption Status The funding fee exemption status on IRRRLs is displayed in WebLGY at the time the case number is ordered. e. Exempt Status and Verified Income Lenders may rely on the “exempt” status appearing next to the “funding fee” field for verification of the funding fee exemption. If the dollar amount is different than what is shown on the COE, use the most recent bank statement or award disability award letter for verification. Additionally, on COEs with an “exempt” status, lenders may treat any service-connected disability income amount appearing in the “condition” section of the COE as verified income. There is no need to fax in VA Form 26-8937 to confirm the status or amount showing on the COE. f. Additional Conditions Listed on Some COE Forms Additional conditions that the lender and Veteran must comply with are listed on the COE, under the conditions heading. The following table provides the actions a lender should take for each condition, if applicable: Conditions What to Do Valid unless discharged or released subsequent to the date of this certificate. A certification of continuous active duty as of the date of note is required. Ensure the Veteran is still on active duty before closing the loan. If the Veteran is discharged or released prior to loan closing, request a new COE and do not close the loan until received. Excluded entitlement previously used for a VA LIN as shown herein is available only for use in connection with the property that secured that loan. If the entitlement used for the prior loan identified in this condition is needed for the proposed loan, ensure the proposed loan will be secured by the same property as the prior loan. (Cash-out refinance on a prior VA loan.) Continued on next page VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-9 2. What the Certificate of Eligibility Tells the Lender, continued f. Additional Conditions Listed on Some COE Forms, continued g. The “Subsequent Use Funding Fee” Condition Conditions What to Do 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 or properties obtained with a VA loan. The Veteran must have proof that all properties with VA-guaranteed loans have been disposed. The Veteran is not exempt from the funding fee due to receipt of non-service connected pension. Loan application will require prior approval processing by VA. Non service-connected pension must be submitted to VA for prior approval. Concurrence is required from Pension Service, so allow extra time for processing. Funding Fee – Please fax a copy of VA Form 26-8937 to the RLC of jurisdiction. Please have the lender contact the RLC for loan processing. The Veteran has a fiduciary and the loan must be submitted to VA for prior approval. Concurrence is required from Fiduciary Service, so allow extra time for processing. The “Subsequent Use Funding Fee” indicates the Veteran has used their home loan benefit before, so a higher funding fee is required. VA Pamphlet 26-7, Revised Chapter 2: Veteran’s Eligibility and Entitlement 2-10

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