VA Lenders Handbook (VA Pamphlet 26-7), Chapter 4, Topic 1 — General Underwriting Information

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1. General Underwriting Information Change Date February 22, 2019 • This chapter has been revised in its entirety. a. Underwriting Information VA Underwriting Standards require lenders to always utilize the following guidance when underwriting VA-guaranteed loans: Lenders are encouraged to make VA loans to all qualified Veterans who apply. VA’s underwriting standards are intended to provide guidelines for underwriters. Decisions must be based on sound application of the standards, and underwriters are expected to use good judgment and flexibility in applying underwriting guidelines. Not all possible circumstances are addressed therefore, underwriters must apply reasonable judgment and flexibility in administering this important Veterans’ benefit. b. Basic Requirements By law, VA may only guarantee a loan when it is possible to determine that the Veteran is a satisfactory credit risk, and has present or verified anticipated income that bears a proper relation to the anticipated terms of repayment. VA’s underwriting standards are incorporated into VA regulations at 38 C.F.R. 36.4340 and explained in this chapter. This chapter addresses the procedures for verifications and analysis involved in underwriting a VA-guaranteed loan. In the event the lender fails to perform their responsibilities, VA may take administrative actions including removal of authority to underwrite and close VA loans. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-3 1. General Underwriting Information, continued c. Lender’s Responsibilities Lenders are responsible for: • developing all credit information, • properly obtaining all required verifications and the credit report, • ensuring the accuracy of all information on which the loan decision is based, • complying with the law and regulations governing VA’s underwriting standards, and with VA’s underwriting policies, procedures, and guidelines, and • certifying as to compliance with all of the above. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-4 1. General Underwriting Information, continued d. Lender’s Procedures Digital signatures can be accepted as an original signature or wet signature as defined by the Electronic Signatures in Global and National Commerce Act, commonly referred to as the E-sign Act. The procedures below address only the credit underwriting of the loan. Chapter 5 of this handbook provides all procedures that must be completed when making a VA loan. Step Action 1 Initiate the VA and Credit Alert Interactive Voice Response System (CAIVRS) inquiries described in Topic 4, Subsection c of this chapter. 2 Obtain all necessary verifications. The borrower’s authorization can be obtained separately for the lender’s required verifications, or on one blanket authorization form. The Certificate of Eligibility (COE) obtained from WebLGY provides verification of the amount of the Veteran’s available entitlement, verification of exempt/non-exempt from the VA Funding Fee, and the amount of VA monthly service connected disability compensation. Order the COE before ordering the VA appraisal. The tri-merged credit report and verifications can be ordered by the lender or its agent or a party designated by the lender to perform that function. However, these documents must always be delivered by the credit reporting agency or verifying party directly to the lender or its agent, and never to another party. VA only permits the Veteran to pay for the credit report

invoiced amount, not any additional costs that the lender may incur through other parties for obtaining the credit report. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-5 1. General Underwriting Information, continued d. Lender's Procedures, continued Step Action 3 Complete VA Form 26-6393, Loan Analysis, in conjunction with a careful review of the loan application and supporting documentation. Provide any explanations in item 47- Remarks. The form is not required for Interest Rate Reduction Refinancing Loans (IRRRL) except IRRRLs to refinance delinquent VA loans. 4 Indicate the loan decision in Item 51 of the VA Form 26-6393, Loan Analysis, after ensuring that the treatment of income, debts, and credit is compliant with VA underwriting standards. 5 A designated officer of the lender authorized to execute documents and act on behalf of the lender must complete the following certification: "The undersigned lender certifies that the loan application, all verifications of employment, deposit, and other income and credit verification documents have been processed in compliance with 38 C.F.R. Part 36; that all credit reports obtained in connection with the processing of this borrower's loan application have been provided to VA; that, to the best of the undersigned lender's knowledge and belief, the loan meets the underwriting standards recited in chapter 37 of Title 38 U.S.C. and 38 C.F.R. Part 36; and that all information provided in support of this loan is true, complete and accurate to the best of the undersigned lender's knowledge and belief." Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-6 1. General Underwriting Information, continued e. Underwriting Special Types of Loans The underwriting standards and procedures explained in this chapter generally apply to purchase and regular "cash-out" refinance loans. However, some special underwriting considerations also apply and can be found in Chapter 7 of this handbook. f. Refinancing Loans The underwriting standards detailed in this chapter apply to purchases and regular "cash-out" refinances. IRRRLs generally do not require any underwriting unless the loan is delinquent. IRRRLs made to refinance VA loans 30 days or more past due must be submitted to VA for prior approval underwriting. The underwriter must have concluded that: • the circumstances that caused the delinquency have been corrected, and • the Veteran can successfully maintain the new loan. Refer to Chapter 6 of this handbook for details on all types of refinancing loans. VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-7

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