

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 4, Topic 2 — Income - Required Documentation and Analysis

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2. Income – Required Documentation and Analysis Change Date September 26, 2019 • Subsection k has been updated for clarification. a. Underwriter's Objectives It is the underwriter's objective to identify and verify income available to meet: • the mortgage payment, • other shelter expenses, • debts and obligations, and • family living expenses. b. Effective Income Income is considered effective when it is determined to be verifiable, stable and reliable, and anticipated to continue for the foreseeable future. Income analysis is not an exact science. It requires the lender to underwrite each loan on a case-by-case basis, using good judgement and flexibility when warranted. To determine whether income is stable and reliable, the probability of continued employment must be determined through examination of the: • borrower's past employment record, • borrower's training, education, and qualifications for his or her current position, and/or • type of employment. Only verified income can be considered in the repayment calculation. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-8 2. Income – Required Documentation and Analysis, continued c. Spousal Income Verify and treat the income of a spouse who will be contractually obligated on the loan the same as you would the income of a Veteran borrower that will be obligated on the loan. However, to ensure compliance with the Equal Credit Opportunity Act (ECOA), do not ask questions about the income of the borrower's spouse unless the: • spouse will be contractually liable, • borrower is relying on the spouse's income to qualify, • borrower is relying on alimony, child support, or separate maintenance payments from the spouse or former spouse, or • borrower resides and/or the property is in a community property state. In community property states, information concerning a spouse may be requested and considered in the same manner as for the borrower, even if the spouse will not be contractually obligated on the loan. See Topic 5, subsection a, of this chapter for additional guidelines for community property states when considering a spouse's debts and credit history. The non-purchasing spouse's (NPS) credit history does not need to be considered; however, the NPS' liabilities must be considered to determine the extent of the household liabilities. d. ECOA Considerations Always inform the borrower (and spouse, if applicable) that they do not have to divulge information on the receipt of child support, alimony, or separate maintenance. However, for this income to be considered in the loan analysis, it must be divulged and verified. Income cannot be discounted because of sex, marital status, age, race, or other prohibited bases under ECOA. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-9 2. Income – Required Documentation and Analysis, continued e. Income from Non-Military Employment Verify a minimum of 2 years of employment. Generally, in the borrower's current position, 2 years of employment is a positive indicator of continued employment. If the borrower has been employed by the present employer less than 2 years: • verify prior employment, plus present employment covering a total of 2 years, or • provide an explanation of why 2 years of employment could not be verified, • compare any different types of employment verifications obtained

(such as Verification of Employment (VOE), paystub(s), W2s, and tax returns) for consistency, and • clarify any substantial differences in the data that would have a bearing on the qualification of the borrower(s). Use of Employment Verification Services Lenders may use any employment verification service that provides the same information as the “full” verification generated through the “Work Number” for all applicants. Generally, this will include the following information: • the current date, • employer name and address, • Veteran’s full legal name, social security number (complete or truncated) and job title, • employment status (Active or Inactive), • length of employment and start date, • salary rate and pay frequency, • average hours per pay period, • summary of year to date information including base pay, overtime, commissions and bonuses, and • reference number for the verification. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-10 2. Income – Required Documentation and Analysis, continued e. Income from Non-Military Employment, continued A current paystub is not required with an automated employment verification service. Additionally, any VA Form 26-8497, Request for Verification of Employment (VOE) may be an original, faxed, or emailed copy of the original. Previously, VA required an original VA Form 26-8497. The requirements for obtaining a paystub have not changed. Hence, the paystub may be an original or a copy certified by the lender to be a true copy of the original. The lender may not charge a fee to obtain the employment verification information. Verification with VA Standard Documentation Acceptable verification consists of VA Form 26-8497, Request for Verification of Employment (VOE) or any format which furnishes the same information as VA Form 26-8497, plus: • paystub(s) covering the most recent 30-day period with year-to-date information, if the employer normally provides a pay stub(s) to the borrower. • if the employer does not indicate the probability of continued employment on the VOE, the lender is not required to request anything additional on that subject. The VOE and paystub(s) must be no more than 120 days old (180 days for new construction) from the closing date. • For loans closed automatically, the date of the VOE and pay stub(s) must be within 120 days of the date the note is signed (180 days for new construction) from the closing date. • For prior approval loans, the date of the VOE and paystub(s) must be within 120 days of the date the application is received by VA (180 days for new construction) from the closing date. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-11 2. Income – Required Documentation and Analysis, continued e. Income from Non-Military Employment, continued The VOE must be an original document or an electronic copy. The paystub(s) may be an original, electronic, or a copy certified by the lender to be a true copy of the original document.

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