

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 4, Topic 4 — Assets and Closing Requirements

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4. Assets and Closing Requirements Change Date a. Assets and Amount of Cash Required for Closing February 22, 2019 • This chapter has been revised in its entirety. The borrower(s) must have sufficient cash assets to cover: • any closing costs, pre-pays, or discount points which are the borrower's responsibility and are not financed into the loan, and • the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA (i.e. negative equity). VA does not require the borrower(s) to have additional cash to cover a certain number of mortgage payments, unplanned expenses or other contingencies on the residence, or refinance of the Veteran's residence. However, the borrower's ability to accumulate liquid assets and the current availability of liquid assets for unplanned expenses should be considered in the overall credit analysis. Reserves are required for borrowers using rental income to qualify. See Topic 2, subsection n of this chapter for more information. A rental offset does not require additional assets to cover PITI. See Topic 2, subsection n of this chapter for more information. The assets securing a loan(s) against deposited funds (signature loans, cash value life insurance policies, 401(k) loans, other) may not be included as an asset on the VA Form 26-6393, Loan Analysis. See Topic 5 of this chapter for more information. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-36 4. Assets and Closing Requirements, continued b. Verification of Assets and Cash to Close Requirements Verify all liquid assets owned by the borrower(s) to the extent they are needed to close the loan. In addition, verify any liquid assets that may have a bearing on the overall credit analysis (significant assets). Use VA Form 26-8497a, Request for Verification of Deposit, or electronic, or certified copies of the borrower's last two bank statements. Verifications must be no more 120 days old (180 days for new construction). For automatically closed loans, this means the date of the deposit verification is within 120 days of the date the note is signed (180 days for new construction). For prior approval loans, this means the date of the deposit verification is within 120 days of the date the application is received by VA (180 days for new construction). c. Pending Sale of Real Estate In some cases, the determination that the income and/or assets of borrowers are needed to qualify for the loan depends upon the sale of presently the borrower's owned real property. The sale proceeds may be necessary to: • clear the outstanding mortgage(s) against the property, • pay outstanding consumer obligations, • make a downpayment or pay closing costs on the VA loan, and/or • restore previously used VA entitlement. Evidence the sale has been completed should be included in the closing package to verify proceeds from the sale. As an alternative, the Veteran may sell the property with the buyer assuming the outstanding mortgage obligation. See Chapter 6 of this handbook for assumptions (Release of Liability) with a Substitution of Entitlement to restore previously used entitlement. See Chapter 5 of this handbook for prior approval loans, which depend upon the sale of property for the borrower to qualify. See Chapter 5 of this handbook for all required loan closing documents. Continued on next page VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-37 4. Assets and Closing Requirements, continued d. Gift Funds A gift can

be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction. A gift letter must: • specify the dollar amount of the gift, • include the donor's statement that no repayment is expected, and • indicate the donor's name, address, telephone number, and relationship to the borrower. The lender must verify that sufficient funds to cover the gift have been transferred to the borrower's account, or will be documented as received by the closing agent at the time of closing. Acceptable documentation includes the following: • evidence of the borrower's deposit, • a copy of the donor's funds by check/electronic transfer to the closing agent, or • the CD showing receipt of the donor's funds. VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting 4-38

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