

## VA Lenders Handbook (VA Pamphlet 26-7), Chapter 8, Topic 2 — Fees and Charges the Veteran-Borrower Can Pay

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2. Fees and Charges the Veteran-Borrower Can Pay Change Date November 8, 2012, Change 21 • This section has been updated to make minor grammatical edits. a. VA Regulations VA regulations in 38 CFR 36.4312 provide the list of fees and charges that the veteran can pay. b. Overview The veteran can pay a maximum of: • reasonable and customary amounts for any or all of the “Itemized Fees and Charges” designated by VA, plus • a one percent flat charge by the lender, plus • reasonable discount points. Note: Some special provisions apply to construction, alteration, improvement, and repair loans. Reference: See subsection e, “Construction Loans,” in section 2 of this chapter. c. Itemized Fees and Charges The veteran may pay any or all of the following itemized fees and charges in amounts that are reasonable and customary. Charge Description Appraisal and Compliance Inspections • The veteran can pay the fee of a VA appraiser and VA compliance inspectors. • The veteran can also pay for a second appraisal if he or she is requesting reconsideration of value. • The veteran cannot pay for an appraisal requested by the lender or seller for reconsideration of value. • The veteran cannot pay for appraisals requested by parties other than the veteran or lender. Continued on next page VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-4 2. Fees and Charges the Veteran-Borrower Can Pay, Continued c. Itemized Fees and Charges (continued) Charge Description Recording Fees The veteran can pay for recording fees and recording taxes or other charges incident to recordation. Credit Report The veteran can pay for the credit report obtained by the lender. For Automated Underwriting cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report. For “Refer” cases, the veteran may also pay the charge for a merged credit report, if required. Prepaid Items The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance account. Hazard Insurance The veteran can pay the required hazard insurance premium. This includes flood insurance, if required. Flood Zone Determina- tion The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if made by a third party who guarantees the accuracy of the determination. The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination. A fee may not be charged for a flood zone determination made by the lender or a VA appraiser. Survey The veteran can pay a charge for a survey, if required by the lender or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA. Continued on next page VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-5 2. Fees and Charges the Veteran-Borrower Can Pay, Continued c. Itemized Fees and Charges (continued) Charge Description Title Examination and Title Insurance The veteran may pay a fee for title examination and title insurance, if any. If the lender decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.

**Special Mailing Fees for Refinancing Loans** For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.

**VA Funding Fee** Unless exempt, each veteran must pay a funding fee to VA.

**Mortgage Electronic Registration System (MERS) Fee** The veteran may pay a fee for MERS. MERS is a one-time fee for the purpose of electronically tracking the ownership of the beneficial interest in a loan and its servicing rights.

**Other Fees Authorized by VA** Additional fees attributable to local variances may be charged to the veteran only if specifically authorized by VA. The lender may submit a written request to the Regional Loan Center for approval if the fee is normally paid by the borrower in a particular jurisdiction and considered reasonable and customary in the jurisdiction. Whenever the charge relates to services performed by a third party, the amount paid by the borrower must be limited to the actual charge of that third party.

**Example:** If the lender obtains a credit report at a cost of \$30, the lender may only charge the borrower \$30 for the credit report. The lender may not charge \$35, even if it believes that a \$5 handling charge is fair.

VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-6

**2. Fees and Charges the Veteran-Borrower Can Pay, Continued c. Itemized Fees and Charges (continued)** In addition, the borrower may not pay a duplicate fee for services that have already been paid for by another party. Examples:

- An appraisal is completed on a property and paid for by a prospective purchaser, but the sale is never completed. A second purchaser applies for a loan before the validity period of the Notice of Value (NOV) expires. The lender uses the same NOV. The lender may not charge the second purchaser an appraisal fee if no second appraisal is ordered.
- A survey or flood zone determination, if the lender elects to use an existing survey or flood determination.

**d. Lender's One Percent Flat Charge** In addition to the "itemized fees and charges," the lender may charge the veteran a flat charge not to exceed one percent of the loan amount. Calculate the one percent on the principal amount after adding the funding fee to the loan, if the funding fee is paid from loan proceeds (except Interest Rate Reduction Refinancing Loans (IRRRLs). Note: For IRRRLs, use VA Form 26-8923, IRRRL Worksheet, for the calculation. The lender's flat charge is intended to cover all of the lender's costs and services which are not reimbursable as "itemized fees and charges." Continued on next page

VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-7

**2. Fees and Charges the Veteran-Borrower Can Pay, Continued d. Lender's One Percent Flat Charge (continued)** The following list provides examples of items that cannot be charged to the veteran as "itemized fees and charges." Instead, the lender must cover any cost of these items out of its flat fee:

- lender's appraisals
- lender's inspections, except in construction loan cases
- loan closing or settlement fees
- document preparation fees
- preparing loan papers or conveyancing fees
- attorney's services other than for title work
- photographs
- interest rate lock-in fees
- postage and other mailing charges, stationery, telephone calls, and other overhead
- amortization schedules, pass books, and membership or entrance fees
- escrow fees or charges
- notary fees
- commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser
- trustee's fees or charges
- loan application or processing fees
- fees for preparation of truth-in-lending disclosure statement
- fees charged by loan brokers, finders or other third parties whether affiliated with the lender or not, and
- tax service fees.

Continued on next page

VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-8

**2. Fees and Charges the Veteran-Borrower Can Pay, Continued e. Construction Loans** The lender can charge an additional flat charge on construction, alteration, improvement, or repair loans. If the lender supervises the progress of construction and/or makes advances to a veteran in excess of

50 percent of the loan during construction, alteration, improvement, or repair, then the lender may charge the veteran up to two percent of the loan amount in addition to the lender's one percent flat charge. Example: Total charges to the veteran in these cases would be, at a maximum, itemized fees and charges plus a three percent flat charge plus discount points. If the lender does not supervise the progress of construction or make advances to a veteran in excess of 50 percent of the loan during construction, alteration, improvement, or repair, then the lender may charge the veteran up to one percent of the loan amount in addition to the lender's one percent flat charge. Example: Total charges to the veteran in these cases would be, at a maximum, itemized fees and charges plus a two percent flat charge plus discount points. This provision also applies to supplemental loans. VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-9

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