VA Lenders Handbook (VA Pamphlet 26-7), Chapter 8, Topic 3 — Fees and Charges the Veteran-Borrower Cannot Pay

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3. Fees and Charges the Veteran-Borrower Cannot Pay Change Date November 08, 2010, Change 15 • This section has been updated to make minor grammatical edits. a. Lender’s Use of One Percent Flat Charge The lender’s maximum allowable flat charge of one percent of the loan amount (or greater percentage in the case of construction loans) is intended to cover all of the lender’s costs and services which are not reimbursable as “itemized fees and charges.” The lender may pay third parties for services or do as it wishes with the funds from the flat charge, as long as the lender complies with the Real Estate Settlement Procedures Act (RESPA). Section 2, subsections c and d, of this chapter provide some examples of items that cannot be charged to the veteran as “itemized fees and charges.” This section provides more examples of items that cannot be paid by the veteran, but can be paid out of the lender’s flat charge or by some party other than the veteran. b. Attorney’s Fees The lender may not charge the borrower for attorney’s fees. However, reasonable fees for title examination work and title insurance can be paid by the borrower. They are allowable itemized fees and charges. VA does not intend to prevent the veteran from seeking independent legal representation. Therefore, the veteran can independently retain an attorney and pay a fee for legal services in connection with the purchase of a home. Closing documents should clearly indicate that the attorney’s fee is not being charged by the lender, but is being paid by the veteran as part of an independent arrangement with an attorney. Continued on next page VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-10 3. Fees and Charges the Veteran-Borrower Cannot Pay, Continued c. Brokerage Fees Fees or commissions charged by a real estate agent or broker in connection with a VA loan may not be charged to or paid by the veteran-purchaser. While use of “buyer” brokers is not precluded, veteran-purchasers may not, under any circumstances, be charged a brokerage fee or commission in connection with the services of such individuals. Since information on property available for purchase and financing options is widely available to the public from a variety of sources, VA does not believe that preventing the veteran from paying buyer-broker fees will harm the veteran. d. Prepayment Penalties A veteran obtaining a VA refinancing loan cannot use loan proceeds to pay penalty costs for prepayment of an existing lien. A veteran purchasing a property with a VA loan cannot pay penalty costs required to discharge any existing liens on the seller’s property. e. HUD / FHA Inspection Fees for Builders In proposed construction cases in which the dwelling was constructed under the Department of Housing and Urban Development (HUD) supervision, the cost of any inspections or re-inspections must be borne by the builder or sponsor and are not chargeable to the veteran-purchaser. This includes: • re-inspections by VA or HUD of onsite or offsite work for which an escrow agreement was established, and • any additional re-inspections deemed necessary by VA to assure conformity with VA regulations. VA Pamphlet 26-7, Revised Chapter 8: Borrower Fees and Charges and the VA Funding Fee 8-11

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