

Uploaded to VFC Website 2012

This Document has been provided to you courtesy of Veterans-For-Change!

Feel free to pass to any veteran who might be able to use this information!

For thousands more files like this and hundreds of links to useful information, and hundreds of "Frequently Asked Questions, please go to:

Veterans-For-Change

Veterans-For-Change is a 501(c)(3) Non-Profit Corporation Tax ID #27-3820181

If Veteran's don't help Veteran's, who will?

We appreciate all donations to continue to provide information and services to Veterans and their families.

https://www.paypal.com/cgi-bin/webscr?cmd=_s-xclick&hosted_button_id=WGT2M5UTB9A78

Note:

VFC is not liable for source information in this document, it is merely provided as a courtesy to our members.



TABLE OF CONTENTS

Chapter	Title		
	Detailed Table of Contents		
	Table of Acronyms and Abbreviations		
1	Station Procedures Regarding VA Lenders		
2	Veterans' Eligibility and Entitlement		
3	The Basics of a VA Loan Guaranty		
4	Loan Specifications		
5	Credit Underwriting		
6	How to Process Loan Submissions and Issue		
	Evidence of Guaranty		
7	Other Considerations with a VA Loan		
8	Fees and Charges Paid by the Borrower	8-1	
9	Refinancing Loans		
10	Loans Requiring Special Underwriting, Guaranty and	10-1	
	Other Considerations		
11	Evidence of Guaranty	11-1	
12	Events After Guaranty	12-1	
13	Sanctions Against Program Participants	13-1	
14	Miscellaneous	14-1	
Appendix A	Questions and Answers		
Appendix B	Table of Forms, Form Letters, Pamphlets and	B-1	
	Posters		
Index		I-1	



September 16, 1996 M26-1, Revised

DETAILED TABLE OF CONTENTS M26-1

Title Page Chapter & Section Table of Acronyms and Abbreviations νi STATION PROCEDURES REGARDING VA **CHAPTER 1 LENDERS** 1.01 How to Set Up a New VA Lender in Your Station's Jurisdiction 1-1 1-2 1.02 How to Process a Request for Recognition as a Supervised Lender How to Process a Request for Automatic Authority from a Nonsupervised 1.03 1-2 1.04 How to Process Other Types of Lender Requests 1-4 1.05 Station Responsibilities During Nonsupervised Automatic Lender's One-Year 1-6 Probationary Period 1.06 Ongoing Station Monitoring of Automatic Lenders 1-7 Withdrawal of Automatic Authority 1-11 1.07 Lender ID Codes 1-12 1.08 1.09 Lender Training 1-13 1.10 Onsite Visits 1-14 1.11 Lender Fees 1-15 **CHAPTER 2** VETERAN'S ELIGIBILITY AND ENTITLEMENT General Rule for Determining Eligibility 2.01 2-1 2.02 Exceptions to the 2-Year Requirement 2-4 2.03 Exception-Selected Reserve Including National Guard and Air National 2-8 Guard Exception-Veteran Discharged or Released for a Service-Connected 2.04 2-14 Disability Exception-Unremarried Surviving Spouse of Veteran Who Died While in 2.05 2-15 Service or from a Service-Connected Disability Exception-Spouse of Serviceperson Missing in Action or Prisoner of War 2.06 2-17 Exception-Service with Allied Countries in World War II 2-19 2.07 2.08 Exception-Other Types of Qualifying Service during World War II and/or Later 2-23 2.09 Rules for Calculating Length of Active Duty Service 2-29 Rules for Determining Character of Service 2.10 2-32 Procedure for Calculating the Amount of Entitlement 2.11 2-34

11



May 5, 1997

M26-1, Revised Change 1

DETAILED TABLE OF CONTENTS M26-1, Continued

Chapter & Section	Title	Page	
CHAPTER 2	2 VETERAN'S ELIGIBILITY AND ENTITLEMENT		
	(continued)		
2.12	Restoration of Entitlement	2-35	
2.13	How to Process Application and Issue COE or Denial		
2.14	How to Process Veteran's Appeal of an Eligibility Denial		
2.15	FHA Loans for Veterans-Certificate of Veteran Status		
[Exhibit 2-A	Quick Reference Table for VA Eligibility	2-67]	
CHAPTER 3	THE BASICS OF A VA LOAN GUARANTY		
3.01	Maximum Guaranty on VA Loans	3-1	
3.02	Basic Elements of a VA-Guaranteed Loan	3-2	
3.03	Occupancy	3-4	
CHAPTER 4	LOAN SPECIFICATIONS		
4.01	Maximum Loan	4-1	
4.02	Amortization	4-2	
CHAPTER 5	CREDIT UNDERWRITING		
5.01	Underwriting VA-Guaranteed Loans	5-1	
5.02	Station Underwriting of Substitution of Entitlement and Release of Liability Cases, and Vendee and Direct Loans	5-3	
5.03	Station Ordering of Credit Reports via Computer Links to Credit Reporting Agencies	5-8	
Exhibit 5-A	How to Access CAIVRS for Applicant Screening	5-10	
Exhibit 5-B	Who the Applicant Can Contact for Assistance in Resolving CAIVRS Information Disputes	5-12	
CHAPTER 6	HOW TO PROCESS LOAN SUBMISSIONS AND		
	ISSUE EVIDENCE OF GUARANTY		
6.01	How to Set Up a Loan File, Assign Loan Number, and Track Processing Activities	6-1	
6.02	Acceptability of Imaged Documents from Lenders	6-3	
6.03	How to Process a Prior Approval Loan (Pre-Closing)	6-4	
6.04	Loan Reporting and Issuance of Evidence of Guaranty	6-12	
Exhibit 6-A	Sample Request for Adjudication to Review VA Pension Recipient Information	6-16	
Exhibit 6-B	Sample Advance Servicing Letter	6-17	
Exhibit 6-C	Sample Loan Guaranty Division Telephone Directory and Assistance Request	6-18	



M26-1, Revised Change 1

May 5, 1997

DETAILED TABLE OF CONTENTS M26-1, Continued

Chapter & **Title Page Section CHAPTER 7** OTHER CONSIDERATIONS WITH A VA LOAN 7.01 **Title Limitations** 7-1 7.02 Secondary Borrowing 7-2 Liens Covering Community-Type Services and Facilities 7-4 7.03 Powers of Attorney 7-5 7.04 7.05 **Escrow for Postponed Completion of Improvements** 7-5 7.06 Seller Concessions 7-6 7.07 7-6 Hazard Insurance **CHAPTER 8** FEES AND CHARGES PAID BY THE BORROWER Allowable Fees and Charges 8.01 8-1 8.02 8-1 The VA Funding Fee **CHAPTER 9 REFINANCING LOANS** 9.01 Interest Rate Reduction Refinancing Loans (IRRRLs) 9-1 IRRRL Made to Refinance Loan 3 or More Payments Past Due 9-5 9.02 9.03 Cash-out Refinancing Loans 9-6 9.04 Other Refinancing Loans 9-7 CHAPTER 10 LOANS REQUIRING SPECIAL UNDERWRITING, **GUARANTY AND OTHER CONSIDERATIONS** 10.01 Joint Loans 10-1 10.02 Other Types of Loans Requiring Special Consideration 10-9 Exhibit 10-A Memorandum of Understanding with BIA 10-16 Exhibit 10-B BIA Form 5-1495, Residential Lease 10-19 **CHAPTER 11 EVIDENCE OF GUARANTY** What is the Purpose of Evidence of Guaranty? 11.01 11-1 11.02 Procedures 11-2 CHAPTER 12 **EVENTS AFTER GUARANTY** 12.01 Conduct Postaudit of 5 Percent Sample 12-1 12.02 DETAILED TABLE OF CONTENTS M26-1 12-6 12.03 Conduct a Review of Early Default Loans 12-14 12.04 Procedures on Paid-in-Full Loans 12-16 Annotation of Loan Files Concerning IG, FBI, or Other Investigations of the 12.05 12-16 Veteran Sample Postaudit Request Letter Exhibit 12-A 12-18

iv



DETAILED TABLE OF CONTENTS M26-1, Continued

Chapter & **Title Page** Section CHAPTER 13 | SANCTIONS AGAINST PROGRAM PARTICIPANTS Basic Rules Governing Debarment, Suspension and LDP Actions 13-1 13.01 Evidence Needed to Support Debarment, Suspension or LDP Actions 13-2 13.02 Station Responsibilities and Procedures for Debarment, Suspension, and 13.03 13-3 LDP Actions 13.04 Formal Hearing on Debarment, Suspension, and LDP Actions 13-13 13.05 Reciprocal Actions Based on HUD/FHA Sanctions 13-18 13.06 Withdrawal of Lender's Automatic Processing Authority - Preliminary Actions 13-20 13-21 13.07 Basis for Withdrawing Lender's Automatic Processing Authority 13.08 Authority to Withdraw Lender's Automatic Processing Authority 13-24 13.09 Notice and Hearing Rights for Withdrawal of Lender's Automatic Authority 13-24 13-25 13.10 False Lender Certification on Loan Submissions Withdrawal of LAPP (Lender Appraisal Processing Program) Authority 13.11 13-27 13.12 Sanctions Based on Unfair Sales Contract Provisions or Marketing Practices 13-28 13.13 Sanctions Based on Violations of Equal Housing Opportunity Laws 13-33 **Discrimination Complaints** 13.14 13-35 Sample Letter Imposing Limited Denial of Participation Exhibit 13-A 13-41 **CHAPTER 14 MISCELLANEOUS** Local Releases to Lenders 14-1 14.01 14.02 Station Training of Loan Processing Employees 14-1 14.03 **Employee Conduct Form** 14-4 A-1 APPENDIX A **QUESTIONS AND ANSWERS** APPENDIX B TABLE OF FORMS, FORM LETTERS, PAMPHLETS B-1 AND POSTERS **INDEX** I-1



M26-1, Revised September 16, 1996

Table of Acronyms and Abbreviations

Acronym	What it Stands for	Short Definition/Explanation
AAAP	Automated Appraisal Assignment Program	Automated C&V system for assigning appraisers, inspectors & VA LINs
ACDUTRA	Active Duty for Training	Full-time duty by a Reservist/Guard for training purposes
AD	Active Duty	Full-time duty that is not for training
ADP	Automatic Data Processing	Computerized data processing system
ADT	Active Duty for Training	see ACDUTRA
ADTNG	Active Duty for Training	see ACDUTRA
ALGO	Assistant Loan Guaranty Officer	Assistant to the LGO
ARM	Adjustable Rate Mortgage	Mortgage with adjustable interest rate
BDN	Benefits Delivery Network (formerly TARGET)	System to access on-line veteran records
BIA	Bureau of Indian Affairs	Division of the U.S. Dept. of Interior
BINQ	BIRLS Inquiry	Command to access BIRLS
BIRLS	Beneficiary Identification and Records Locator Subsystem	VA database of veteran and beneficiary records
BUPERS	Bureau of Personnel	Military personnel office
CAIVRS	Credit Alert Interactive Voice Response System	HUD-maintained database used to check if borrower has defaulted on Federally-related debt
C-file	Claims file	File that contains claims records related to a particular veteran
CFR	Code of Federal Regulations	Citation to regulations
COE	VA Form 26-8320 or 8320a, Certificate of Eligibility	Evidence of a veteran's eligibility for VA home loan benefits and available entitlement amount
COIN GIL	Computer Output Identification Number for GIL System	Computer-generated GIL report
COIN LCS	Computer Output Identification Number for LCS	Computer-generated LCS report
COIN LEF	Computer Output Identification Number for Lockbox and Funding Fee	Computer-generated Lockbox and Funding Fee report
CRV	VA Form 26-1843, Certificate of Reasonable Value	Form providing VA estimate of property value & specific conditions
C & V	Construction and Valuation	VA staff responsible for property valuation and conditions
DARP	Dept. of Army Reserve Personnel	Prefix for Army Reserve personnel forms



September 16, 1996 M26-1, Revised

Table of Acronyms and Abbreviations, Continued

Acronym	What it Stands for	Short Definition/Explanation
DD	Department of Defense	Prefix for that agency's forms
ECOA	Equal Credit Opportunity Act	Law prohibiting discrimination in lending
EEM	Energy Efficient Mortgage	VA-guaranteed loan for making energy efficiency improvements to a dwelling
FBI	Federal Bureau of Investigation	Federal investigative agency
FHA	Federal Housing Administration	Part of HUD that insures home mortgages
FIPS	Federal Information Processing Standards	System of standardized codes - used by VA for geographic identifiers
FL	Form Letter	Prefix for VA form letter numbers
GIL	Guaranteed/Insured Loans	Automated system of VA-guaranteed loan records
GI loan	VA loan	Historic term for VA-guaranteed or insured mortgage
GNMA	Government National Mortgage Association (pronounced Ginnie Mae)	Issuer of securities backed by federally- related mortgages, i.e. secondary market vehicle for many VA lenders
GPM	Graduated Payment Mortgage	Loan amortized with increasing payments
GSA	General Services Administration	Federal agency providing a variety of services to other Federal agencies
HUD	U.S. Department of Housing & Urban Development	Federal agency with functions including FHA mortgage insurance
HUD 1	Settlement Statement	Statement of moneys paid and received by the parties at loan closing
ID Code	VA ID Code for lenders	Each VA lender has a unique number
IG	Office of the Inspector General	Investigative arm of a Federal agency
IRRRL	Interest Rate Reduction Refinancing Loan, a.k.a. streamline refinance	VA guaranteed loan to refinance an existing VA loan using minimal analysis
LAPP	Lender Appraisal Processing Program	VA may authorize a lender to review VA appraisals in lieu of VA review
LCS	Liquidation and Claims System	System used to process liquidation and claims on VA-guaranteed loans
LDP	Limited Denial of Participation	A type of sanction against a Federal program participant
LGC	VA Form 26-1899, Loan Guaranty	Tangible evidence of VA's guaranty of a
	Certificate	loan

Continued on next page vii



M26-1, Revised September 16, 1996

Table of Acronyms and Abbreviations, Continued

Acronym	What it Stands for	Short Definition/Explanation
LGO	Loan Guaranty Officer	Manager of loan guaranty operations at field station level
LGY	Loan Guaranty	Anything within the VA loan guaranty function
LGY index	Loan Guaranty index	On-line inquiry system based on GIL records
LIN	VA Loan Identification Number	Unique number assigned to a VA loan
LP	Loan Processing	Automated system for performing loan processing functions
LPS	Loan Production System	Overall name for modernized loan guaranty automated records system
MCRV	VA Form 26-1843a, Master Certificate of Reasonable Value	Form used to establish value of similar units of proposed construction
MIA	Missing in Action	Military personnel missing in the line of duty
MINQ	Master record inquiry	Command to access veteran's claim information database
NCL	National Control List	List of parties suspended by VA
NOV	Notice of Value	Form providing estimate of property value
POW	Prisoner of War	Military personnel held as war prisoners
RCS VB-1	Records Control System VB-1	System for disposition of VA documents
RPC	Records Processing Center	Storage facility for VA records and files
RPO	Record Printout	Computer-generated data printout
SF	Standard Form	Prefix for Federal Government forms
SQC	Statistical Quality Control	Quality control review of the work of VA technicians by statistical sampling
URLA	Uniform Residential Loan Application	Standardized loan application form used with VA Form 26-1802a, VA addendum
U.S.C.	United States Code	Citation to the law (statutes)
USDA	U.S. Department of Agriculture	Federal Agency with programs including loans for rural housing
VAAAC	VA Austin Automation Center	One of VA's data processing centers
VA LIN	VA Loan Identification Number	Unique number assigned to a VA loan
VAS	Veterans Assistance Service	VA division employing VBCs
VBC	Veterans Benefits Counselor	VA employee who provides information on a wide range of VA benefits
XC-file	Claims file (deceased veteran)	File that contains claims records related to a deceased veteran