

## **New Procedures for Loans where the Borrower Has a VA-appointed Fiduciary and for Loans Commonly Called “Joint Loans”**

1. Purpose. This Circular announces new procedures for loan approval where the borrower has a VA-appointed fiduciary. It also announces new procedures for processing joint loans, both at the loan approval stage and when the lender reports the loan to VA for evidence of guaranty.

2. Background. Historically, VA has conducted a pre-closing review of loan application packages when the borrower has been rated inability to manage financial affairs and has a VA-appointed fiduciary.<sup>1</sup> Also, VA has conducted a pre-closing review of cases where a loan would include more than one Veteran using entitlement.<sup>2</sup> For both loan types, the lender has sent such loan application packages to VA in advance of loan closing, and loan closing has not been able to proceed until after VA has issued approval. But as VA continues to evaluate ways to streamline procedures to improve the Veteran experience, VA has determined that such case-by-case reviews add a step that VA no longer believes necessary for ensuring program integrity. VA has determined instead that post-audit oversight would be as effective as a pre-closing review in maintaining program integrity, without the delays and additional administrative burdens that can be associated with the historical process.

3. Effective Date. This Circular is effective immediately (see date above).

4. Prior Approval. As of the effective date of this Circular, lenders with authority to close loans on an automatic basis (commonly referred to as automatic authority) have VA’s prior approval to close a VA-guaranteed loan made to—

a. A Veteran who has been rated inability to manage financial affairs (that is, one for whom VA has appointed a fiduciary); or

b. Two or more Veterans who are all using entitlement. (Please see paragraph 5. for information on obtaining evidence of guaranty).

5. Evidence of Guaranty for Joint Loans. To ensure that VA’s information systems can provide evidence of guaranty for a joint loan described in paragraph 4.b., lenders with automatic authority should take the following steps after closing the loan:

a. Create a loan record in the Funding Fee Payment System (FFPS) for all Veterans who are using entitlement, including those who are exempt from paying the funding fee;

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<sup>1</sup> See VA Lenders Handbook M26-7, Chapter 5, Topic 3, part a.

<sup>2</sup> See id.

b. Check that the funding fee in WebLGY shows all Veterans who are using entitlement by clicking “Funding Fee” from the left-hand navigation; and

c. Follow the Modified Guaranty Submission procedure and upload the package as a “Prior Approval Loan Package” in WebLGY including all required documents as listed in the VA Lenders Handbook.<sup>3</sup> The cover page for the package should state the reason for submission (that is, “Veteran/Veteran using Entitlement – LGC Request”) and the name, telephone number, and email address for a lender point of contact in case questions arise.

6. Other Loans. This Circular does not change prior approval procedures for any loan types other than those described in paragraph 4. For example, in cases listed below, all lenders (regardless of automatic authority) should consult the VA Lender’s Handbook and continue processing loans without a change to current procedures.

- a. Loans to Veterans in receipt of VA non-service-connected pension;
- b. Joint loans to a Veteran and one or more non-spouse, non-Veterans;
- c. Joint loans to a Veteran and one or more non-spouse Veterans who will not be using entitlement;
- d. Interest Rate Reduction Refinancing Loans (IRRRLs) made to refinance delinquent VA-guaranteed loans;
- e. Loans to purchase manufactured homes that are not permanently affixed to the land and are not considered realty under state law;
- f. Unsecured loans or loans not secured by a first lien; and
- g. Supplemental loans.

7. Not a Waiver of Loan Underwriting and Conformance with Applicable Law. This Circular only gives VA’s prior approval to close a loan where all applicable requirements have been met. Nothing in this Circular waives a lender’s responsibility to ensure the loan conforms with the applicable provisions of 38 U.S.C. chapter 37 and of the regulations concerning guaranty, including the underwriting requirements set forth at 38 C.F.R. § 36.4340.

8. Questions. For answers to questions regarding this Circular, please contact a VA Regional Loan Center by calling 1-877-827-3702, from 8am to 6pm EST.

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<sup>3</sup> See id. at Chapter 5, Topic 4, part b.

May 19, 2022

Circular 26-22-09

9. Rescission. Circular 26-19-13 is rescinded immediately. This Circular is valid until rescinded.

By Direction of the Under Secretary for Benefits

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Distribution: CO: RPC 2021

SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2021)