

Updated Prior Approval Loan Procedures

1. Purpose. This Circular updates Chapter 5, Topic 4, subsection a, and Chapter 7, Topic 1, subsection f, of the VA Lenders Handbook, VA Pamphlet 26-7, Revised.

2. Background. Under current policy, lenders have been submitting loans to VA for prior approval when two or more unmarried Veterans are using their home loan entitlement.

3. Action. Effective immediately, lenders with automatic authority may underwrite and close loans for two or more unmarried Veterans who are each using the home loan entitlement.

a. Lenders should follow these steps:

(1) Close the Loan.

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

(3) 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 Chapter 5, Topic 4 of the VA Lenders Handbook. The cover page for the package should include the reason it is being submitted, “Vet/Vet using Entitlement – LGC Request” and the name, telephone number and email address for a point of contact in case questions arise.

b. The Regional Loan Center (RLC) will issue the Loan Guaranty Certificate to the lender.

c. Loans involving the following situations must still be submitted for prior approval:

(1) Loans to Veterans in receipt of VA non-service-connected pension.

(2) Loans to Veterans rated incompetent by VA.

(3) Joint loan to Veteran and one or more non-Veterans (not spouse).

(4) Joint loan to Veteran and one or more veterans (not spouse) who will not be using entitlement.

(5) IRRRLs made to refinance delinquent VA loans.

(6) A manufactured home that is not permanently affixed to the lot and not considered real estate under state law.

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(7) Unsecured loans or loans secured by less than a first lien.

(8) Supplemental loans.

5. Rescission: This Circular is rescinded July 1, 2020.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director
Loan Guaranty Service

Distribution: CO: RPC 2021

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