

## **VA Credit-Underwriting Designation For Non-Supervised Automatic Lenders**

1. Purpose. The Department of Veterans Affairs (VA) is publishing this Circular to reiterate the expectation that all underwriting decisions to approve or deny a VA loan closed on the non-supervised automatic basis must be made by a VA-approved credit underwriter, and to clarify that VA's Staff Appraisal Reviewer (SAR) designation does not confer credit underwriting authority.

2. Background.

a. Underwriter Requirement. To obtain and maintain authority to close VA-guaranteed loans on the non-supervised automatic basis (VA Automatic Authority)<sup>1</sup>, a lender must nominate at least one full-time qualified underwriter to personally review and make credit-underwriting decisions on VA loans closed on the non-supervised automatic basis.

**(1) Only VA-approved credit underwriters may make credit-underwriting decisions on VA loans closed on the non-supervised automatic basis.** The lender must certify<sup>2</sup> that all underwriting decisions to approve or deny a VA loan will be made by a VA-approved underwriter.

(2) If a lender uses an Automated Underwriting System (AUS) to assist in the processing of a loan, the underwriter's signature is not required on VA Form 26-6393, *Loan Analysis*; however, a VA-approved underwriter must still determine whether to approve the loan. The VA underwriter ID for the approving underwriter should be entered in box 52 on VA Form 26-6393 and the name of the underwriter and their ID number must be entered in boxes 31A and 31B, respectively, on VA form 26-1820, *Report and Certification of Loan Disbursement*.

(3) Interest Rate Reduction Refinancing Loans (IRRRLs) do not generally require the use of a VA credit-underwriter<sup>3</sup>. However, if the IRRRL requires credit-underwriting, such as IRRRLs made to refinance a loan that is 30 or more days past due, the VA-approved underwriter's information should be provided on the relevant forms.

b. Nomination and approval of a credit underwriter.

(1) To qualify to be a VA-approved credit-underwriter, the nominee must:

(a) Have a minimum of three years' experience in processing, pre-underwriting, or underwriting mortgage loans, with at least one year within the past three years) making underwriting decisions on VA loans.

(b) Alternatively, if the underwriter does not have the experience outlined above, the underwriter must submit documentation verifying that they are a current Certified Residential Underwriter (CRU) as designated by the Mortgage Bankers Association.

(2) Lenders will submit VA Form 26-8736a, *Nonsupervised Lenders Nomination & Recommendation of Credit Underwriter*, with a copy of the underwriter's resume, and \$100 for each nominee to the VA Regional Loan Center of jurisdiction. VA will issue an approval or

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<sup>1</sup> 38 C.F.R. § 36.4352(b)(2)

<sup>2</sup> 38 C.F.R. § 36.4352(b)(3)

<sup>3</sup> 38 C.F.R. § 36.4340(b)(2)

denial letter after reviewing the materials provided. A nominated underwriter **may not** make credit underwriting decisions for the nominating lender until VA approves the application. Lenders must nominate any individual who will make credit underwriting decisions on VA-guaranteed loans to be closed by that lender on the non-supervised automatic basis.

(3) Lenders may nominate multiple underwriters.

(4) Previous approval as a VA-approved underwriter for a former lender **does not** automatically transfer to a new lender, the new lender must nominate the underwriter to have their approval transferred to the new company.

(5) Lenders with supervised or non-supervised automatic authority may apply to participate in VA's Lender Appraisal Processing Program (LAPP) and nominate Staff Appraisal Reviewers (SARs) to review the appraisal, relevant property requirements, and issue the VA Notice of Value (NOV). VA's award of the SAR designation **does not** confer VA credit underwriting authority. SARs who do not also have VA credit underwriting authority as evidenced by the underwriter approval letter from VA **may not** make decisions as to whether to approve or deny a VA loan to be closed on the non-supervised automatic basis.

c. Requirement to Notify VA. If a non-supervised automatic lender ceases to employ a VA-approved credit-underwriter, they must immediately notify VA<sup>4</sup>. Failure to notify VA in a timely manner or nominate an approvable underwriter could result in termination of the lender's non-supervised automatic authority<sup>5</sup>. Loss of non-supervised automatic authority will also result in termination of the lender's participation in the LAPP program.

(1) VA expects non-supervised automatic lenders to self-report VA loans that were underwritten without the use of a VA-approved underwriter.

3. Action. Lenders with non-supervised automatic authority should review their underwriters' designations to ensure they follow VA's requirements. Lenders should self-report any instances where they determine a VA-guaranteed loan was not approved by a VA-approved credit underwriter. Self-reports should be made by submitting a ticket through VA's ServiceNow customer portal [https://yourit.va.gov/csm?id=rlc\\_pathfinder](https://yourit.va.gov/csm?id=rlc_pathfinder).

4. Questions. Any questions regarding this Circular should be submitted through VA's ServiceNow customer portal at [https://yourit.va.gov/csm?id=rlc\\_pathfinder](https://yourit.va.gov/csm?id=rlc_pathfinder).

5. Paperwork Reduction Act. The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under Paperwork Reduction Act of 1995 (44 U.S.C. § 3501-3520) and assigned OMB control number 2900-0253, 2900-0521, and 2900-0523. In accordance with the Paperwork Reduction Act, VA may not conduct, or sponsor and a person is not required to respond, to a collection of information unless the collection displays a currently valid OMB control number.

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<sup>4</sup> 38 C.F.R. § 36.4352(c)

<sup>5</sup> 38 C.F.R. § 36.4353(a)(2)(i)

6. Rescission. This Circular is valid until rescinded.

By Direction of the Under Secretary for Benefits

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