

Wednesday, July 20, 2022

Bulletin #2022-AC-017

NOTICE TO ALL Customers

Important VA Credit Updates

FLC Bank would like to inform all customers about several credit policy updates announced by the Department of Veterans Affairs via 4 Circulars that are effective immediately.

1. New Procedures for VA loans where the Veteran has a VA appointed Fiduciary – Circular 26-22-09

The circular denotes that VA is now allowing approved lenders with authority to close loans on an automatic basis (commonly referred to as automatic authority) to close a VA-guaranteed loan made to a Veteran who has been rated incompetent/unable to manage financial affairs (that is, one for whom VA has appointed a fiduciary). No other changes to VA's prior approval apply. Also, although VA no longer requires prior approval for lenders to close a VA loan made to two or more Veterans who are "all using their entitlement". As a reminder, FLC Bank does not offer financing to mortgages with two or more veterans (joint VA loan).

2. United States Space Force (USSF) – Branch of Service Eligibility Update – Circular 26-22-10

The National Defense Authorization Act of 2020 established the United States Space Force (USSF) as the newest branch of the United States Armed Forces, with this circular VA announces Certificate of Eligibility (COE) enhancements to include the United States Space Force (USSF) as a branch of service also referred to as "Guardians". Because the USSF is a distinct branch of service, Loan Originators/Lenders are to select "Space Force" as the branch of service on the military service section when requesting COEs on the electronic application.

3. WDO/Pest Inspection Fees & Repair Costs – Circular 26-22-11

Veterans may be charged WDO/Pest inspection fees when it is a requirement on the Notice of Value (NOV). Veterans may also pay for any repairs that may be required to meet VA minimum property requirements. Veterans are encouraged to negotiate the cost of the wood destroying pest inspection and repairs with the seller.

Loan Originators/Lenders are reminded to provide an itemized invoice that identifies the veteran, and the property address is required to verify the cost on the Closing Disclosure Statement (CD) and any repairs cost on the Closing Disclosure (CD).

4. Certificate of Eligibility (COE) new Status – Circular 26-22-12

The VA has created a new COE status of "Non-Exempt – In Development" for active-duty service members who have indicated they have a pre-discharge disability claim pending that has not been completed. The lender must continue to confirm prior to loan closing the funding fee status as required in Circular 26-21-11.

If the Service member has a pre-discharge claim pending that has not been adjudicated, VA will submit the rating request to the Veteran Service Center (VSC). VA will update the COE funding fee status to Non-Exempt – In Development and issue the COE denoting that the Service member is not exempt at this time. If a proposed or memorandum rating is not obtained, and the loan closing takes place before the Veteran is discharged from service, the funding fee exemption does not apply, and the Service member will not be entitled to a refund.

To access our most recently updated Temporary Policies Related to COVID-19 (version 47) please [click here](#).

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).