

To: All Customers From: Credit Risk
Date: 07/08/2021 Memo#: 21090
Subject: **VA – Updated Guidance for Borrowers Affected Financially by COVID-19**

The purpose of [VA Circular 26-20-10](#), is to announce temporary measures for the review if the borrowers qualification for a VA-guaranteed home loan when the borrower's income and the processing of the home loan have been affected by the ongoing COVID-19 national emergency.

VA cannot guarantee a loan unless the borrower obtaining the loan is a satisfactory credit risk, as determined in accordance with the credit underwriting standards established by VA. One such standard requires the lender to verify that the borrower's present and anticipated income is stable and reliable and bears a proper relation to the anticipated terms of loan repayment. Additionally, the lender must ensure that the VA-guaranteed home loan is secured by a first lien on the property being used as collateral.

The temporary guidance announced in [VA Circular 26-20-10](#) is effective immediately.

- **Income Verification Guidelines** - Lenders should continue to use good judgment and flexibility when verifying a borrower's income and determining whether that income is stable and reliable. Lenders should make every effort to satisfy VA's longstanding requirements concerning verification of employment as outlined in VA Pamphlet 26-7, Chapter 4 Credit Underwriting. The lender may rely on third-party services to provide employment and income verification, but VA reminds lenders that additional fees associated with these services cannot be charged to the borrower
- **Income Analysis** - For income analysis purposes, VA generally requires the borrower's income to be stable and reliable for two years. However, if the COVID-19 pandemic affected the stability or reliability of the income (for example, due to furlough, curtailment of income, etc.), the lender should not consider the adverse effects as a break in employment or income, as long as the borrower has returned, or is anticipated to return, to work in the same capacity and income level. As part of the income verification documentation, the borrower should provide a furlough letter if applicable. VA continues to encourage lenders to document their analyses and justifications for all borrowers, especially "borderline" cases and to upload the supporting documentation to WebLGY.
- **Timeline to Request Evidence of Guaranty (Loan Guaranty Certificate)** - VA reminds lenders that, if a loan fee (commonly referred to as a VA funding fee) is payable under 38 U.S.C. § 3729, the loan cannot be guaranteed until the fee has been remitted to VA. If the effects of the COVID-19 national emergency impair a lender's ability to timely remit the funding fee to VA, the lender should, as soon as possible, contact a Regional Loan Center at the number below.
- **Lien Position** - VA acknowledges that, due to the COVID-19 national emergency, closures or backlogs of local recording offices may result in delayed recording of loan documents. These delays could interfere with the lender's ability to perfect their lien priority timely. VA will not penalize lenders that, due solely to recording office delays, experience difficulties in timely perfecting the first lien position of a VA-guaranteed loan. However, VA reminds that the lender remains responsible for ensuring that the VA-guaranteed loan is secured by a first lien on the property being used as collateral

The [Temporary COVID Guidelines](#) will be updated with the above VA temporary guidance.

RESOURCES

[VA Circular 26-20-10](#)