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VA Implements Funding Fee Changes

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Recently VA has issued a series of Circulars regarding VA Funding Fee changes. There was some confusion over VA loan funding fees as a result of the changes (VA Circular 26-11-15 and VA Circular 26-11-16) - especially regarding the short term changes. VA also provided in VA Circular 26-11-16, guidance for refunds of overages paid when a Good Faith Estimate was issued prior to the enactment of the law reestablishing rates at a higher level. VA Fee changes are listed over a series of dates below. Most importantly are the changes on or after November 18, 2011.

Proper Funding Fee Charges: November 18, 2011 - September 30, 2016:

- Loans closed November 18 through and including November 21, 2011: Funding fees for loans closed during this period will be the lower fees cited in the Department of Veterans Affairs (VA) Circular 26-11-12, dated September 8, 2011

- Loans closed November 22 through and including September 30, 2016: Funding fees for loans closed during this period will be the same as those that existed prior to October 1, 2011. See Exhibit A attached for a complete breakdown of current fees.

- Interest Rate Reduction Refinancing Loans and Assumptions: Funding fees for these loans remains at 0.50 percent.

Proper Funding Fee Charges: October 1, 2011 - November 17, 2011:

Department of Veterans Affairs (VA) Funding Fee Payment System (FFPS) has been updated to calculate the funding fee changes noted in Circular 26-11-15. Lenders may now submit payments for all loans, including those closed on or after October 1, 2011. Procedures for obtaining a refund of excess fees are also described below.

Loans closed October 1, 2011 through and including October 5, 2011:

Lenders may submit payments at this time and VA FFPS will automatically calculate the funding fee due, using the lower funding fee structure that was in effect from October 1 through October 5. Lenders who closed loans during this period,

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and who submitted funding fee payments prior to October 8, 2011 (the date VA FFPS was updated), would have been charged an incorrect (higher) fee.

To generate a refund of any excess fees paid, lenders can access the record in VA FFPS, select "Correct" and resubmit. It is not necessary to change any data. By submitting the funding fee payment again, VA FFPS will automatically recalculate the correct fee. VA staff will then process any refund due, and funds will be deposited into the lender's VA Financial Management System (FMS) account. Upon receipt of the refund, lenders are encouraged to re-review the loan closing documents to determine whether or not the Veteran is entitled to receive any/all of the refund amount. Refunds due to Veterans should be applied directly to the principal balance of the loan.

Loans closed on or after October 6, 2011:

For loans closed on or after October 6, 2011, VA FFPS will calculate the higher fees noted in VA Circular 26-11-15. In cases where a Good Faith Estimate (GFE) was issued prior to enactment of Public Law 112-37, VA will waive the difference in fees between the lower October 1 fees and the higher Public Law 112-37 fees. This waiver will be in the form of a refund to lenders via FFPS. To obtain a refund, lenders must first submit the funding fee in FFPS. Once that task has been completed, lenders should scan and email a legible copy of the GFE to william.white1@va.gov.

Lenders should always label the subject header of the email "Funding Fee Refund," as this will enable timely processing. The refund will be processed in VA FFPS by VA staff, and funds will be deposited into the lender's VA FMS account. Upon receipt of the refund, lenders are encouraged to re-review the loan closing documents to determine whether or not the

Veteran is entitled to receive any/all of the refund amount. Refunds due to Veterans should be applied directly to the principal balance of the loan.

Refund / Remitting Procedures:

Waiver of the Difference in Funding Fees

For cases in which lenders have closed loans based on lower funding fees cited in the Good Faith Estimate (GFE) rather than the higher fees provided in HR 2646, the Secretary, under existing authority, will waive the difference in the fees. Specifically, VA will waive the right to collect the difference in fees (between the lower October 1 rates and the higher H.R. 2646 rates) for loans for which a GFE was prepared prior to October 6 based on the lower fees, and that was closed after the enactment of H.R. 2646.

Procedures for Remitting Higher Funding Fees than Required:

Lenders who disclosed higher funding fees on closing documents based on anticipation of Congressional action, will have to refund the difference to the Veteran borrower, either in the form of a principal curtailment for financed funding fees, or a check for funding fees paid at closing.

Links:

VA - 26-11-12
<http://www.allregs.com/ao/main.aspx?did2=73577f65a7e04b63b9c4c7327cd1bec2>

VA - 26-11-15 - Exhibit A
<http://www.allregs.com/ao/main.aspx?did2=ff2b0fc36ab74de58f50c3c91fe65829>