

SUPPORTING STATEMENT FOR
CREDIT UNDERWRITING STANDARDS AND PROCEDURES FOR PROCESSING
VA GUARANTEED LOANS
VA FORM 26-1820, REPORT AND CERTIFICATION OF LOAN DISBURSEMENT
VA FORM 26-8497, REQUEST FOR VERIFICATION OF EMPLOYMENT
VA FORM 26-8497a, REQUEST FOR VERIFICATION OF DEPOSIT

A. JUSTIFICATION

1. Under 38 U.S.C. 3710, a loan may not be guaranteed unless the veteran is a satisfactory credit risk. The statute also requires that VA set forth in regulatory form standards to be used by lenders in underwriting VA-guaranteed loans and obtaining credit information. These standards are set forth at 38 CFR 36.4337. They require lenders to collect certain specific information concerning the veteran and the veteran's credit history (and spouse or other co-borrower, as applicable), in order to properly underwrite the veteran's loan. Collection of this information is normal business practice for mortgage lenders.

2. VA requires the lender to provide the Department with the credit information to ensure that applications for VA-guaranteed loans are underwritten in a reasonable and prudent manner. The majority of the information is collected on VA Forms 26-1820, 26-8497 and 26-8497a.

a. VA Form 26-1820 is used for loans closed on the prior approval and automatic basis. This form serves as a common use form. It is used by lenders closing VA loans under 38 U.S.C. 3710 and thereby complies with the provisions of 38 U.S.C. 3702(c) (exhibit C) which requires lenders to report to the Secretary on loans guaranteed or insured.

b. VA Forms 26-8497 and 26-8497a are used to collect data necessary for VA compliance with the requirements of 3710(b)(2) and (3). These requirements prohibit VA from guaranteeing or making any loan unless the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses and that the veteran is a satisfactory credit risk.

VA Form 26-8497 is used by lenders to verify a loan applicant's income and employment information when making guaranteed and insured loans. However, VA does not require the exclusive use of this form for verification purposes; any comprehensible form of independent verification would be acceptable, provided all information presently shown on VA Form 26-8497 is provided. VA Form 26-8497(a) is primarily used by lenders making guaranteed and insured loans to verify deposits of applicants in banks and other savings institutions.

3. VA Forms 26-1820, 26-8497, and 26-8497a are currently available for downloading on the One-VA website. We are in the process of converting these forms to a fillable

format. VBA is currently hosting these forms on a secure server and does not currently have the technology in place to allow for the complete submission of the form. These forms are part of the loan package lenders prepare in a loan closing. Presently the loan packages are not sent to VA electronically. However, our goal is to create a system where lenders can submit loan packages to VA electronically. At this point, we do not have a projected date when this will be possible.

Veterans can submit to lenders, and lenders can submit to VA, Leave and Earnings Statements and bank statements obtained from the Internet. Lenders can electronically submit the veteran's credit information to VA.

4. This information collection does not duplicate any existing information collection. Insofar as VA is potentially liable to the extent of the guarantee for each loan, the Department has an interest in ensuring that each application for a VA guaranteed home loan is underwritten in a reasonable and prudent manner, taking into account all the factors present for each veteran-applicant.

5. There is no additional burden on small business and other small entities. The collections of information are consistent with prevailing industry practices.

6. Collecting credit information is standard business practice for lenders underwriting loans. The information collections are consistent with prevailing industry practices and are not unique to VA.

7. There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.6.

8. The Department notice was published in the Federal Register on September 29, 2010 at pages 60171-60172. There were no comments in response to this notice.

9. VA does not provide any payment or gifts to the respondents.

10. Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records and Vendee Loan Applicant Records – VA (55VA26) contained in the Privacy Act Issuances, 1999 Compilation, online via *GPO Access* at http://www.access.gpo.gov/su_docs/aces/1999_pa.html.

11. No questions of a sensitive nature are involved.

12. Estimate of Information Collection Burden

a. Number of respondents is estimated at 600,000.	
VA Form 26-1820	300,000
VA Form 26-8497	150,000
VA Form 26-8497a	150,000

- b. Frequency of response is generally one time.
- c. The estimated response times are based on the experience of Loan Guaranty personnel and previous usage of the forms.

VA Form 26-1820	15 minutes
VA Form 26-8497	10 minutes
VA Form 26-8497a	5 minutes
- d. The total annual burden is estimated at 112,500 hours.

VA Form 26-1820	75,000 hours
VA Form 26-8497	25,000 hours
VA Form 26-8497a	12,500 hours
- e. The total estimated cost to respondents is \$1,687,500 (\$15 per hour)

VA Form 26-1820	\$ 1,125,000
VA Form 26-8497	\$ 375,000
VA Form 26-8497a	\$ 187,500

13. This submission does not involve any recordkeeping costs.

14. Estimated Annualized Cost to the Federal Government

\$2,817,000 Estimated Loan Guaranty processing cost for FY 2010
 (VA Form 26-1820 = 300,000 cases x 15 minutes x \$25.04 per hour
 (Average Loan Guaranty field salary = \$1,878,000))
 (VA form 26-8497 = 150,000 cases x 10 minutes x \$25.04 per hour
 (average Loan Guaranty field salary = \$626,000))
 (VA Form 26-8497a = 150,000 cases x 5 minutes x \$25.04 per hour
 (average Loan Guaranty field salary = \$313,000))

15. The change in burden is due to an increase in the number of VA loans. Historically low interest rates have contributed to this increase. The information collections contained in 38 CFR 36.4337 are consistent with prevailing industry practices and are not unique to VA.

16. Information collection is not for tabulation or publication use.

17. VA continues to seek an exemption that waives displaying the expiration date on the forms identified in this submission. VA submits the forms to OMB every 3 years but does not display an expiration date. Requiring the expiration date to be displayed would result in an unnecessary waste of existing stock. The respondents as well as VA reproduce and/or stock the forms. The requirement to display the expiration date could also delay Department action on the benefit being sought. Not displaying the expiration date helps VA minimize its cost to collect, process and use the information.

18. There are no exceptions to the certification statement identified in Item 19 of OMB Form 83-I.

B. Collections of Information Employing Statistical Methods

No statistical methods are used in this collection of information.