

Supporting Statement for VA Form 26-8986,
Create Payment Request for the VA Funding Fee Payment System
(VA FFPS); A Computer Generated Funding Fee Receipt
(2900-0474)

A. Justification

1. A funding fee must be paid to VA before a loan can be guaranteed. The funding fee is payable on all VA-guaranteed loans; i.e., Assumptions, Manufactured Housing, Refinances, and Real Estate purchase, and Construction loans. The funding fee is not required from veterans in receipt of compensation for service-connected disability or veterans whom, but for receipt of retired pay, would be entitled to receive compensation for their service-connected disability. Loans made to the unmarried surviving spouses of veterans (who have died in service or from service-connected disability) are exempted from payment of the funding fee, regardless of whether the spouse has his/her own eligibility. This funding fee is required by 38 U.S.C. 3729, 38 CFR 36.4232, and 36.4312.

2. In order for a loan to be eligible for guaranty, lenders must provide a copy of the funding fee receipt or evidence that the veteran is exempt. In April 2002, VA deployed an Internet-based application, VA Funding Fee Payment System (FFPS) that permits lenders to pay the funding fee online. The application calculates the appropriate fee, including any late fees and interest that may be due. Once submitted, the transaction is processed by the Federal Reserve Bank in Cleveland (as part of the Department of Treasury's pay.gov application) and lenders can usually print their receipts out within 24 hours. This is a vast improvement over the previous system where lenders had to wait 7 to 9 days to have receipts mailed to them. With VA FFPS, lenders can also register online and make changes to their account information. Previously this was a paper process. The data entered into VA FFPS is necessary to ensure the right amount of fee is calculated.

3. VA Form 26-8986 is available on the VA Funding Fee Payment System (VA FFPS) in a fillable electronic format that is submitted directly with the payment also being made online.

4. The information is not contained in any other VA records. Similar information is not available elsewhere.

5. All lenders participating in the VA loan guaranty program must use VA FFPS.

6. This information collection is not a recurring or repetitive report. The collection of information is through electronic submission and is accomplished only once per respondent. This collection is necessary to identify the individual case to ensure VA has met all legal requirements concerning collection of the funding fee and to determine that the correct funding fee is remitted.

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 October 6, 2010, page 61859. There were no comments received in response to this notice.

9. No payments or gifts to respondents have been made under this collection of information.

10. Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records – VA (55VA26) are contained in the Privacy Act Issuances, 2001 Compilation.

11. No sensitive questions appear on the input screen for VA FFPS.

12. Estimate of Information Collection Burden

a. Number of respondents is estimated at 240,000 per year.

b. Frequency of response is one-time.

c. Annual burden is 8,000 hours.

d. The estimated response time is 2 minutes per response and no adjustments are necessary.

e. The total estimated cost to respondents is \$120,000 (8,000 hours x \$15 per hour).

13. This submission does not involve any record keeping costs.

14. Estimated Annualized Cost to the Federal Government

\$108,960 Loan Guaranty processing cost for FY 2010 (240,000 cases x 1 minute = 4,000 hours x \$27.24 per hour (average Austin processing center salary).

15. The change in burden hours is due to an increase in loans being submitted.

16. The information collection is not for tabulation or publication use.

17. The collection instrument, VA Form 26-8986, created through VA FFPS, is a receipt and does not display an expiration date. This form is submitted to OMB for approval every 3 years. As such, this date requirement would also result in an unnecessary burden on the respondents and would delay Department action on the benefit being sought. VA also seeks to minimize its cost to itself of collecting, processing, and using the information by not displaying the expiration date. For the reasons stated, VA

continues to seek an exemption that waives the displaying of the expiration date on VA Form 26-8986.

18. There is no exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-1.

B. Collection of Information Employing Statistical Methods

The Veterans Benefits Administration does not collect information employing statistical methods.