

SUPPORTING STATEMENT FOR
CREDIT UNDERWRITING STANDARDS AND PROCEDURES FOR PROCESSING
VA GUARANTEED LOANS

2900-0521

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 36.4340. 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.

The 30-day FRN indicated this was an extension, however the minor revision to the form makes it a revision. The expiration date is being added to the form.

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.

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 on the One-VA website in a fillable electronic format. VBA is currently hosting this form on a secure server. These forms are part of the loan package lenders prepare in a loan closing. Presently, when VA requests a loan package for an audit, the lender has the option to upload file images to a secure VA system (webLGY), or to mail the package to the appropriate office. VA audits approximately 10 percent of VA-guaranteed loans, and approximately 80 percent of requested loan packages are uploaded to webLGY.

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 October 1, 2013, Volume 78, No. 190, pages 60379-60380. No comments were received 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.

11. No questions of a sensitive nature are involved.

12. Estimate of Information Collection Burden

a. Number of respondents is estimated at 900,000.

VA Form 26-1820	600,000
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 187,500 hours.

VA Form 26-1820	150,000 hours
VA Form 26-8497	25,000 hours
VA Form 26-8497a	12,500 hours

e. According to the U.S. Bureau of Labor Statistics, Average Hourly Earnings are \$24, making the total cost to the respondents an estimated \$4,504,140.

VA Form 26-1820 (150,000 burden hours X \$24)	\$ 3,600,000
VA Form 26-8497 (25,000 burden hours X \$24)	\$ 600,000
VA Form 26-8497a (12,500 burden hours X \$24)	\$ 300,000

Approximately 6000 loan packages are sent by postal mail. 6000 X .20 cents (printing) X .49 cents (stamp) \$4,140

13. This submission does not involve any recordkeeping costs.

14. Estimated Annualized Cost to the Federal Government

\$5,107,500 Estimated Loan Guaranty processing cost for FY 2013
(VA Form 26-1820 = 600,000 cases x 15 minutes x \$27.24 per hour (Average Loan Guaranty field salary = \$4,086,000))
(VA Form 26-8497 = 150,000 cases x 10 minutes x \$27.24 per hour (average Loan Guaranty field salary = \$681,000))
(VA Form 26-8497a = 150,000 cases x 5 minutes x \$27.24 per hour (average Loan Guaranty field salary = \$340,500))

15. The change in burden is due to the increase in VA-guaranteed home loans and each loan package includes a VA Form 26-1820. There is no change in the burden for VA Forms 26-8497 or 26-8497a, as VA does not require lenders to exclusively use these form to provide these verifications, and no change has been identified in use.

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

17. We are not seeking approval to omit the expiration date for OMB approval.

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. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.