

Certificate of Eligibility Enhancements to Streamline Income Verification

1. Purpose. The purpose of this Circular is to announce enhancements to the Certificate of Eligibility (COE) for VA's home loan guaranty program. These enhancements will enable lenders to expedite the loan origination process for certain Veterans who utilize their VA guaranteed loan benefits.

2. Background. VA continues to modernize the VA-guaranteed loan application process to promote speedy loan closings for Veterans and lenders. VA's enhancements to the COE will eliminate the majority of instances in which lenders and VA will utilize VA Form 26-8937, *Verification of VA Benefits*, to verify a Veteran's receipt of income from VA. Examples of this type of income include monthly compensation for a service-connected disability or non-service-connected pension. The enhancements will also streamline the process for those instances in which the form will still be used. Additionally, the COE enhancements should provide more certainty to lenders regarding whether to collect a funding fee from Veterans who are rated as eligible to receive compensation either as the result of a pre-discharge disability examination and rating or based on a pre-discharge review of existing medical evidence that results in the issuance of a memorandum rating. Finally, the enhancements should also help lenders understand when certain kinds of income should receive additional verification from VA.

3. Action. Beginning on March 19, 2021, lenders are no longer expected to submit VA Form 26-8937 to VA when the COE already lists the information the lender is seeking to verify. If the COE already lists the information the lender is seeking to verify, VA will not process the VA Form 26-8937 if it is submitted by the lender.

VA expects that lenders will only submit VA Form 26-8937 to VA in cases where the lender needs additional information from VA. For instance--

- a. An active duty Service member has received a proposed or memorandum rating or a pre-discharge claim for VA disability compensation is pending;
- b. A COE condition expressly states that VA Form 26-8937 must be submitted to VA; or
- c. System limitations cause anomalies on the COE and lenders are unable to resolve such anomalies after calling VA at 877-827-3702.

(NOTE: VA recognizes that there could be cases where a Veteran's compensation award increases after the effective date of the COE. In such cases, lenders should rely on the Veteran's award letter to verify the increase. Submitting VA Form 26-8937 would be unnecessary.)

4. How to Submit. In the limited circumstances where VA Form 26-8937 will still be submitted to VA, VA encourages lenders to upload the VA Form 26-8937 to WebLGY. This can be completed by selecting "New Application" under "Electronic Application" in WebLGY. Effective March 19, 2021, VA will be unable to process VA Form 26-8937 via fax.

a. Document Type. VA Form 26-8937 should be uploaded under correspondence in “E-Docs” as “Form 26-8937” document type.

b. Interest Rate Reduction Refinancing Loans (IRRRLs) for Surviving Spouse of a Veteran Who is Deceased. Under 38 U.S.C. § 3710(e)(3), if a surviving spouse of a deceased Veteran was a co-borrower of a VA-guaranteed loan, the surviving spouse is eligible for an IRRRL to refinance the VA-guaranteed loan. Lenders should utilize the “New Application” under the surviving spouse’s name, not the deceased Veteran’s name. Note: Information about the loan being refinanced will not appear on the COE.


c. VA Form 26-8937 Status Inquiries. Upon VA’s receipt of VA Form 26-8937 from the lender, the COE will be updated accordingly, and the lender should be able to obtain the COE in WebLGY. In rare instances of system limitations, VA may upload a completed VA Form 26-8937 to the eligibility record in WebLGY in lieu of updating the COE record. Lenders should allow five business days before calling 877-827-3702 for a status update.

5. Paperwork Reduction Act. The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. § 3501-3520) and assigned OMB control number 2900-0406. In accordance with the Paperwork Reduction Act, VA may not conduct or sponsor, and a person is not required to respond, to a collection of information unless the collection displays a currently valid OMB control number.

6. Questions. Contact a VA Home Loan Representative by calling 1-877-827-3702. The VA Home Loan toll-free number operates Monday - Friday, from 8:00am to 6:00pm EST.

7. Rescission: This Circular is rescinded January 1, 2023.

By Direction of the Under Secretary for Benefits

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