

SUPPORTING STATEMENT FOR  
LOAN ANALYSIS  
(2900-0523)  
VA FORM 26-6393

A. JUSTIFICATION

**1. Explain the circumstances that make the collection of information necessary. Identify legal or administrative requirements that necessitate the collection of information.**

VA Form 26-6393 is currently used by employees of both lending institutions and VA to determine the ability of a borrower to qualify for any type of VA-guaranteed loan authorized by 38 U.S.C. 3710(a). Lenders complete and submit the form to provide evidence that the lender's decision to submit a prior approval loan application or close a loan on the automatic basis is based upon appropriate application of VA credit standards as required by 38 U.S.C. 3710(b) and 3710(g). Section 36.4340, 38 CFR, implements those underwriting standards, which include evaluating income, expenses, and credit history. This form specifically pertains to those standards evaluating a borrower's present and anticipated income and expenses and credit history.

**Methods**

Pursuant to § 36.4340(c), if the debt-to-income ratio is 41 percent or less and the Veteran does not meet the residual income standard or if the debt-to-income ratio is greater than 41 percent (unless it is larger due solely to the existence of tax-free income which should be noted in the loan file), the loan may be approved with justification, by the underwriter's supervisor. *Id.* The lender must fully justify the decision to approve the loan or submit the loan to the Secretary for prior approval in writing. *Id.* The lender's statement must not be perfunctory, but should address the specific compensating factors, as set forth in [§ 36.4340\(c\)\(5\)](#), justifying the approval of the loan. *Id.* The statement must be signed by the underwriter's supervisor. *Id.*

**Stability and Reliability of Income**

Income of the borrower and spouse which is derived from employment and which is considered in determining the family's ability to meet the mortgage payments, payments on debts and other obligations, and other expenses must be verified. 38 CFR 36.4340(f). In other than community property states, if the spouse will not be contractually obligated on the loan, Regulation B ([12 CFR part 202](#)), promulgated by the Federal Reserve Board pursuant to the Equal Credit Opportunity Act, prohibits any request for, or consideration of, information concerning the spouse (including income, employment, assets, or liabilities), except that if the applicant is relying on alimony, child support, or maintenance payments from a spouse or former spouse as a basis for repayment of the loan, information concerning such spouse or former spouse may be requested and considered. *Id.* In community property states, information concerning a spouse may be requested and considered in the same manner as that for the applicant. *Id.* The standards applied to income of the Veteran are also applicable to that of

the spouse. *Id.* Income claimed by an applicant that is not or cannot be verified cannot be considered when analyzing the loan. *Id.* If the Veteran or spouse has been employed by a present employer for less than 2 years, a 2-year history covering prior employment, schooling, or other training must be secured. *Id.* Any periods of unemployment must be explained. *Id.* Employment verifications and pay stubs must be no more than 120 days (180 days for new construction) old to be considered valid. *Id.* For loans closed automatically, this requirement will be considered satisfied if the date of the employment verification is within 120 days (180 days for new construction) of the date the note is signed. *Id.* For prior approval loans, this requirement will be considered satisfied if the verification of employment is dated within 120 days of the date the application is received by VA. *Id.*

With proper documentation, income from a car allowance which exceeds the car payment can be counted as effective income. *Id.* Likewise, any other similar type of allowance which exceeds the specific expense involved may be added to gross income to the extent it is documented to exceed the actual expense. *Id.*

When all or a major portion of the Veteran's income is derived from commissions, it will be necessary to establish the stability of such income if it is to be considered in the loan analysis for the repayment of the mortgage debt and/or short-term obligations. *Id.* In order to assess the value of such income, lenders should obtain written verification of the actual amount of commissions paid to date, the basis for the payment of such commissions and when commissions are paid; *i.e.*, monthly, quarterly, semiannually, or annually. *Id.* Lenders should also obtain signed and dated individual income tax returns, plus applicable schedules, for the previous 2 years, or for whatever additional period is deemed necessary to properly demonstrate a satisfactory earnings record. *Id.*

In the case of an active-duty applicant, a military Leave & Earnings Statement is required and will be used instead of an employment verification. *Id.* The statement must be no more than 120 days old (180 days for new construction) and must be the original or a lender-certified copy of the original. *Id.* For loans closed automatically, this requirement is satisfied if the date of the Leave & Earnings Statement is within 120 days (180 days for new construction) of the date the note is signed. *Id.* For prior approval loans, this requirement will be considered satisfied if the verification of employment is dated within 120 days of the date the application is received by VA. *Id.*

For Service members within 12 months of release from active duty, or members of the Reserves or National Guard within 12 months of release, one of the following is also required:

- (1) Documentation that the Service member has in fact already reenlisted or extended his/her period of active duty or Reserve or National Guard service to a date beyond the 12-month period following the projected closing of the loan.
- (B) Verification of a valid offer of local civilian employment following release from active duty. All data pertinent to sound underwriting procedures (date employment will begin, earnings, etc.) must be included.

(C) A statement from the Service member that he/she intends to reenlist or extend his/her period of active duty or Reserve or National Guard service to a date beyond the 12-month period following the projected loan closing date, and a statement from the Service member's commanding officer confirming that the Service member is eligible to reenlist or extend his/her active duty or Reserve or National Guard service as indicated and that the commanding officer has no reason to believe that such reenlistment or extension will not be granted.

(D) Other unusually strong positive underwriting factors, such as a down payment of at least 10 percent, significant cash reserves, or clear evidence of strong ties to the community coupled with a nonmilitary spouse's income so high that only minimal income from the active duty Service member or member of the Reserves or National Guard is needed to qualify.

*Id.* Each active-duty member who applies for a loan must be counseled through the use of VA Form 26-0592, Counseling Checklist for Military Homebuyers. Lenders must submit a signed and dated VA Form 26-0592 with each prior approval loan application or automatic loan report involving a borrower on active duty. *Id.*

Income from overtime work and part-time jobs not eligible for inclusion as primary income may, if properly verified for at least 12 months, be used to offset the payments due on debts and obligations of an intermediate term, *i.e.*, 6 to 24 months. *Id.* Such income must be described in the loan file. *Id.*

Regarding tax-exempt income, adjusted or "grossed up" income may be used to calculate the monthly debt-to-income ratio, provided the analysis is documented. *Id.*

Income received specifically for the care of any foster child(ren) may be counted as income if documented. *Id.*

With respect to off-base housing (quarters) allowances for service personnel on active duty, it is the policy of the Department of Defense to utilize available on-base housing when possible. *Id.* In order for a quarters allowance to be considered as continuing income, it is necessary that the applicant furnish written authorization from his or her commanding officer for off-base housing. *Id.* This authorization should verify that quarters will not be made available and that the individual should make permanent arrangements for nonmilitary housing. *Id.* A Department of Defense form, DD Form 1747, Status of Housing Availability, is used by the Family Housing Office to advise personnel regarding family housing. *Id.* The applicant's quarters allowance cannot be considered unless item b (Permanent) or d is completed on DD Form 1747, dated October 1990. *Id.* In any case in which no off-base housing authorization is obtained, an explanation of the circumstances justifying its omission must be included with the loan application except when it has been established by the VA facility of jurisdiction that the waiting lists for on-base housing are so long that it is improbable that individuals desiring to purchase off-base housing would be precluded from doing so in the foreseeable future. *Id.* If stations make such a determination, a release shall be issued to inform lenders. *Id.*

With proper documentation, income from a car allowance which exceeds the car payment can be counted as effective income. *Id.* Likewise, any other similar type of allowance which exceeds the specific expense involved may be added to gross income to the extent it is documented to exceed the actual expense. *Id.*

When all or a major portion of the Veteran's income is derived from commissions, it will be necessary to establish the stability of such income if it is to be considered in the loan analysis for the repayment of the mortgage debt and/or short-term obligations. *Id.* In order to assess the value of such income, lenders should obtain written verification of the actual amount of commissions paid to date, the basis for the payment of such commissions and when commissions are paid; *i.e.*, monthly, quarterly, semiannually, or annually. *Id.* Lenders should also obtain signed and dated individual income tax returns, plus applicable schedules, for the previous 2 years, or for whatever additional period is deemed necessary to properly demonstrate a satisfactory earnings record. *Id.* When an applicant has received income from commissions for less than 1 year, it will rarely be possible to demonstrate that the income is stable for qualifying purposes; such cases would require in-depth development. *Id.*

For self-employed borrowers, VA requires the following documentation:

- (1) A profit-and-loss statement for the prior fiscal year (12-month accounting cycle), plus the period year to date since the end of the last fiscal year (or for whatever shorter period records may be available), and balance sheet based on the financial records. The financial statement must be sufficient for a loan underwriter to determine the necessary information for loan approval and an independent audit (on the Veteran and/or the business) by a Certified Public Accountant will be required if necessary for such determination; and
- (2) Copies of signed individual income tax returns, plus all applicable schedules for the previous 2 years, or for whatever additional period is deemed necessary to properly demonstrate a satisfactory earnings record, must be obtained. If the business is a corporation or partnership, copies of signed Federal business income tax returns for the previous two years plus all applicable schedules for the corporation or partnership must be obtained; and
- (3) If the business is a corporation or partnership, a list of all stockholders or partners showing the interest each holds in the business will be required. Some cases may justify a written credit report on the business as well as the applicant. When the business is of an unusual type and it is difficult to determine the probability of its continued operation, explanation as to the function and purpose of the business may be needed from the applicant and/or any other qualified party with the acknowledged expertise to express a valid opinion.

*Id.*

For recently discharged Veterans, it would be proper to use short-term employment income in qualifying a Veteran who had experience as an airplane mechanic in the military service and the individual's employment after discharge or retirement from the service is in the same or allied fields; e.g., auto mechanic or machinist. *Id.* This presumes, however, that the verification of employment included a statement that the Veteran was performing the duties of the job satisfactorily, the possibility of continued employment was favorable and that the loan application is eligible in all other respects. *Id.*

For short duration employment, VA requires careful consideration of the employer's confirmation of employment, probability of permanency, past employment record, the applicant's qualifications for the position, and previous training, including that received in the military service. *Id.* Applications received from persons employed in the building trades, or in other occupations affected by climatic conditions, should be supported by documentation evidencing the applicant's total earnings to date and covering a period of not less than 1 year as well as signed and dated copies of complete income tax returns, including all schedules for the past 2 years or for whatever additional period is deemed necessary to properly demonstrate a satisfactory earnings record. *Id.* If the applicant works out of a union, evidence of the previous year's earnings should be obtained together with a verification of employment from the current employer. *Id.*

For income received from a multi-unit subject property, the prospective rental income will not be considered unless the Veteran can demonstrate a reasonable likelihood of success as a landlord, and sufficient cash reserves are verified to enable the Veteran to carry the mortgage loan payments (principal, interest, taxes, and insurance) without assistance from the rental income for a period of at least 6 months. *Id.* The determination of the Veteran's likelihood of success as a landlord will be based on documentation of any prior experience in managing rental units or other collection activities. *Id.* The amount of rental income to be used in the loan analysis will be based on 75 percent of the amount indicated on the lease or rental agreement, unless a greater percentage can be documented. *Id.* For income received from rental of an existing home, VA requires a copy of the rental agreement to be obtained. *Id.* For other rental property, if income from that property will be used to qualify for the new loan, the documentation required of a self-employed applicant should be obtained together with evidence of cash reserves equaling 3 months PITI on the rental property. *Id.*

Lenders must provide a copy of the mortgage credit certificate (MCC) to VA with the home loan application. *Id.* The MCC will specify the rate of credit allowed and the amount of certified indebtedness; *i.e.*, the indebtedness incurred by the Veteran to acquire a principal residence or as a qualified home improvement or rehabilitation loan. *Id.*

### **Credit**

In community property states, information concerning a spouse's credit may be requested and considered in the same manner as that for the applicant. 38 CFR 36.4340(g). All known debts and obligations including any alimony and/or child support payments of the borrower and spouse must be documented. *Id.* If the credit investigation reveals debts or obligations of a material nature

which were not divulged by the applicant, lenders must be certain to obtain clarification as to the status of such debts from the borrower. *Id.* If the credit report fails to provide necessary information on such accounts, lenders will be expected to obtain their own verifications of those debts directly from the creditors. *Id.* Lenders should be sure ratings on such accounts are obtained; a written explanation is required when ratings are not available. *Id.* A determination is necessary as to whether alimony and/or child support payments are required. *Id.* Verification of the amount of such obligations should be obtained, although documentation concerning an applicant's divorce should not be obtained automatically unless it is necessary to verify the amount of any alimony or child support liability indicated by the applicant. *Id.* If in the routine course of processing the loan application, however, direct evidence is received (e.g., from the credit report) that an obligation to pay alimony or child support exists (as opposed to mere evidence that the Veteran was previously divorced), the discrepancy between the loan application and credit report can and should be fully resolved in the same manner as any other such discrepancy would be handled. *Id.* Known job-related expenses should be documented. *Id.* Credit reports obtained by lenders on VA-guaranteed loan applications must be either a three-file Merged Credit Report (MCR) or a Residential Mortgage Credit Report (RMCR). *Id.* If used, the RMCR must meet the standards formulated jointly by the Department of Veterans Affairs, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration, Farmers Home Administration, credit repositories, repository affiliated consumer reporting agencies and independent consumer reporting agencies. *Id.* All credit reports obtained by the lender must be submitted to VA. *Id.*

### **Estimated Monthly Shelter Expenses**

VA requires local utility companies to be consulted for current rates. 38 CFR 36.4340(i).

### **Lender Responsibility**

Lenders are fully responsible for developing all credit information; *i.e.*, for obtaining verifications of employment and deposit, credit reports, and for the accuracy of the information contained in the loan application. 38 CFR 36.4340(j). Verifications of employment and deposits, and requests for credit reports and/or credit information must be initiated and received by the lender. *Id.* In cases where the real estate broker/agent or any other party requests any of this information, the report(s) must be returned directly to the lender. *Id.* This fact must be disclosed by appropriately completing the required certification on the loan application or report and the parties must be identified as agents of the lender. *Id.* Where the lender relies on other parties to secure any of the credit or employment information or otherwise accepts such information obtained by any other party, such parties shall be construed for purposes of the submission of the loan documents to VA to be authorized agents of the lender, regardless of the actual relationship between such parties and the lender, even if disclosure is not provided to VA under [§ 36.4340\(j\)\(3\)](#). *Id.* Any negligent or willful misrepresentation by such parties shall be imputed to the lender as if the lender had processed those documents and the lender shall remain responsible for the quality and accuracy of the information provided to VA. *Id.* All credit reports secured by the lender or other parties as identified in [§ 36.4340\(j\)\(3\)](#) and [\(4\)](#) shall

be provided to VA. *Id.* If updated credit reports reflect materially different information than that in other reports, such discrepancies must be explained by the lender and the ultimate decision as to the effects of the discrepancy upon the loan application fully addressed by the underwriter. *Id.*

## **Lender Certification**

Lenders originating loans are responsible for determining and certifying to VA on the appropriate application or closing form that the loan meets all statutory and regulatory requirements. 38 CFR 36.4340(k). Lenders will affirmatively certify that loans were made in full compliance with the law and loan guaranty regulations as prescribed in this section. *Id.* As a condition to VA issuance of a loan guaranty on all loans closed on or after October 27, 1994, and as a prerequisite to an effective loan assumption on all loans assumed pursuant to [38 U.S.C. 3714](#) on or after November 17, 1997, the following certification shall accompany each loan closing or assumption package:

The undersigned lender certifies that the (loan) (assumption) application, all verifications of employment, deposit, and other income and credit verification documents have been processed in compliance with [38 CFR part 36](#); that all credit reports obtained or generated in connection with the processing of this borrower's (loan) (assumption) application have been provided to VA; that, to the best of the undersigned lender's knowledge and belief the (loan) (assumption) meets the underwriting standards recited in [chapter 37 of title 38 United States Code](#) and [38 CFR part 36](#); and that all information provided in support of this (loan) (assumption) is true, complete and accurate to the best of the undersigned lender's knowledge and belief.

*Id.* The certification shall be executed by an officer of the lender authorized to execute documents and act on behalf of the lender. *Id.*

**2. Indicate how, by whom, and for what purposes the information is to be used; indicate actual use the agency has made of the information received from current collection.**

The form will be completed by employees of lending institutions partially from information contained on other documents in the loan file. In addition, some items will be completed on the basis of mathematical calculations and underwriting judgement resulting from interpretation of VA credit standards (38 CFR 36.4337). VA employees will also be able to extract data from the completed form in order to expand the amount of information contained in VA's databases, i.e., income and indebtedness amounts for Veteran-borrowers.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

This form is available on the One VA Forms Website (<http://www.va.gov/vaforms>) in a fillable electronic format. VBA is currently hosting this form on a secure server. The lender needs to complete the form and then print a copy. It is then submitted along with the loan package to the Regional Loan Center of jurisdiction if a review is necessary.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

Program reviews were conducted to identify areas of duplication; however, none were found to exist. There is no known Department or agency which maintains the necessary information, nor is it available from other sources within our Department.

**5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.**

Small organizations are generally not involved. VA Form 26-6393 is distributed to holders and information collected is the minimum needed to compute the holder's claim.

**6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently as well as any technical or legal obstacles to reducing burden.**

This information collection is not a recurring or repetitive report. It is accomplished on a one-time basis per applicant.

**7. There any special circumstances that would cause an information collection to be conducted more often than quarterly or require respondents to prepare written responses to a collection of information in fewer than 30 days after receipt of it; submit more than an original and two copies of any document; retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years; in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study and require the use of a statistical data classification that has not been reviewed and approved by OMB.**

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. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the sponsor's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the sponsor in responses to these comments. Specifically address comments received on cost and hour burden.**



**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

Decisions to provide any payment or gift to respondents does not apply.

**10. Describe any assurance of privacy, to the extent permitted by law, provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

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, 2014.

**11. Provide additional justification for any questions of a sensitive nature (Information that, with a reasonable degree of medical certainty, is likely to have a serious adverse effect on an individual's mental or physical health if revealed to him or her), such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private; include specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

No questions of a sensitive nature are contained on the form.

**12. Estimate of the hour burden of the collection:**

Estimate of Information Collection Burden

- a. Number of respondents is estimated at 560,000 per year.
- b. Frequency of response is generally one time.
- c. Annual burden is 280,000 hours.
- d. The estimated burden of 30 minutes per transaction has been determined by lenders to be an average time spent to report the information requested and no wide variance is likely.
- e. The respondent population is composed of lenders, on behalf of Veterans. VBA cannot make further assumptions about the population of respondents because of the variability of factors such as the educational background and wage potential of respondents. Therefore, VBA used the mortgage industry loan officers cost to estimate the respondents' costs associated with completing the information collection. Mortgage industry loan officers occupational employment type includes loan officers and agents, collection analysts, loan servicing officers, loan underwriters, and payday loan officers.

The Bureau of Labor Statistics (BLS) gathers information on full-time wage and salary workers. According to the latest available BLS data, the mean weekly earnings of full-time wage and salary workers are \$1,549.60. Assuming a forty (40) hour work week, the mean hourly wage is \$38.74 based on the BLS wage code – “13-2072 Loan Officers. This information was taken from the following website: (<https://www.bls.gov/oes/current/oes132072.htm>, May 2021).

Legally, respondents may not pay a person or business for assistance in completing the information collection and a person or business may not accept payment for assisting a respondent in completing the information collection. Therefore, there are no expected overhead costs for completing the information collection. VBA estimates their total cost to all respondents to be \$10,847,200 (280,000 hours x \$38.74 per hour).

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).**

This submission does not involve any recordkeeping costs.

**14. Estimated Annualized Cost to the Federal Government**

There are no printing costs. VA Form 26-6393 can be downloaded from the VA website. There is a limited cost to VA included in this burden estimate. VA includes the review of the form in the OMB Control #2900-0515. VA only reviews a portion of the completed forms as part of its oversight functions.

VA does complete this form as part of its direct lending programs. The cost to the government below only reflects the cost to complete the form as part of that direct lending function.

Grade	Step	Burden Time	Fraction of Hour	Hourly Rate	Cost Per Response	Total Responses	Total
11	5	2,100	0.5	\$30.94	\$15.47	1,050	\$ 16,243.50
Overhead at 100% Salary							\$ 16,243.50
12	6	2,100	0.50	\$37.09	\$18.545	1,050	\$ 19,472.25
Overhead at 100% Salary							\$ 19,472.25
13	6	2,100	0.25	\$44.10	\$11.025	1,050	\$ 11,576.25
Overhead at 100% Salary							\$ 11,576.25
Processing / Analyzing Costs							\$ 47,292.00
Printing and Production Cost							\$ 0.00
Total Cost to Government							\$ 47,292.00

Estimated Costs to the Federal Government are accessible through this link: [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/GS\\_h.pdf](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/GS_h.pdf). This rate does not include any locality adjustment as applicable.

**15. Explain the reason for any burden hour changes since the last submission.**

The burden was increased due to increases in projected volume for purchase and cash-out refinance transactions. The hourly mean wage for the occupation increased slightly resulting in a marginal higher cost per response.

**16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

Information collection is not for tabulation or publication use.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

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

**18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB 83-I.**

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

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

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