

To: Lenders and Other Participants in the VA Loan Guaranty Program

**Subject: Transmittal of Change 40 to VA Lenders Handbook 26-7,
Revised**

Purpose

Attached is a revision to Chapter 3 Topics 1-6 of VA Pamphlet 26-7.

Changes

- Topics 1-6 have been updated to remove hyperlinks and make minor grammatical edits.
- Chapter 3, Topic 1, Table 1 has been updated to include a note that for cash-out refinances, the loan amount, including the funding fee, may not exceed 100% of the reasonable value as determined by VA.
- Chapter 3, Topic 2, Section a has been updated to include an eligible loan purpose: refinancing of contracts for deed.
- Chapter 3, Topic 2, Section c has been updated to indicate that Veterans may receive cash back for amounts credited for prorated taxes paid in arrears.
- Chapter 3, Topic 3, Section a, Table 2 has been renamed and updated to provide more detail on determining the maximum loan amount by loan type.
- Chapter 3, Topic 3, Section c has been updated to remove the “rule of thumb” lenders should employ when determining the down payment amount. It is the lenders responsibility to determine the appropriate down payment required to meet investor requirements.
- Chapter 3, Topic 4 has been updated to reflect the implementation of P.L. 116-23, *Blue Water Navy Vietnam Veterans Act of 2019*.
- Chapter 3, Topic 4, Section b was added to provide additional information on calculating remaining entitlement for Veterans with partial, or encumbered, entitlement.
- Chapter 3, Topic 5 was updated to remove references to the Regional Loan Center (RLC).
- Chapter 3, Topic 5, Section i was updated to remove the reference to VA Form 26-1802a as the form has been discontinued.

- Chapter 3, Topic 6, Section b has been updated to ensure borrowers receive updated disclosures, as applicable, when the agreed upon interest rate changes.

Additional Copies

Additional copies may be downloaded at https://benefits.va.gov/WARMS/pam26_7.asp.

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