VA Home Loan Guaranty

Trainee Handout

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Objectives

After this lesson, the you will be able to:

* Define the VA Home Loan Guaranty (LGY) claims process and benefit eligibility criteria
* Identify prescribed application forms and end product (EP) controls
* Recognize the different roles and responsibilities processing LGY claims
* Explain the actions needed to respond to an LGY request for certification

References

All M21-1 references are found in the [Compensation and Pension Knowledge Management (CPKM) Portal](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034).

* [38 CFR 3.12](https://www.ecfr.gov/cgi-bin/text-idx?SID=ad275643432556b9dda942343fb89296&mc=true&node=pt38.1.3&rgn=div58#se38.1.3_112)– Character of discharge
* [38 CFR 3.103](https://www.ecfr.gov/cgi-bin/text-idx?SID=ad275643432556b9dda942343fb89296&mc=true&node=pt38.1.3&rgn=div58#se38.1.3_1103)– Procedural due process and other rights
* [38 CFR 3.315(b)](https://www.ecfr.gov/cgi-bin/text-idx?SID=ad275643432556b9dda942343fb89296&mc=true&node=pt38.1.3&rgn=div58#se38.1.3_1315) – Loans
* [M21-1 III.i.2.C.2](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014102/M21-1,-Part-III,-Subpart-i,-Chapter-2,-Section-C---Ancillary-Benefits-and-Other-Issues-Involving-Pre-Discharge-Claims#2) – Loan Guaranty Claims
* [M21-1, Part III, Subpart v, Chapter 1, Section B](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014217/M21-1-Part-III-Subpart-v-Chapter-1-Section-B-Statutory-Bars-to-Benefits-and-Character-of-Discharge-COD) - Statutory Bars to Benefits and Character of Discharge (COD)
* [M21-1, Part IX, Subpart i, Chapter 5, Section A](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014684/M21-1-Part-IX-Subpart-i-Chapter-5-Section-A-The-Department-of-Veterans-Affairs-VA-Home-Loan-Program) - The Department of Veterans Affairs (VA) Home Loan Program
* [M21-4 Appendix B, EP 290](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000011474/Appendix%20B.%20End%20Product%20Codes#2) – Eligibility Determinations - Other
* [M26-1 Guaranteed Loan Processing Manual](https://www.benefits.va.gov/warms/M26_1.asp)
* [VA Home Loans](https://www.va.gov/housing-assistance/home-loans/) website

Topic 1: VA Home Loan Guaranty Program Overview

**VA Home Loan Program**

A VA Home Loan Guaranty (LGY) backs private loans by guaranteeing a portion of the home loan to the private lender should the loan go into foreclosure. Lowering the financial risk of the loan enables lenders to provide more favorable terms to borrowers, such as no required down payment. The VA Home Loan Program does not loan money – it guarantees a portion of the home loan.

VA will guarantee home loans to purchase, build, improve or refinance a home. However, borrowers must still qualify for the loan based on their credit and income for the desired loan amount. Veterans, servicemembers, and surviving spouses can qualify for this benefit.

**Loan Limits**

VA can only guarantee 25% of a loan up to a certain amount, which is called a “loan limit.” Set forth by the Federal Housing Finance Agency (FHFA), the loan limit changes each year and varies depending on the county where the property is located.

A VA home loan benefit may be “restored” and reused by the same borrower, provided the original loan guaranteed by VA has been fully paid off or transferred to another qualified claimant substituting their own VA home loan entitlement to assume repayment of the loan.

Refer to the [VA Home Loans](https://www.va.gov/housing-assistance/home-loans/) website for more information.

**Eligibility Criteria**

Active duty Veterans or servicemembers with other than dishonorable service may qualify for this benefit. Length of service requirements vary depending on dates of active duty service and separation reason and can range from 90 days to 24 months.

For servicemembers currently serving on active duty, 90-days of continuous active duty service is required to qualify for the benefit.

Additionally, members of the Reserve or National Guard with at least 6 creditable years in the Selected Reserve or National Guard with Honorable service, or who were retired or transferred to the Standby/Ready Reserve after Honorable service, may also qualify.

Exceptions to the length of service requirement may apply if the Veteran was medically discharged, discharged due to a service-connected disability or at the convenience of the government, etc.

**Others Who May Qualify**

Other eligible claimants may include:

* A surviving spouse of a Veteran who died in-service or had service-connected disability
  + Also includes servicemembers currently missing in action and being held as a prisoner of war
* A US citizen who served in the Armed Forces of a government allied with the US in World War II
* A Public Health Service officer
* A cadet at the United States Military, Air Force, or Coast Guard Academy
* A midshipman at the US Naval Academy
* An officer of the National Oceanic & Atmospheric Administration (NOAA), or
* A merchant seaman during World War II

**Required Forms**

VA Home LGY applications can be submitted either electronically via eBenefits, through the lender (WebLGY portal), or by mail.

The prescribed forms to apply for VA Home Loan benefits are:

* VA Form 26-1880, *Request for Certificate of Eligibility*
* VA Form 26-1817, *Request for Determination of Loan Guaranty Eligibility* – Unmarried Surviving Spouse

**Claims Process Overview**

VA Home Loan Guaranty applications are processed by Regional Loan Centers (RLCs) operating under the VA Loan Guaranty Service (LGY). The RLC reviews the application and determines whether the claimant meets the VA home loan eligibility criteria. If the claimant is found entitled to the benefit, the RLC issues a Certificate of Eligibility (COE) to apply for their home loan.

If there is a question as to a claimant’s eligibility, the RLC may request a Veterans Service Center (VSC) or Pension Management Center (PMC) to make the determination. In some circumstances, a rating decision may be needed to make that determination.

Once a basic eligibility determination has been made by the VSC or PMC, the RLC will notify the claimant of the outcome of that decision. If the claimant is found to be entitled to home loan benefits, the RLC will then issue a COE to the claimant.

Topic 2: Processing LGY Requests for Certification

**Request for Certification**

If the RLC requires a VSC or PMC to make a basic eligibility determination, the RLC will send the VSC or PMC of jurisdiction a Request for Certification. The request for certification should contain at minimum the name and address of the person applying for a COE and the Veteran’s full name and claim folder number.

RLCs may submit the request to the VSC or PMC using either the claimant’s loan application form, an email to a VSC or PMC point of contact, or using VA Form 3232, *General Information Request*.

The VSC or PMC claims processor will annotate a response directly on the received documentation, obtain the required VSC or PMC manager signatures, and notify the request originator.

End Product (EP) Control

LGY requests for certification will be controlled with:

* EP 290 – *Eligibility Determination*, or
* EP 290 – *Pre-Discharge – LGY Determination*

If a response can be furnished based on the evidence of record, change the EP to 400 – *Correspondence* and close it once the response has been provided to the RLC.

However, if additional development or action is needed before a response can be provided, the claim should be processed under the pending EP 290.

Refer to the NWQ Playbook regarding claim routing procedures.

**Jurisdiction of Basic Eligibility Determinations**

The VSC makes the following determinations regarding Veteran claimants:

* A Character of Discharge (COD) determination, if the Veteran’s discharge was not specifically under honorable conditions or was dishonorable, or
* A determination of discharge for disability, subject to presumption of incurrence or aggravation under 38 CFR §3.315(b)

The PMC makes the following determination regarding surviving spouse claimants:

* A determination as to service-connected (SC) death and relationship was not *previously* made, and
* No legal bar to benefits is shown.

**When a Rating Decision is Required**

A rating decision is required when the RLC requests an eligibility determination as to whether

* The Veteran’s death was service-connected
* Discharge or release from active duty was due to a service-connected disability, or
* A serviceperson hospitalized pending final discharge has a service-connected disability for which they could be discharged or released.

**Processing Requests for Certification**

Review the request and the claim file to determine if a response can be made based on the evidence already of record, as there may be historic administrative or rating decisions documented in the claim file that are not reflected in our electronic systems.

If a historic determination affecting home loan eligibility has already been made, annotate the certification request with a response accordingly, obtain the required signatures, notify the RLC, and document the response in the claim file. In this instance, the EP 290 should be changed to EP 400 – *Correspondence* and closed.

If a determination is required, accomplish all development necessary to render a decision, including all available service department records, and proceed with the requested eligibility determination.

Do *not* notify the claimant of the outcome of the eligibility determination – this will be done by the RLC after they receive a response to the request for certification.

Note: Due process and §5103 notification are not typically required for internal-use eligibility determinations.

**COD Determinations**

If the request concerns character of service and a COD determination has never been made, proceed with the instructions in M21-1 III.v.1.B.1 to develop for the required evidence and make a determination *before* responding to the certification request. The response should include all periods of service which could affect benefit entitlement.

It is important to note that the VA Home Loan Program has special character of service provisions that differ between active duty Veterans/servicemembers and members of the Reserve/National Guard. Refer to M26-1, Chapter 7 for a detailed explanation and examples of these requirements. The VSR may need to take these provisions into consideration if making a COD determination for LGY purposes.

**Memorandum Rating Decisions**

If a rating decision is required, refer the claim to the rating activity for a decision based on the evidence of record per [M21-1 III.i.2.C.2.d](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014102/M21-1,-Part-III,-Subpart-i,-Chapter-2,-Section-C---Ancillary-Benefits-and-Other-Issues-Involving-Pre-Discharge-Claims#2d). If additional evidence is needed, such as service records, remember to request these *prior* to making the claim Ready for Decision.

Refer to the *National Work Queue (NWQ) Playbook – Phase 1&2* regarding specific routing procedures for non-rating end products that require a rating decision.

Once the rating decision has been completed, generate and authorize a record-purpose award and close the pending EP 290. Annotate the RLC request for certification with the language contained in [M21-1 III.i.2.C.2.e](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014102/M21-1,-Part-III,-Subpart-i,-Chapter-2,-Section-C---Ancillary-Benefits-and-Other-Issues-Involving-Pre-Discharge-Claims#2ehttps://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014102/M21-1,-Part-III,-Subpart-i,-Chapter-2,-Section-C---Ancillary-Benefits-and-Other-Issues-Involving-Pre-Discharge-Claims). Obtain the appropriate VSC/PMC manager signatures, notify the RLC of the response and document your actions in the claim file.

Reminder: Do *not* notify the claimant of the outcome of the eligibility determination, as this will be done by the RLC processing the home loan application.

Practical Exercise

**Directions:** Answer the questions below. Let the instructor know if you require any assistance.

1. Which manual reference explains that Veterans may still qualify for VA home loan benefits if they were discharged from active service due to service-connected disability?
   1. 38 CFR 3.12
   2. 38 CFR 3.103
   3. 38 CFR 3.315(b)
   4. 38 CFR 3.159
2. Which EP is used to control an Eligibility Determination request for certification for LGY benefits?
   1. EP 600
   2. EP 290 – *Eligibility Determination*
   3. EP 290 - *Pre-Discharge – LGY Determination*
   4. Both a and b
   5. Both b and c
3. What documentation would an RLC use to send a VSC or PMC a request for certification or eligibility determination?
   1. An email to the VSC or PMC POC
   2. The claimant’s home loan application form
   3. VA Form 3232, *General Information Request*
   4. All of the above
4. True/False: Due process notification to the claimant is required for an internal LGY eligibility determination regarding an unsatisfactory character of service.
5. True/False: The VSC/PMC does *not* notify the claimant of the outcome of an eligibility determination – this is done by the RLC processing the home loan application.