



WHOLESALE ANNOUNCEMENT 2023-67

November 27, 2023

VA Funding Fee

Effective Date

Effective immediately

Guideline Updates:

Funding Fee exemption determinations and how refund requests should be submitted

- All Veterans must pay the VA funding fee except the following:
 - A Veteran who is receiving disability compensation (or who, but for the receipt of retirement pay or active service pay, would be entitled to receive compensation)
 - A surviving spouse of any Veteran (including a person who died during active military, naval, or air service) who died from a service-connected disability and is in receipt of Dependency and Indemnity Compensation
 - An active-duty Service member, who is rated eligible to receive compensation based on a pre-discharge disability rating or a pre-discharge review of existing medical evidence that results in the issuance of a proposed or memorandum rating before the loan closing takes place. If a proposed or memorandum rating is not obtained, and the loan closing takes place before the Veteran is discharged from service, the funding fee exemption does not apply, and the Service member will not be entitled to a refund from VA
 - A Service member on active duty who provides, on or before the loan closing, evidence of having been awarded the Purple Heart
- The Funding fee exemption status should be established before loan closing. Ensuring that the funding fee exemption information is up to date at the time of closing is essential to avoid incorrect charges to exempt Veterans and to avoid unnecessary refund requests. Lenders should not advise Veterans who believe they are exempt from paying the funding fee to close on a loan and plan to request a refund later. Doing so may be considered an error on the part of the lender, as refund determinations are specific to each Veteran and cannot be guaranteed.
- Interest Rate Reduction Refinancing Loans (IRRRLS). A Certificate of Eligibility (COE) is not required for IRRRLs. The VA funding fee exemption status will be provided on the IRRRL Appraisal Case Initiated screen of the loan record in WebLGY at the time the VA loan number is requested. Lenders can print this verification at any time throughout the loan origination process
 - 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, yet will not be considered exempt from the VA funding fee unless they are in receipt of DIC. In these cases, the lender will be required to submit VA Form 26- 8937, Verification of VA Benefits, to verify the exemption status
- For all other loan transaction types, the exemption status will be displayed on the COE. If the status is showing as Non-Exempt, the lender should ask the Veteran if he or she has a claim for compensation pending with VA. If so, and the Veteran is not on active duty, the lender should request an updated COE prior to closing the loan to verify any changes in exemption status
- Special procedures apply to active-duty Service members with pending pre-discharge disability claims.
 - Loans to Active-Duty Service Members with Pre-Discharge Claims Pending: Lenders should ask active-duty Service members if they have a pre-discharge disability claim pending with VA. If so,





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- and the COE funding fee status is showing as Non-Exempt, the lender should submit VA Form 26-8937, Verification of VA Benefits⁵. If a proposed or memorandum rating is not obtained and a closing takes place, the Service member is not eligible for funding fee exemption and will not be entitled to a refund from VA.

Upon receipt of VA Form 26-8937, VA will conduct research to see if the Service member has filed a pre-discharge claim, and reissue the COE as follows:

- If the Service member is eligible for the home loan benefit and VA records indicate the Service member does not have a pre-discharge claim pending, VA will annotate the COE record and issue the COE with a funding fee status of Non-Exempt
 - If the Service member is eligible for the home loan benefit and VA records indicate the Service member's pre-discharge claim has been adjudicated, VA will update the COE with the appropriate funding fee status and issue the COE
 - If the Service member is eligible for the home loan benefit and VA records indicate the service member has a pre-discharge claim pending that has not been adjudicated, VA will submit the rating request to the Veteran Service Center. VA will update the COE funding fee status to Non-Exempt – In Development and issue the COE. The Service member is not exempt at this time. If a proposed or memorandum rating is not obtained, and the loan closing takes place before the Veteran is discharged from service, the funding fee exemption does not apply, and the Service member will not be entitled to a refund. VA will update and reissue the COE as appropriate based on the response received from CS
- Lenders and servicers should review the reason for the refund request and choose the refund destination in FFPS. The lender or servicer should add notes describing the reason for the refund and upload supporting documentation (e.g. Closing Disclosure or Notice of Cancellation) to support the refund destination.
 - The VA issues funding fee refunds directly to the Veteran

**VA Product Announcement has been posted on FCM's
[Wholesale Knowledge Center](#)**

Should you have any questions, please reach out to your Account Executive or Client Manager