

VA ALLOWABLE CLOSING CLOSTS

reference VA Pamphlet 26-7 Chapter 8 (change date 9/15/04)

The veteran may pay any/all of the following itemized fees and charges, in amounts that are reasonable & customary.

Charge	Description
Appraisal and Compliance Inspections	<p>The veteran can pay the fee of a VA appraiser and VA compliance inspectors.</p> <ul style="list-style-type: none"> • can pay for a 2nd appraisal if he/she is requesting reconsideration of value. • cannot pay for appraisal requested by the lender or seller for reconsideration of value. • cannot pay for appraisals requested by parties other than the veteran or lender.
Credit Report	<p>The veteran can pay for the credit report obtained by the lender.</p> <ul style="list-style-type: none"> • For Automated Underwriting cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report. For "Refer" cases, the veteran may also pay the charge for a merged credit report, if required.
Discount	<p>Veteran can pay for reasonable discount points.</p> <ul style="list-style-type: none"> • Branch to disclose to borrower at par and at locked rate to show benefit to borrower. Can only charge cost to lock at lower rate.
Flood Zone Determination	<p>The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if made by a third party who guarantees the accuracy of the determination.</p> <ul style="list-style-type: none"> • The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination. • A fee may not be charged for a flood zone determination made by the lender or a VA appraiser.
Hazard Insurance	<p>The veteran can pay the required hazard insurance premium. This includes flood insurance, if required.</p>
Prepaid Items	<p>The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance account.</p>
Recording Fees	<p>Can pay for recording fees, recording taxes or other charges incident to recordation.</p>
Special Mailing Fees for Refi Loans	<p>For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.</p>
Survey	<p>The veteran can pay charge for a survey, if required by the lender or veteran. Any charge for a survey in connection with a condominium loan must have the prior approval of VA.</p>
Title Examination and Title Insurance	<p>The veteran may pay a fee for title examination and title insurance, if any.</p> <ul style="list-style-type: none"> • If the lender decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.
VA Funding Fee	<p>Unless exempt from the fee, each veteran must pay a funding fee to VA.</p>
Other Fees Authorized by VA	<p>Additional fees attributable to local variances may be charged to the veteran only if specifically authorized by VA. The lender may submit a written request to the RLC for approval if the fee is normally paid by the borrower in a particular jurisdiction, and considered reasonable and customary in the jurisdiction.</p>

- ❖ Whenever the charge relates to services performed by a third party, the amount paid by the borrower must be limited to the actual charge of that third party.
- ❖ The borrower may not pay a duplicate fee for services that have already been paid for by another party such as an appraisal completed for another borrower or if the lender elects to use an existing survey or flood determination.

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LENDERS 1% FLAT FEE (Origination Fee)

The following list provides examples of items that cannot be charged to the veteran as “itemized fees and charges.” Instead, the lender must cover any cost of these items out of its flat fee. *These fees are allowable ONLY when the Veteran is NOT charged the 1% Flat Fee.*

- ✓ Lender’s appraisal (this is not the initial approval - NOV, this may be a review appraisal required by the lender)
- ✓ Lender’s inspections
- ✓ Loan closing or settlement fees
- ✓ Document preparation fees
- ✓ Preparing loan papers or conveyance fees
- ✓ Attorney’s services other than for title work
- ✓ Photographs
- ✓ Interest rate lock-in fees
- ✓ Postage and other mailing charges, stationery, telephone calls, and other overhead
- ✓ Amortization schedules, pass books, and membership or entrance fees
- ✓ Escrow fees or charges

Examples of items that **CANNOT** be charged to the veteran:

- ❖ Notary fees
- ❖ Commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser
- ❖ Trustee’s fees or charges
- ❖ Loan application or processing fees
- ❖ Fees for preparation of truth-in-lending disclosure statement
- ❖ Fees charged by loan brokers, finders or other third parties whether affiliated with the lender or not
- ❖ Tax service fees
- ❖ Termite Inspection

4% SELLER CONTRIBUTION

For VA a seller concession is anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide. Seller concessions include but are not limited to, the following:

- ❖ Payment of buyer’s VA funding fee
- ❖ Prepayment of the buyer’s property taxes and insurance
- ❖ Gifts such as a television set
- ❖ Payment of extra points to provide permanent interest rate buydowns
- ❖ Provision of escrowed funds to provide temporary interest rate buydowns
- ❖ Payoff of credit balances or judgments on behalf of the buyer

Seller concessions **do not** include:

- ✓ Payment of the buyer’s closing costs
- ✓ Payment of points as appropriate to the market *Example if the market dictates an interest rate of 7 ½ % with 2 discount points, the seller’s payment of the 2 points would not be a seller concession. If the seller paid 5 points, 2 of these points would be considered a seller concession.