

UPDATED FUNDING FEE CHANGES

1. Purpose. The President signed H.R. 2646, Veterans Health Facilities Act Capital Improvement Act of 2011 on October 5, 2011. The bill includes a provision resulting in funding fees reverting to the same rates that existed prior to October 1, 2011 for loans closed October 6, 2011 through and including November 17, 2011. Rates for loans closed prior to enactment of H.R. 2646 and for loans closed on or after November 18, 2011 are discussed below.

2. Fee Changes

a. *Loans closed October 1 through October 5, 2011*: Funding fees for loans closed on these dates will be those cited in the Department of Veterans Affairs (VA) Circular 26-11-12, dated September 8, 2011.

b. *Loans closed October 6 through and including November 17, 2011*: Funding fees for loans closed during this period, will be the same rates in effect prior to October 1, 2011. The fees can be found in the [VA Lender's Handbook](#), Chapter 8, Topic 8.

c. *Loans closed on or after November 18, 2011*: Funding fees for loans closed on or after November 18, 2011 will be reduced as shown on the attached Exhibit A.

d. *Funding fees for other loans*: Funding fees for Interest Rate Reduction Refinancing Loans (IRRRLs) and Assumptions will not change. They will remain at .50 percent.

3. Possibility of Future Funding Fee Changes. VA believes it likely that Congress will pass other legislation in the coming weeks that will make additional changes to the funding fee structure. Should this occur, VA will immediately publish a notice on www.benefits.va.gov/homeloans and the VA Funding Fee Payment System (FFPS), and release another Circular once any such bill becomes law. **Lenders should closely monitor VA FFPS for information on funding fee changes.**

4. Waiver of the Difference in Funding Fees. For cases in which lenders have closed loans based on lower funding fees cited in the Good Faith Estimate (GFE) rather than the higher fees provided in HR 2646, the Secretary, under existing authority, will waive the difference in the fees. Specifically, VA will waive the right to collect the difference in fees (between the lower October 1 rates and the higher H.R. 2646 rates) for loans for which a GFE was prepared prior to October 6 based on the lower fees, and that was closed after the enactment of H.R. 2646. Instructions on how to process and obtain that waiver are forthcoming, via a Circular.

(LOCAL REPRODUCTION AUTHORIZED)

5. Rescission: This circular is rescinded on October 1, 2012.

By Direction of the Under Secretary for Benefits

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Distribution: CO: RPC 2021

SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2021)

Loan Fee Structure for VA-Guaranteed Loans		
	Veteran	Reservist/National Guard
First Time Use		
Downpayment		
Less than 5 percent ¹		
* October 1, 2011 until October 5, 2011	1.40%	1.65%
* October 6, 2011 until November 17, 2011	2.15%	2.40%
* On or after November 18, 2011	1.40%	1.65%
At least 5 percent but less than 10 percent		
* October 1, 2011 until October 5, 2011	0.75%	1.00%
* October 6, 2011 until November 17, 2011	1.50%	1.75%
* On or after November 18, 2011	0.75%	1.00%
10 percent or more		
* October 1, 2011 until October 5, 2011	0.50%	0.75%
* October 6, 2011 until November 17, 2011	1.25%	1.50%
* On or after November 18, 2011	0.50%	0.75%
Second and Subsequent Use		
Downpayment		
Less than 5 percent ¹		
* October 1, 2007 until October 1, 2011	3.30%	3.30%
* October 1, 2011 until October 5, 2011	2.80%	2.80%
* October 6, 2011 until November 17, 2011	3.30%	3.30%
* November 18, 2011 until October 1, 2012	2.80%	2.80%
* October 1, 2012 until October 1, 2013	2.15%	2.15%
* On or after October 1, 2013	1.25%	1.25%
At least 5 percent but less than 10 percent		
* October 1, 2011 until October 5, 2011	0.75%	1.00%
* October 6, 2011 until November 17, 2011	1.50%	1.75%
* On or after November 18, 2011	0.75%	1.00%
10 percent or more		
* October 1, 2011 until October 5, 2011	0.50%	0.75%
* October 6, 2011 until November 17, 2011	1.25%	1.50%
* On or after November 18, 2011	0.50%	0.75%
Refinancing Loans		
Interest Rate Reduction	0.50%	0.50%
Other		
Assumptions	0.50%	0.50%
Service-connected Veterans	0.00%	0.00%

¹ includes 'Cash-Out' Refinancing loans