

FUNDING FEE CHANGES EFFECTIVE OCTOBER 1, 2011

1. Purpose: This circular announces changes in funding fees for Department of Veterans Affairs (VA) loans closed on or after October 1, 2011.

2. Fee Changes

a. For loans closed on or after October 1, 2011, the fee for *subsequent use loans with less than 5 percent downpayment and subsequent use regular refinance loans* will be 2.8 percent for both active duty Servicemembers, Veterans, and persons qualifying based solely on service in the Reserves or National Guard. This change is due to passage of Public Law 112-26, Restoring GI Bill Fairness Act of 2011.

b. Funding fees for loans other than subsequent use will also change for loans closed on or after October 1, 2011. These fee changes were already set to change based on previous legislation. The attached Exhibit A shows the upcoming changes.

c. Funding fees for Interest Rate Reduction Refinancing Loans and Assumptions will not change. They will remain at .50 percent.

3. Possibility of Future Funding Fee Changes: Should Congress pass legislation making additional changes to the funding fee structure, VA will immediately publish a notice on our website and the VA Funding Fee Payment System (FFPS), and soon afterward, issue another Circular. Lenders should closely monitor our website and VA FFPS for information on funding fee changes.

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 Rescission: This circular is automatically rescinded on October 1, 2012.

By Direction of the Under Secretary for
Benefits

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Acting Director, Loan Guaranty Service

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EXHIBIT A

Loan Fee Structure for Guaranteed Loans		
	Veteran	Reservist/National Guard
First Time Use		
Down payment:		
Less than 5 percent*:		
- October 1, 2004 until October 1, 2011	2.15%	2.40%
- On or after October 1, 2011	1.40%	1.65%
At least 5 percent but less than 10 percent:		
- Before October 1, 2011	1.50%	1.75%
- On or after October 1, 2011	0.75%	1.00%
10 percent or more:		
- Before October 1, 2011	1.25%	1.50%
- On or after October 1, 2011	0.50%	0.75%
Second and Subsequent Use		
Down payment:		
Less than 5 percent*:		
- October 1, 2007 until October 1, 2011	3.30%	3.30%
- October 1, 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		
- Before October 1, 2011	1.50%	1.75%
- On or after October 1, 2011	0.75%	1.00%
10 percent or more		
- Before October 1, 2011	1.25%	1.50%
- On or after October 1, 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%	N/A

**Includes "Cash-out" Refinancing Loans*