

## **Credit Report and Automated Underwriting System (AUS) Fee Policy**

1. Purpose. This Circular announces the Department of Veterans Affairs' (VA) new policy regarding credit report and AUS charges to Veterans. This policy is effective, November 13, 2014.

2. Current VA Policy. VA Lender's Handbook Chapter 8 Section 2, allows lenders to charge the Veteran for the credit report obtained by the lender. For AUS cases, the Veteran may pay the evaluation fee of \$50 in-lieu-of the charge for the credit report. For "Refer" cases, the Veteran may also pay the charge for the merged credit report, if required.

3. New VA Policy. VA is setting a new policy for lenders, in order to avoid Veterans being overcharged for credit reports and AUS requirements by lenders. The policy for both credit report charges and AUS charges require substantiated evidence with corresponding invoices. The combined total for all credit reports cannot exceed \$100. The combined total for AUS submissions cannot exceed \$100. The only time where both a credit report and an AUS can be charged to the Veteran is on AUS "Refer" cases. A maximum total of \$100 still applies for the combined total of the credit report and AUS charges. Please see in-depth explanations below.

a. Credit reports charged to Veterans are limited to the actual invoice price charged to the lender, not to exceed a maximum combined total of \$100. The invoice must be presented at the time of VA file audit. If invoices cannot substantiate the charge to the Veteran on the HUD-1, a refund will be due to the Veteran.

(1) Example 1. The lender pulled an initial credit report that cost \$15. Prior to closing the lender pulled an updated credit report that cost \$5. The credit report charged on the HUD-1 was \$20. At the time of VA audit, the lender provided invoices totaling \$20. Therefore, the \$20 charge on the HUD-1 was substantiated. No refund would be due.

(2) Example 2. The initial credit report was \$20. The lender pulled a second credit report that cost \$20. The combined total of both credit reports is \$40. The charge on the HUD-1 was \$50. The lender included invoices in the VA file audit totaling \$40. As a result, VA would request a \$10 refund due to the Veteran.

(3) Example 3. The initial credit report was \$60. The credit report update was \$50. On the HUD-1 the Veteran was charged \$110. The \$110 credit report invoice was provided at the time of VA audit. As a result of the \$100 combined maximum credit report rule, \$10 would be required to be refunded to the Veteran.

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b. AUS fees charged to Veterans are limited to the actual evaluation fee charged to the lender in lieu of a credit report charge not to exceed a maximum total of \$100. The invoice must be presented at the time of VA file audit. If invoices cannot substantiate the charge to the Veteran on the HUD-1, a refund would be due to the Veteran. (Please note: for “Refer” cases, the Veteran may also pay the charge for the credit report, if required. The combined total cannot exceed \$100.)

(1) Example 1. The lender ran AUS and was charged \$30. The charge to the Veteran on the HUD-1 was \$30. The \$30 invoice was provided by the lender when the file was audited by VA. No refund would be required as the invoice provided substantiated the charge to the Veteran on the HUD-1.

(2) Example 2. The lender ran AUS and was charged \$30 dollars. The lender charged \$50 dollars to the Veteran on the HUD-1. The lender didn’t provide an invoice at the time of VA file audit. As a result, VA would require the full \$50 to be refunded to the Veteran unless a valid invoice can be provided in response to the deficiency to substantiate the \$50 charge. In this case, if the lender responded to the deficiency with the \$30 invoice, VA would require a \$20 refund to the Veteran.

(3) Example 3. The lender was charged \$120 for the AUS submission. On the HUD-1 the lender charged the borrower the actual invoice charge of \$120. The \$120 invoice was provided at the time of VA file audit. As a result of the \$100 combined maximum AUS charge set by VA, \$20 would be required to be refunded to the Veteran.

3. Rescission: This Circular is rescinded October 1, 2016.

By Direction of the Under Secretary for Benefits

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