

Greetings,

The purpose of this communication is to announce an update to VA Pamphlet 26-7, (VA Lenders Handbook) Chapter 4 Topic 7, on Collection Accounts.

Purpose: VA is publishing this update to clarify that, when underwriting a VA-guaranteed loan:

- Medical collections and charged-off medical accounts do not need to be considered in qualifying ratios or when determining the residual income.
- The presence of medical collections and/or charged-off medical accounts should not be considered when determining an applicant's creditworthiness.
- Non-medical collections without minimum payment amounts listed on the credit report should be considered at 5% of the outstanding balance.

Lenders may immediately implement these updated underwriting guidelines, but must do so for all loan applications after January 1, 2024.

The updates are available on our website: https://benefits.va.gov/warms/pam26_7.asp.

Sincerely,

Loan Guaranty Services