

The Department of Veteran Affairs (VA) prohibits the veteran in a mortgage transaction from paying certain closing costs associated with the loan. The veteran is allowed to pay up to 1% in origination charges and other fees combined.

The **maximum origination charge** is determined by taking 1% of the total loan amount (after adding the financed VA funding fee) **except** on an IRRRL. The maximum origination charge on an IRRRL is determined by calculating 1% of the **payoff** amount as listed on the HUD-1 Settlement Statement.

Below is a guideline as to what fees are allowable and what fees are unallowable.

### Allowable Fees

The following fees are always allowed regardless of the 1% origination fee being charged:

- Appraisal fee – per allowable maximum appraisal fee schedule for that state
- Compliance Inspection – only if required by the NOV
- Credit report – **in most cases it should not exceed \$50.00 but cannot exceed the actual charge**
- Life-of-the-loan Flood Determination service purchased at the time of loan origination
- Recording fees, taxes and stamps
- Prorated tax and insurance escrow
- Hazard/Flood Insurance Premiums – if not paid directly out of pocket by veteran outside closing
- Survey and plot plan
- Title insurance, title policy, title exam, title search, title endorsement and any fees required to prepare the title work
- Environmental protection lien endorsement
- 1% origination fee
- VA funding fee
- Discount points
- Closing Protection Letter (**should not exceed \$35 unless otherwise permitted by VA per the state deviation list**)
- Interthinx DISSCO fraud protection report
- MERS fee
- Well and Septic inspection fees

**Note: 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.**

### Unallowable Fees

The following fees are always un-allowed **if the 1% fee is charged**:

- Lender's appraisal – the veteran can only be charged for 1 appraisal unless VA deemed a second appraisal mandatory or if the veteran is requesting reconsideration of value
- Lender's inspection – if it is not required on the appraisal/NOV, it cannot be charged to the veteran
- Settlement fee, escrow fee, closing fee
- Document preparation fee
- Underwriting fee

- Processing fee
- Application fee – a veteran can be charged up front the cost of the appraisal and credit report to ensure the loan officer is not stuck with those fees if the veteran walks away from the deal.
- Attorney fees if for something other than title work\*
- Commitment, Assignment or Preparation fees of any secondary purchaser of the mortgage
- Copying fee
- Email fee
- Express/Overnight mail fees (The only exception is on a refinance transaction and the saved per diem interest cost to the veteran will exceed the cost of the special handling.)
- Fax fee
- Pest Inspection/Termite
- Photographs
- Postage and other mailing charges, stationery, telephone calls and other overhead
- Amortization Schedule
- Notary fee
- Trustee fee
- Tax service fee
- Interest rate lock-in fees
- Fees charged by loan brokers, finders or other third parties whether affiliated with the lender or not

The above list is **NOT** all inclusive.

Unless a fee is mandated by a city, county or state, and it is not on the allowable fee list, it cannot be charged to the veteran if a 1% origination fee was charged.

If the 1% origination fee is not charged, the above list of unallowable fees can be charged to the veteran provided they do not exceed 1% of the loan amount (or payoff if an IRRRL). If the loan originator chose to charge the veteran a ½% origination fee, then items from the unallowable list can be charged provided they do not exceed ½% of the loan amount or ½% of the payoff on an IRRRL. In other words, if an origination fee is not charged, the lender may assess other fees as long as the aggregate amount does not exceed 1% of the loan amount or payoff on an IRRRL.

**Note: Effective with VA Circular 26-14-10 dated May 7, 2014, VA now treats pest inspection fees the same as any other unallowable fee (previously this was a prohibited fee).**

There are some fees that can **NEVER** be paid by the veteran regardless of whether the 1% origination fee was paid or not. Those fees are as follows:

- **Attorney Fee Charged as a Benefit to the Lender**
- **Mortgage Broker Fee**
- **Realtor Commission**
- **Prepayment penalties**
- **HUD/FHA Inspection Fees for Builders**

\*A veteran can independently retain an attorney for legal representation and pay a fee for legal services in connection with the purchase of a home. Closing documents should clearly indicate that the attorney's fee is NOT being charged by the lender, but is being paid by the veteran as part of an independent arrangement with an attorney.