

Loan Product Advisor®

VA Documentation Matrix

The Department of Veterans Affairs (VA) permits lenders to use certain reduced documentation requirements on cases processed with an approved AUS. This document is provided as a convenient tool to help you document VA mortgages. It gives the general descriptions of guidelines and reductions that are outlined in the agency's Lender's Handbook. It does not cover all the requirements or scenarios, nor does it supersede information provided by VA.

For the most complete and up-to-date information, refer to the written guidelines issued by VA. Some examples of specific resources are listed on last page of this document.

Documentation Guidelines for Credit History		
Subject	Documentation Classification	
	Documentation Guidelines and Reductions for Refer	Additional Documentation Reductions for Accept/Approve
Types of credit reports used in reconciliation	Use any of the following if ≤ 120 days old: <ul style="list-style-type: none"> All in-file reports, Selected in-file reports, Merged credit report, or RMCR. 	Same as Refer.
Explanation of discrepancies in reported debt	No explanation is required.	Same as Refer.
Absence of credit history	If Loan Product Advisor returns a message "No useable credit reports were received for borrower(s). (11)" it indicates that there is an absence of a credit history for the borrower(s). In this case, the mortgage will need to be underwritten manually following the VA Lender's Handbook (VA Pamphlet 26-7) – Chapter 4 Credit Underwriting.	Same as Refer.
Rental payment history	Provide a 12-month rental history directly from landlord, through information shown on credit report or by cancelled checks.	No verification of rent is required.
Verification of significant non-mortgage debt	Obtain direct verification for significant debts not reported on the credit report. Note: Significant means that the debt has a monthly payment exceeding 2 percent of the stable monthly income for all borrowers.	Same as Refer. Note: Perform manual downgrade to Refer if direct verification reveals more than 1 by 30-day late payment in the past 12- months for any of the omitted debts.

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Service Guide* and your other Purchase Documents.

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Documentation Guidelines for Credit History		
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Mortgage payment history	<p>Obtain direct verification when ratings are not available on mortgages that are any of the following:</p> <ul style="list-style-type: none"> • Outstanding, • Assumed, or • Recently retired. <p>A written explanation of mortgage payment history is required for borrowers with more than 1 by 30-day late payment for all mortgages for the past 12 months.</p>	Perform manual downgrade to Refer for any mortgage debt with more than 1 by 30-day late payment in the past 12 months.
Account balances	If a mortgage or other significant debt is listed on the credit report as past due and was last updated ≥ 90 days, verify current status of past due debt.	Same as Refer, however if rating is currently ≥ 90 days past due, manually downgrade to REFER .
Derogatory credit information	Obtain explanation for derogatory credit. Explain assessment of creditworthiness on VA Form 26-6393 , Loan Analysis.	No determination of ratios or credit worthiness is required.
Alimony and/or child support payments	<p>Provide the following:</p> <ul style="list-style-type: none"> • Proof of deposits on bank statements for 3 months, and • Front page and details of support payments from the divorce decree, indicating evidence of at least 3 years continuance. 	Same as Refer.



Documentation Guidelines for Borrowers – Not Self Employed		
Subject and Reference	Documentation Classification	
	Documentation Guidelines and Reductions for Refer	Additional Documentation Reductions for Accept/Approve
Employment gaps	No explanation for employment gaps is required if the gaps are <30 days.	No explanation for employment gaps is required if gaps are <60 days.
Verifying current employment for borrowers who are not self-employed	<p>Document telephone contact verifying borrower's current employer.</p> <p>Use paystub(s) covering at least 1 full month of employment and contains the following: year-to-date (YTD) information, bonus information, and overtime information.</p>	Same as Refer.
Verifying previous employment	<p>Use a VOE or any of the following, covering the 2-year period prior to closing: W-2 Forms, or</p> <p>Income information obtained from the IRS via one of the following forms:</p> <ul style="list-style-type: none"> Form 8821, Tax Information Authorization, (or alternate form acceptable to the IRS that collects comparable information) or Form 4506, Request for Copy of Tax Return, (or alternate form acceptable to the IRS that collects comparable information). 	<ul style="list-style-type: none"> No VOE is required if the borrower has been with the same employer for 1 year and W-2 Forms for 1 previous year have been collected. No W-2 Forms are required for a borrower on active duty. No W-2 Forms are required if all of the following are met: <ul style="list-style-type: none"> Borrower with same employer >2 years Employer phone contact verifies the length of employment and current status (still employed) Borrower not self-employed or commissioned Bonus, overtime, or secondary income not needed to qualify Stable monthly income to be determined by using current base pay only (rather than total earnings) Borrower signs one of the following for the previous 2 tax years: Form 8821, and Form 4506.



Employment/Income for Self-Employed Borrowers		
Subject and Reference	Documentation Classification	
	Documentation Guidelines and Reductions for Refer	Additional Documentation Reductions for Accept/Approve
Individual tax returns for self-employed borrowers	Provide one of the following, with all line items captured: <ul style="list-style-type: none"> • Signed copies of individual tax returns for the most recent 2-year period, or • Individual income information obtained from the IRS via one of the following forms: <ul style="list-style-type: none"> ○ Form 8821 (or an alternate form acceptable to the IRS that collects comparable information) or ○ Form 4506 (or an alternate form acceptable to the IRS that collects comparable information). 	Same as Refer.
Balance sheets and profit and loss statements for self-employed borrowers	No balance sheet or YTD Profit and Loss (YTD P&L) is required if origination date is ≤ 7 months from the business' fiscal year end (for which tax returns or information from the IRS via Form 8821 or Form 4506 were provided).	No balance sheet or YTD P&L is required.
Business tax returns for self-employed borrowers	Provide one of the following, with all line items captured: <ul style="list-style-type: none"> • Signed copies of business tax returns for the most recent 2- year period. • Business income information obtained from the IRS via one of the following forms: <ul style="list-style-type: none"> ○ Form 8821 (or an alternate form acceptable to the IRS that collects comparable information) or ○ Form 4506 (or an alternate form acceptable to the IRS that collects comparable information). 	No business tax returns are required if all the following conditions are met: <ul style="list-style-type: none"> • Borrower proves ownership of the business for at least the past 5 years. • Individual tax returns reflect consistent income for the past 2 years. • Funds for down payment or closing costs are not from the business.



Documentation Guidelines for Assets		
Subject and Reference	Documentation Classification	
	Documentation Guidelines and Reductions for Refer	Additional Documentation Reductions for Accept/Approve
Verify closing costs	Verify veteran's source of funds for payment of any difference between sales price and loan amount plus closing costs, if the sales price exceeds reasonable value established by the Notice of Value (NOV).	No verification of veteran's source of funds is required if closing costs plus the difference between the sales price of the property and the base loan amount is <4 percent of the lesser of the following: <ul style="list-style-type: none"> • Sales price, or • Reasonable value established by an NOV.
Verify assets to close in applicant's name	Provide original bank statements or certified true copies covering the most recent 2-month period in lieu of a Verification of Deposit (VOD).	Provide original bank statements or certified true copies covering most recent 1-month period in lieu of a VOD.

DISCLAIMER: In no event will Freddie Mac be liable to you or any other person or entity based upon any reliance on the accuracy or completeness of information contained in this document. All warranties, express or implied, are hereby expressly disclaimed.

This document is not a replacement or substitute for the information provided by the Department of Veterans Affairs (VA). For the most current information, refer to the following resources:

VA Resources

- [Lender's Handbook \(VA Pamphlet 26-7\)](http://www.benefits.va.gov/warms/pam26_7.asp) – http://www.benefits.va.gov/warms/pam26_7.asp
- [VA Circulars/News](https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp) – https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp
- [Loan Guaranty Service, Home Loan Program webpage](http://www.benefits.va.gov/homeloans) – www.benefits.va.gov/homeloans

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