



## 2011 Bulletin 14 Fees on VA Loans

Title agents have known for years that certain itemized fees are not permitted in a VA loan, and must be covered out of the 1% fee paid to the lender. Such impermissible fees include:

- Loan closing or settlement fees
- Document preparation fees
- Conveyance fees
- Attorneys services other than for title work
- Escrow fees
- Notary fees

A [lawsuit](#) filed in 2006 and unsealed last week in an Atlanta federal court claims several large banks and mortgage companies defrauded veterans by charging illegal fees on Interest Rate Reduction Refinancing Loans offered by the Department of Veterans Affairs.

The lawsuit, brought under the Federal Claims Act by two mortgage brokers, alleges the defendants charged attorney's fees or settlement closing fees, which are prohibited on VA loans. According to the lawsuit, the companies skirted the rules by hiding attorneys' fees as title examination or title search fees.

The lawsuit states:

Rather than using the lines on the HUD-1 for "title examination" and "title search" to accurately report the actual cost of title work, Defendant lenders have been and are including undisclosed attorneys fees and other unallowable fees in the amounts they represent for "title examination" or for "title search." In other words, Defendant lenders are fraudulently reporting costs and fees in excess of what should be listed on Lines 1102 and 1103. The result is that lenders report, on Lines 1102 and 1103 of the HUD forms, charges supposedly incurred for title examination and title search fees in amounts ranging from \$525 to \$1200, when in fact the total cost of title examination and title search fees should amount to only \$125 to \$200. By that deceit, lenders have improperly lumped unallowable costs with allowable costs. The intended result is that the veteran/borrower is charged excessive and illegal fees at closing.

During the past decade, more than 1.2 million of the refinanced loans have been made to veterans and their families, and up to 90 percent may have been affected by the alleged fraud, according to attorneys for the plaintiffs.

According to VA policy, veterans can pay a maximum of all reasonable and customary amounts for any and all of the "Itemized Fees and Charges" designated by VA as defined below plus a 1 percent flat charge by the lender plus reasonable discount points. The VA defines allowable fees and charges that the veteran borrower can pay or closing costs that may be charged to the borrower. These costs are determined as reasonable and customary by each local VA office. Among these are a fee for title examination and title insurance.

If you have questions about this, please contact your underwriter.