Manual Underwriting vs. Automated Approval for VA Borrowers

When you apply for a VA loan, the lender needs to decide whether your income, debts, and credit history show you can handle the mortgage. Most lenders today run your file through an automated underwriting system, which applies a standard set of rules and produces a decision in minutes. But automated systems do not always give a passing result, especially when your credit profile has gaps or unusual items. In those situations, a human underwriter can review the same file using a different process called manual underwriting. Understanding the difference between these two paths helps you know what to expect and how to prepare your application.

How Automated Underwriting Works

Automated underwriting systems, often referred to as AUS, are software platforms that compare your loan application against the guidelines set by the VA and the lender. The system checks your credit score, credit history, debt-to-income ratio, and other factors like cash reserves. If the numbers fall within the acceptable ranges, the system returns an "Approve/Eligible" result. That approval letter is what the lender uses to move forward with the loan.



The automated system is fast and consistent. It applies the same rules to every applicant, which reduces the chance of human bias or simple error. For most borrowers with a steady work history, a credit score above 620, and manageable debts, automated approval is the smoothest route. The system also handles the VA's specific requirements, such as the residual income calculation, which ensures you have enough money left after paying housing costs and other debts.

However, the automated system can only work with what is in your credit file. If you have a thin file with few trade lines, or if your credit report contains errors, the system may return a "Refer" or "Ineligible" decision. That does not mean you cannot get the loan. It simply means the system could not complete the evaluation on its own.

When Manual Underwriting Becomes Necessary

Manual underwriting is the process of having a trained underwriter review your entire file by hand. The underwriter examines your income documentation, bank statements, employment history, and any letters of explanation you provide. Instead of relying on a credit score alone,

the underwriter looks at the whole picture to determine your ability and willingness to repay the loan.

Manual underwriting is most common for borrowers who cannot get an automated approval due to limited credit, a recent short sale or foreclosure, or a high debt-to-income ratio that still makes sense given their specific situation. The VA allows manual underwriting for loans that do not meet the automated system's requirements, as long as the borrower can show compensating factors. Compensating factors might include a large down payment, significant cash reserves, a history of paying rent on time, or a steady job in the same field for many years.

The underwriter's job is to weigh those compensating factors against the risk shown by the credit file. This is where judgment and experience matter. A borrower with a credit score of 580 but a strong history of on-time rent payments and twelve months of cash reserves may still qualify through manual underwriting. The process takes longer, sometimes several weeks, and requires more documentation. But for the right borrower, it opens a door that the automated system would have closed.

Key Differences in Credit Requirements

The VA itself does not set a minimum credit score for a VA loan. That decision is left to each lender, and many lenders set their own minimum, often around 620, as a lender overlay. Automated underwriting systems typically enforce that overlay automatically. If your score is below the lender's threshold, the system will not approve the loan even if the VA guidelines would allow it.

Manual underwriting, on the other hand, allows the underwriter to look past a low credit score if the rest of your financial picture is solid. The underwriter will still check your credit history to see if the low score comes from a single large medical bill or from a pattern of missed payments. They will also verify that you have no outstanding debts to the federal government, which is a VA requirement. For borrowers with non-traditional credit, such as utility bills or rent payments reported by a property manager, manual underwriting can accept that documentation where the automated system cannot.

Debt-to-income ratio works differently in each process as well. The automated system uses a strict threshold, typically around 41% for VA loans. Manual underwriting allows the underwriter to consider your residual income more carefully. If your debt-to-income ratio is above the automated limit but your residual income after all debts is still comfortable, manual underwriting can still approve the loan.



Which Path Suits Your Situation

If you have a clean credit file, a credit score above 620, and a steady job, automated underwriting is the faster and simpler option. You will likely get a decision within hours, and the lender can move quickly toward closing. This is the route most VA borrowers take, and it works well for them.

If your credit file is thin or contains a few blemishes, manual underwriting may be the better fit. You should expect to provide extra documentation, such as two years of tax returns, bank statements, and a detailed letter explaining any past credit issues. You may also need to show that you have at least three months of mortgage payments in reserves after closing. The

process is slower, but it gives you a chance to present your full financial story rather than being reduced to a three-digit number.

Some borrowers fall in between. They may have a credit score that passes the automated system but a debt-to-income ratio that triggers a referral. In those cases, the lender may blend both processes, using the automated system for the credit check and manual review for the income analysis. Your loan officer can tell you which path your application will follow based on your specific numbers.

Regardless of which route you take, the goal is the same: to show that you can afford the loan and that you are a responsible borrower. The VA loan program exists to help veterans and active-duty service members become homeowners. Both automated and manual underwriting are tools that lenders use to fulfill that purpose while managing their own risk.

If you are unsure where you stand, it helps to work with a lender that understands VA loans and can explain your options clearly. A resource like scarpero.com can give you plain-language guidance on VA loan eligibility, underwriting, and credit requirements. Taking the time to understand the process before you apply can save you frustration and help you choose the right lender for your situation. scarpero.com focuses on answering the practical questions that veterans face when navigating the home financing process, so you can go into your application with confidence.

Manual underwriting is not a fallback or a failure. It is a legitimate path for qualified borrowers whose credit history does not fit neatly into an automated system. If your file needs a human touch, do not be discouraged. Gather your documents, explain your story, and let an underwriter see the full picture. With the right preparation, manual underwriting can get you to the same closing table as an automated approval.