

New Closing Disclosure Guidelines and Full File Loan Review Stacking Order

1. Purpose. The purpose of this Circular is to announce Department of Veterans Affairs (VA) new closing disclosure statement requirements, and the new mandatory stacking order for files selected for VA full file loan review of all loan applications taken on, or after, October 3, 2015.
2. Background. The Consumer Financial Protection Bureau's (CFPB) Know Before You Owe mortgage disclosure rule replaces the Truth-In-Lending Disclosure, and the Department of Housing and Urban Development (HUD)-1 Settlement Statement, with the Closing Disclosure. Loan applications received on or after October 3, 2015, must be closed utilizing the new Closing Disclosure. As a result, VA is providing guidance as it relates to VA-guaranteed home loans.
3. Lender Actions. All files selected for full file loan review, for loan applications taken prior to October 3, 2015, may include the HUD-1 Settlement Statement. VA is aware that loans will be requested that have the HUD-1 closing document, and VA will perform the full file review with the existing document.
 - a. All files selected for full file review, for loan applications completed on or after October 3, 2015, must contain the Closing Disclosure. Lenders are not required to submit the HUD-1 itemization because this information must be provided on the Closing Disclosure. Files that do not have the Closing Disclosure will be returned for proper closing documents.
4. New VA Loan Review Stacking Order. A new mandatory stacking order has been established for purchases/cash-out refinances and interest rate reduction refinance loans (IRRRLs), to include the closing disclosure statement. The new stacking order for purchase/cash-out refinance loans is attached in Exhibit A, and the new stacking order for IRRRLs is in Exhibit B.
5. Rescission: This Circular is rescinded October 1, 2016.

By Direction of the Under Secretary for Benefits

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1. Stacking Order for Purchase/Cash-out Refinance Loans

Order	Document
1	Lender's cover or transmittal letter (if used).
2	Evidence of compliance with Notice of Value (NOV) requirements; such as, final compliance inspection, termite certification, and/or warranty.
3	Uniform Residential Loan Application (URLA) with revised VA Form 26-1802a , <i>HUD/VA Addendum to URLA</i> . <ul style="list-style-type: none"> • These forms may be signed and dated anytime from the date of initial application to the date of loan closing. These forms must be properly completed and legible, but do not have to be typed.
4	Purchase Agreement including all contract addendums and the signed VA Escape Clause.
5	HUD-1 , <i>Settlement Statement or Closing Disclosure Statement</i>
6	HUD-1 itemization attachments (Breakout of HUD-1 lines 801 and 802, 1100 (title fees), 200 (credits), etc.). *For loan applications taken prior to October 3, 2015.
7	VA Form 26-1820 , <i>Report and Certification of Loan Disbursement</i>
8	VA Form 26-8497 , <i>Request for Verification of Employment</i> , and other verifications of income such as pay stubs and tax returns. Reference: VA Pamphlet 26-7, section 2 of chapter 4 .
9	VA Form 26-8937 , <i>Verification of VA Benefits</i> (if applicable).
10	Credit Alert Verification Report System (CAIVRS): borrower/co-borrower
11	All original credit reports obtained in connection with the loan and any related documentation such as explanations for adverse credit if required.
12	VA Form 26-8497a , <i>Request for Verification of Deposit</i> , and other related documents (Alternative documentation: Original or certified true copies of last two bank statements).
13	For Automated Underwriting cases: Feedback Certificate and underwriter's certification (acceptable variations on the documentation required in items 17, 18, and 19 below, and the underwriter's certification, are explained in VA Pamphlet 26-7, section 8 of chapter 4).
14	VA Form 26-6393 , <i>Loan Analysis</i>
15	VA Form 26-0286 , <i>VA Loan Summary Sheet</i>
16	If a loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate (LGC).
17	VA Form 26-0592 , <i>Counseling Checklist for Military Homebuyers</i> , if the applicant is on active duty.
18	Other necessary documents (for example – but not limited to: Power of Attorney if used, Lenders Loan Quality Certification).

1. Stacking Order for IRRRLs.

Order	Document
1	Lender's cover or transmittal letter (if used).
2	Uniform Residential Loan Application (URLA) with revised VA Form 26-1802a , <i>Department of Housing and Urban Development (HUD)/VA Addendum to URLA</i> or VA Form 26-0503 , <i>Federal Collection Policy Notice</i> . <ul style="list-style-type: none"> • These forms may be signed and dated anytime from the date of initial application to the date of loan closing. These forms must be properly completed and legible, but do not have to be typed.
3	HUD-1 , <i>Settlement Statement or Closing Disclosure Statement</i>
4	HUD-1 itemization attachments (Breakout of HUD-1 lines 801 and 802, 1100 (title fees), 200 (credits), etc.). *For loan applications taken prior to October 3, 2015.
5	VA Form 26-1820 , <i>Report and Certification of Loan Disbursement</i>
6	Statement signed by the Veteran acknowledging the effect of the refinancing loan on the Veteran's loan payments and interest rate. <ul style="list-style-type: none"> • The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. • The statement must also indicate how long it will take to recoup ALL closing costs (both those included in the loan and those paid outside of closing). • If applicable, the Veteran's statement may be combined with the lender's certification that the Veteran qualifies for the new monthly payment which exceeds the previous payment by 20% or more.
7	VA Form 26-8923 , <i>Interest Rate Reduction Refinancing Loan Worksheet</i>
8	VA Form 26-8937 , <i>Verification of VA Benefits</i> , (if applicable).
9	Lender's certification that the prior loan was current (not 30 days or more past due) at the time of loan closing.
10	Credit Alert Verification Report System (CAIVRS): borrower/co-borrower
11	VA Form 26-0286 , <i>VA Loan Summary Sheet</i>
12	If a loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate (LGC).
13	Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the Veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan. Reference: VA Pamphlet 26-7, section 3 of chapter 7 .
14	Other necessary documents (for example – but not limited to, Power of Attorney if used, Lenders Loan Quality Certification, certification from lender that Veteran qualified for new monthly payment if previous payment is exceeded by 20% or more if applicable).