

VA Lenders Handbook 26-7

Appendix B: Stacking Orders

Available at: https://benefits.va.gov/WARMS/docs/admin26/pamphlet/pam26_7/vap26-7-appendixb-loan-guaranty-stacking-orders.pdf

Topic 2: Prior Approval

Change Date: May 13, 2024

- This section is new and replaces the stacking order previously published in Chapter 5 Topic 3.
- VA Form 26-1802a, *HUD/VA Addendum to the URLA*, and VA Form 26-0286, *VA Loan Summary Sheet*, have been removed from the stacking order.
- The stacking orders for requesting prior approval have been updated to include disclosures and evidence of satisfaction of an NTB and seasoning where applicable, and to clarify VA's expectations related to the execution of the URLA.

a. Background

Lenders without authority to close loans on an automatic basis¹ (commonly referred to as automatic authority) must submit all proposed purchase and cash-out refinance loans to VA for prior approval.

All lenders, regardless of their authority to make VA loans, must also submit certain types of loans to VA for prior approval².

As described in Chapter 5, before submitting a loan to VA for prior approval: the Notice of Value (NOV) must be issued, the loan must be completely underwritten, and active-duty Service members must have received counseling using VA Form 26-0592. The stacking order for requesting prior approval is provided in section b for purchase and cash-out refinance loans and section c for IRRRLs.

The stacking order for reporting a closed prior approval loan is provided in section d.

The files should be uploaded as a single-file PDF into VA's electronic loan system (WebLGY or subsequent system) to the correspondence section of the loan record as a 'Prior Approval Loan Package'. If the file size exceeds VA's limit, it is permissible to split the file, but it should still follow the stacking order.

Additional information on prior approval loans is available in Chapter 5.

b. Prior Approval Request Stacking Order – Pre-close – Purchase/Cash-Out Refinance

This stacking order is used to request prior approval for a purchase or cash-out refinance.

Note that to complete the prior approval request, the lender must also complete the Loan Analysis in WebLGY. Instructions on how to complete the loan analysis are available here:

https://www.benefits.va.gov/HOMELOANS/documents/docs/prior_approval_LP_lenders.pdf

¹ 38 CFR § 36.4352

² 38 USC § 3702(d)

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b. Prior Approval Request Stacking Order – Pre-close – Purchase/Cash-Out Refinance, continued

Table 2: Prior Approval Request Stacking Order: Purchase/Cash-Out Refinances

| Order | Document |
|--------------|---|
| 1 | Lender's cover or transmittal letter, including the reason for submission, and specific point of contact, email, and phone number. |
| 2 | VA Form 26-8937, <i>Verification of VA Benefits</i> (if applicable) |
| 3 | URLA <ul style="list-style-type: none"> • Initial - fully executed by all borrower(s). • Final – proposed at final terms of the loan (does not need to be signed). |
| 4 | (<i>For Purchase Only</i>) Purchase Agreement including all contract addendums and the signed VA Escape Clause ³ . |
| 5 | VA Form 26-8497, <i>Request for Verification of Employment</i> , and all other verifications of income such as pay stubs and tax returns. Any income documentation obtained during processing should be provided in the loan file. |
| 6 | Credit Alert Verification Report System (CAIVRS): borrower/co-borrower |
| 7 | All credit reports obtained in connection with the loan and any related documentation, such as, explanations for adverse credit if required. |
| 8 | VA Form 26-8497a, <i>Request for Verification of Deposit</i> , and other related asset documents such as gift letters (Alternative documentation: Original or certified true copies of last two bank statements) |
| 9 | VA Form 26-6393, <i>Loan Analysis</i> , including any necessary explanations regarding the underwriter's determination of creditworthiness. Note: As loans should be completely underwritten before submission to VA, this form should be completed and signed by the underwriter at the final terms of the loan. |
| 10 | VA Form 26-0592, <i>Counseling Checklist for Military Homebuyers</i> ⁴ , if the Veteran is on active duty. |
| 11 | All Loan Estimates(s) |
| 12 | Documentation of the cost of energy efficiency improvements to be included in the loan (<i>if applicable</i>). |
| 13 | (<i>For Cash-out Refinances Only</i>) if the loan being refinanced is a VA loan originated less than 12 months from the date of closing, a ledger balance or servicing statement to show at least six consecutive payments were made ⁵ . |

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³ 38 CFR § 36.4303(k)(4)

⁴ 38 C.F.R. 36.4340(f)(2)(iii)

⁵ 38 CFR §§ 36.4306(b)-(c)

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b. Prior Approval Request Stacking Order – Pre-close – Purchase/Cash-Out Refinance,
continued

Table 2: Prior Approval Request Stacking Order: Purchase/Cash-Out Refinances,
continued

| Order | Document |
|--------------|--|
| 14 | <i>(For Cash-out Refinances Only)</i> NTB disclosures, evidence that the lender provided the disclosures to the Veteran within three business days of application. |
| 15 | <i>(For Cash-Out out Refinances Only)</i> Evidence of the NTB that will be met. For example, if the NTB is an interest rate reduction, the most recent mortgage statement or other document to show the current rate should be provided. |
| 16 | Other necessary documents (for example – but not limited to, Adjustable Rate Mortgage/Hybrid Adjustable Rate Mortgage disclosure, Power of Attorney and Alive and Well statement if used, Buydown Agreement, Lenders Loan Quality Certification, Escrow Agreement) |

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c. Prior Approval Request Stacking Order – Pre-close – IRRRLs

This stacking order is used to request prior approval for an IRRRL.

Table 3: Prior Approval Request Stacking Order: IRRRL

| Order | Document |
|--------------|---|
| 1 | Lender's cover or transmittal letter, including the reason for submission, and specific point of contact, email, and phone number. |
| 2 | VA Form 26-8937, <i>Verification of VA Benefits</i> (if applicable) |
| 3 | Uniform Residential Loan Application (URLA) <ul style="list-style-type: none"> • Initial - fully executed by all borrower(s). • Final – proposed at final terms of the loan (does not need to be signed). |
| 4 | The initial disclosures reflecting the Net Tangible Benefit (NTB) and recoupment, and evidence that the lender provided the disclosure to the Veteran within three business days of application. |
| 5 | VA Form 26-8923, <i>Interest Rate Reduction Refinancing Loan Worksheet</i> |
| 6 | CAIVRS: borrower/co-borrower |
| 7 | VA Form 26-0592, <i>Counseling Checklist for Military Homebuyers</i> ⁶ , if the - Veteran is on active duty. |
| 8 | Documentation to verify that the cause of the delinquency has been corrected. |
| 9 | All credit reports obtained in connection with the loan and any related documentation such as explanations for adverse credit if required. |
| 10 | Loan Payoff Statement. |
| 11 | Copy of the modification agreement if the loan to be paid off is a modified loan. |
| 12 | Evidence the loan meets seasoning for example, a ledger balance to show at least six consecutive payments were made. |
| 13 | Evidence of the obligors on the loan being refinanced (Example: copy of the mortgage/note for existing loan). |
| 14 | A copy of the most recent mortgage statement. The statement should be reflective of the current terms of the loan (i.e. interest rate and current payment amount). |
| 15 | All Loan Estimates |
| 16 | Documentation of the cost of energy efficiency improvements to be included in the loan (<i>if applicable</i>). |
| 17 | Other necessary documents (for example – but not limited to, Adjustable Rate Mortgage/Hybrid Adjustable Rate Mortgage disclosure, Power of Attorney and Alive and Well statement if used, Buydown Agreement, Escrow Agreement) |

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⁶ 38 C.F.R. 36.4340(f)(2)(iii)

Topic 2: Prior Approval, continued

d. Prior Approval Guaranty Reporting Stacking Order – Post-close

This stacking order is used to report the closing of a prior approval loan and request issuance of the LGC.

Table 4: Prior Approval Closing Stacking Order

| Order | Document |
|--------------|---|
| 1 | Lender's cover or transmittal letter, including a specific point of contact with email and phone number. |
| 2 | 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 LGC ⁷ . |
| 3 | <i>(For Purchase and Cash-Out Refinances Only)</i> Evidence of compliance with Notice of Value requirements, such as, final compliance inspection. If an escrow of funds is necessary to complete unfinished repairs, provide the escrow holdback agreement. Once the repairs are complete the lender must provide evidence of completion. Refer to Chapter 9 for additional information. |
| 4 | URLA Fully executed by the borrower(s) at final terms of the loan. |
| 5 | Closing Disclosure Statement ⁸ and credit report invoices. |
| 6 | VA Form 26-1820, <i>Report and Certification of Loan Disbursement</i> |
| 7 | Copies of the fully executed Note and Mortgage/Deed-of-Trust |
| 8 | Lenders Loan Quality Certification ⁹ , signed by an officer of the company |
| 9 | Evidence that any principal reductions were applied to the loan, this includes principal reductions for overcharges or those required to cure. |
| 10 | <i>(For Cash-Out Refinance Only)</i> NTB disclosures, evidence that the lender provided the disclosures to the Veteran within three business days of closing. |
| 11 | <i>(For IRRRLs Only)</i> The final disclosure reflecting the NTB and recoupment, and evidence that the lender provided the disclosures to the Veteran within three business days of application and at 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. |
| 12 | Other necessary documents (for example – but not limited to, Power of Attorney and Alive and Well, if used, and any documentation necessary to satisfy all conditions listed on the commitment) |

⁷ 38 CFR § 36.4303(f)

⁸ 12 C.F.R. § 1024.5

⁹ 38 C.F.R. § 36.4340(k)