

Clarification of Third-Party Verification Requirements

1. Purpose. The purpose of this Circular is to clarify the Department of Veterans Affairs (VA) policy regarding third-party verification requirements for loan underwriting.

2. Background. VA has received inquiries from lenders regarding whether or not third-party vendors may verify borrower income, employment, and asset information to determine if a borrower qualifies for a VA-guaranteed home loan.

3. Policy. VA accepts third-party verifications, subject to 38 C.F.R. § 36.4340(j) which states, in relevant part,:

a. Lenders are fully responsible for developing all credit information; *i.e.*, for obtaining verifications of employment and deposit, credit reports, and for the accuracy of the information contained in the loan application.

b. Verifications of employment and deposits, and requests for credit reports, and/or credit information must be initiated and received by the lender.

c. In cases where the real estate broker/agent, or any other party requests any of this information, the report(s) must be returned directly to the lender. This fact must be disclosed by appropriately completing the required certification on the loan application, or report and the parties must be identified as agents of the lender.

d. Where the lender relies on other parties to secure any of the credit, or employment information, or otherwise accepts such information obtained by any other party, such parties shall be construed for purposes of the VA submitted loan documents to be authorized agents of the lender, regardless of the actual relationship between such parties and the lender, even if disclosure is not provided to VA under paragraph (j)(3) of this section. Any negligent or willful misrepresentation by such parties shall be imputed to the lender as if the lender had processed those documents, and the lender shall remain responsible for the quality, and accuracy of the information provided to VA.”

e. All such relationships must be disclosed on [VA form 26-1820, Report and Certification of Loan Disbursement](#), section II, 24, j.

f. Under 38 C.F.R. § 36.4313, lenders may not charge to a Veteran the cost of obtaining third-party verifications of borrower income, employment and asset information.

(LOCAL REPRODUCTION AUTHORIZED)

4. Rescission: This Circular is rescinded November 1, 2019.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director
Loan Guaranty Service

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