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Veterans Benefits Administration

VA Loan Electronic Reporting Interface

VA Technician Guide

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5/15/08	V1.1 Final	IBM	Contractor	Updated to incorporate changes through May 15, 2008
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11/16/09	V1.3 Final	IBM	Contractor	Updated to reflect changes to VALERI Support Model

Table of Contents

List of Tables

List of Figures

List of VALERI Processes

Preface to this Edition

The U.S. Department of Veterans Affairs (VA) Home Loan Program, administered by the Veterans Benefits Administration (VBA), helps veterans obtain mortgage loans from private lenders by guaranteeing a portion of the loan against loss. VA also provides services through the Home Loan Program to help veterans avoid losing their homes in the event of temporary financial difficulties.

Gradual changes in the program and the consolidation from 46 Regional Offices (ROs) to nine Regional Loan Centers (RLCs) led VBA to redesign the way it administers the program. In the redesigned environment, Loan Administration (LA) conducts the following eight core program activities:

- Services loans on an exception basis.
- Handles inquiries on current loans and monitors partial releases of security.
- Oversees the foreclosure process.
- Processes claims.
- Conducts post-audits.
- Conducts program management and oversight.
- Trains and develops employees.
- Delivers participant training.

Significant Changes under the Redesigned Environment

VA has implemented some significant changes under the redesigned program. Specifically, VA:

- Delegates more program responsibilities to servicers.
- Services cases on an exception basis only.
- Collects and manages information as a strategic resource.
- Conducts standardized, ongoing training.

Delegates more program responsibilities to servicers – VA gives servicers the tools needed to ensure they work effectively with veterans, minimize losses to the Government, and adhere to VA standards.

- Increased decision-making authority: VA gives servicers more authority to execute loss mitigation options and to manage the foreclosure process. VA expects servicers to work with borrowers to cure delinquencies early through home retention options but, if unsuccessful, servicers can analyze alternatives to foreclosure. If alternatives are not feasible, the servicer can refer the case for foreclosure. Servicers are also responsible for calculating total eligible indebtedness, determining the net value, and determining the bid type and bid amount prior to a foreclosure sale.
- Clear guidelines on program administration: VA gives servicers clear guidelines on all aspects of servicing VA loans. These functions include current and delinquent

servicing, loss mitigation, foreclosure, transfers of custody, claim submission, and event reporting. As servicers act on VA's behalf, VA expects servicers to comply with VA guidelines.

- Incentives: VA offers incentives to increase the number of successful home retention options and alternatives to foreclosure. Incentive amounts are based on servicer performance.

Services cases on an exception basis only – Given that VA delegates more authority to servicers, VA focuses its efforts on oversight. When cases fail to comply with VA guidelines, VA's loan administration system, the VA Loan Electronic Reporting Interface (VALERI), identifies them for review and analysis. You will learn more about VALERI as you progress through this guide. VA also becomes involved in cases at the request of the borrower or after reviewing the adequacy of servicing on the loan and determining that a loss mitigation option should be pursued by the servicer. VA technicians have the ability to analyze loss mitigation options and recommend viable options to servicers.

VA distributes workload equally among technicians nationwide and provides standardized guidelines on how cases are handled. Instead of employees specializing in one area, LA employs total case management, allowing technicians to handle cases from the inception of the delinquency through claim payment or until the delinquency cures. This new role in servicing by exception enables VA to step in at critical points in the servicing process to help ensure veterans receive every reasonable opportunity to retain their homes.

Collects and manages information as a strategic resource – VA collects, manages and reports on data received from multiple sources. For example, the Web-enabled Loan Guaranty System (WebLGY), the VA Loan Production (LP) information system, sends baseline loan data to VALERI at loan origination. This includes the Loan Identification Number (LIN), loan origination date, loan interest rate, loan amount, loan term, and mortgage type. Servicers send loan servicing events to VALERI through their service bureau or the Servicer Web Portal, an online tool created by VBA to help servicers manage certain program responsibilities. These events, which servicers send on each VA loan in their portfolio, allow VA to monitor servicer activities and become involved in the servicing process when necessary. VA uses data to produce reports that support their business decisions. These reports also measure servicer and employee performance.

Conducts standardized, ongoing training – Employee development is critical for the success of the Loan Guaranty program. Technicians must possess analytical, problem solving, and decision-making skills. LA prepares employees to perform their responsibilities by providing technical training and core skills training such as problem solving and total case management skills.

To ensure that employees are adequately prepared, VA establishes a national core skill set for employees and prepares courses to teach these skills. VA develops a standard Individual Training Plan (ITP) to decide what training is necessary for an employee to gain and maintain these core skills.

Additionally, VA conducts standardized servicer training on an ongoing basis to introduce changes and enhance the performance of their delegated duties. The VA Central Office Servicer Liaison (COSL) facilitates servicer training nationwide.

Benefits of the Redesigned Environment

In addition to the enhanced level of service provided to veterans through servicers proactively pursuing home retention options early, the redesigned environment has several benefits to the servicer and VA. For servicers, the new environment offers:

- Paperless reporting.
- Incentives paid for loss mitigation triggered by electronic reporting.
- Online access to payment and status information.
- Streamlined and standardized processes.
- Automatic payment of routine claims.
- Better tools to work with VA.

Benefits to VA employees include:

- Standardized operational procedures.
- National caseload system distributes cases evenly across RLCs.
- Ability to handle cases from inception through cure or termination.
- Enhanced capability to focus on cases that need special attention.
- Less time processing paper forms.

Modifications to VA Regulations[1]

As part of the redesign, VA completed the largest revision of the VA Loan Guaranty regulations (38 CFR 36.4300 series) in the history of the Home Loan Program. The following sections provide clarification on the revised regulations and the new regulatory environment.

- New 38 CFR 36.4800 series.
- Exceptions to the effective dates of the new rules.

New 38 CFR 36.4800 Series

To move the Home Loan Program and its participants into the new regulatory environment, VA transitioned servicers in a phased approach over an approximately 11-month timeframe. As VA brought servicers into the new regulatory environment, they were subject to the new regulations, which are found at the new 4800 series in 38 CFR part 36. VA will redesignate the new 4800 series to replace current sections 36.4300 through 36.4393.

[1] Modified on 7/2009 to account for the fact that all servicers have gone live.

Exceptions to the Effective Dates of the New Rules

There were three exceptions to the phased implementation for the new rules, meaning that all servicers were subject to these proposed exceptions immediately. The first exception is the revision to section 36.4313(b)(5) on allowable legal fees. The second exception is the provision in new section 36.4824(d) that allows one year after termination for filing a claim under the guaranty. The third exception is the new authority in section 36.4848 for the Servicer Appraisal Processing Program.

1 Introduction to Technician Procedures

The purpose of this guide is to provide operational and VA Loan Electronic Reporting Interface (VALERI) system guidance, policies, and procedures to internal Loan Administration (LA) employees. It also discusses roles and responsibilities for LA staff, and servicers. A supplement to this guide is the VA Servicer Guide, used by servicers to manage their participation in the VA Home Loan Program.

This guide is written as a tool for all LA employees and the guide is written from the perspective of a Loan Technician. This manual does not change or supersede any regulation or law affecting the VA Home Loan Program. If there appears to be a discrepancy, please refer to the related regulation or law.

1.1 Objectives of this Guide

This guide has three primary objectives:

- Provide you, as LA technicians, the tools you need to manage the program, including a step-by-step description of activities and step-by-step VALERI system guidance.
- Describe LA regulations, policies, and procedures.
- Supplement the content provided to servicers in the VA Servicer Guide.

1.2 Overview of the VA Home Loan Program

Private lenders, such as banks, savings and loans or mortgage companies, make VA guaranteed loans to eligible veterans for the purchase of a home for personal occupancy. To obtain a loan, a veteran must apply to a lender. If the loan is approved, VA may then guarantee a portion of the loan. This guaranty protects the lender against loss up to the amount guaranteed and allows a veteran to obtain favorable financing terms.

Although there is no maximum loan amount set by VA, lenders will generally loan up to four times the veteran's available entitlement without requiring a down payment. This is due to secondary mortgage market considerations, which typically require a 25 percent backing. In most cases, VA only limits the loan amount to the value of the property and the veteran's ability to repay.

1.2.1 Benefits of the program

The VA Home Loan Program is a Federal benefit program. Specific benefits to the veteran borrower include:

- Equal opportunity for all qualified veterans to obtain a home loan.
- No down payment, unless required by the lender or the purchase price is more than the reasonable value of the property.
- Veterans informed of reasonable value of property being purchased.
- Negotiable interest rate.
- Ability to finance the VA funding fee.

- Reduced funding fees with a down payment of at least five percent.
- Exemption from the funding fee requirement for veterans eligible for VA compensation.
- Closing costs are comparable with other financing types and may be lower.
- No mortgage insurance premiums.
- Mortgage fully assumable.
- Right to prepay without penalty.
- When necessary, a warranty from builder and assistance from VA to obtain cooperation of builder for homes inspected by VA during construction. Inspections are completed upon request and paid for by the buyer.
- Assistance to veteran borrowers in default due to temporary financial difficulty.

1.2.2 Components of the Regional Loan Center

The Veterans Benefits Administration (VBA) administers the VA Home Loan Program through eight Regional Loan Centers (RLCs). Each RLC has three components:

- Construction and Valuation (C&V).
- Loan Production (LP).
- Loan Administration (LA).

Construction and Valuation – C&V values properties for Loan Guaranty purposes and supervises the construction of Specially Adapted Housing for disabled veterans. Specifically C&V:

- Handles all matters related to fee appraisers and compliance inspectors.
- Issues Notices of Value (NOV).
- Reviews plans and specifications.
- Handles the Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP).
- Handles issues related to builders and construction complaints.
- Assigns VA Loan Identification Numbers.

Loan Production – LP is responsible for all activities involving the origination of VA home loans. Specifically LP:

- Issues Loan Guaranty Certificates (LGC) on closed VA loans.
- Monitors performance of originating lenders and conducts training of program participants.
- Processes requests from lenders to participate in the VA Loan Guaranty Program.
- Processes requests for automatic authority.
- Provides guidance for processing releases of liability, transfers of ownership, and unauthorized transfers of ownership.

Loan Administration – LA is responsible for all activities involving VA guaranteed loans from origination until the loan is paid in full or terminated. Specifically LA:

- Monitors servicer activities and intervenes as needed during the delinquency and foreclosure process.
- Reviews cases and provides additional assistance to borrowers on an exception basis.
- Handles inquiries on current loans and monitors partial releases of security.
- Reviews exception claims prior to payment.
- Monitors the incentive program.
- Conducts post-audits.
- Conducts industry and employee training.

1.2.3 Servicer Point of Contact

The VA Central Office Servicer Liaison (COSL) is the servicer's point of contact for general program, administrative, and training questions. If you receive a question from a servicer regarding these topics, you may refer the servicer to the COSL. You are the point of contact for servicer questions on loans assigned to you. You should also be prepared to handle case-specific inquiries on current loans that are not yet assigned to a technician.

1.3 Overview of Servicer Responsibilities

Servicers play a critical role in the VA Home Loan Program, as many essential loan management activities are delegated to them. Among the activities delegated completely or in part are:

- Delinquent loan servicing.
- Loss mitigation activities.
- Appraisal review and determination of fair market value.
- Determination of net value.
- Determination of bid type and bid amount at foreclosure.
- Loan assumptions and releases of liability.
- Partial releases of security.

It is important to note that servicers who do not have automatic authority cannot process releases of liability. Also, authority to review appraisals and issue a Notice of Value (NOV) on a loan requires automatic authority and participation in the Servicer Appraisal Processing Program (SAPP).

Given the number and importance of these activities, servicers have a responsibility to both the veteran and VA. Specifically, VA asks servicers to:

- Act in the best interest of veterans and the Government.
- Service VA loans to the highest standard.

- Respond timely to veteran and VA requests.
- Pursue collection and loss mitigation efforts with a focus on home retention.
- Provide timely and accurate data to VA.
- Comply with all applicable laws, regulations, handbooks and procedures.
- Retain documents required for post-audit.

1.4 Overview of VALERI

VALERI is VA's web-based system and supports LA employees and servicers operating in the new regulatory environment. You access VALERI at https://www.vbavaleri.com. VALERI is central to VA operations and helps monitor servicers and the success of the VA Home Loan Program. You use VALERI to monitor the servicing of VA loans, generate loss mitigation recommendations, review the adequacy of servicing, review non-routine claims and incentives, and conduct post-audits. VALERI also houses reporting tools for LA managers and servicers. More detail about VALERI is included throughout this guide.

Servicers access VALERI through the Servicer Web Portal, also at https://www.vbavaleri.com. The Servicer Web Portal enables servicers to report events, file claims and appeals, upload and send documents to VA, and access various reports.

1.5 Organization of this Guide

This guide is organized into 14 core chapters that correspond to the major activities you participate in, conduct, or manage. They are:

- Chapter 2: Introduction to VALERI.
- Chapter 3: General Loan Servicing.
- Chapter 4: Delinquent Loan Servicing
- Chapter 5: Loss Mitigation.
- Chapter 6: Servicer Incentive Payments.
- Chapter 7: Regulatory Infractions.
- Chapter 8: Refunds.
- Chapter 9: Foreclosure.
- Chapter 10: Property Acquisitions.
- Chapter 11: Claims.
- Chapter 12: Post-Audit.
- Chapter 13: Bills of Collection.
- Chapter 14: Appeals.
- Chapter 15: Pre-Approvals.

Each chapter includes detailed information about the topic, including a process description and, if necessary, an explanation of how to use VALERI to perform process tasks. Within each chapter, you will also find a description of your role and the servicer's role. This is particularly important for tasks where you have oversight responsibility. You need to understand what the servicer does in order to monitor their activities appropriately. This is also why you need to understand the material provided in the VA Servicer Guide.

Each chapter also includes a table that summarizes reporting requirements and graphics that describe process steps. Note that all references to days in this guide refer to calendar days unless otherwise noted.

This guide also contains annexes to supplement information provided in the chapters or provide additional material to reference when performing your activities. They are:

- Annex 1: Glossary.
- Annex 2: Acronyms.
- Annex 3: Business Rules for Non-Routine Incentives.
- Annex 4: Business Rules for Non-Routine Acquisitions.
- Annex 5: Military Base Cutbacks or Closings and the Homeowners Assistance Program.
- Annex 6: System Interfaces and Cycle Times.
- Annex 7: Transition Period Annex.
- Annex 8: Post-Audit Annex.
- Annex 9: Management Quality Reviews.
- Annex 10: Post-Audit Document Definitions.
- Annex 11: Texas Veterans Land Board Loans.
- Annex 12: VALERI Processes.
- Annex 13: Additional VA Contact Information.

2 Introduction to VALERI

The VA Loan Electronic Reporting Interface (VALERI) is a web-based system that supports VA employees and servicers operating in the new regulatory environment. VALERI replaces the legacy Loan Servicing and Claims system (LS&C), and is central to overseeing the servicing of VA guaranteed loans.

You use VALERI to view information on a loan, conduct VA loss mitigation, process claims, conduct post-audits, make payments to servicers, and manage your workload by completing VALERI “processes” that guide you through the steps of your work.

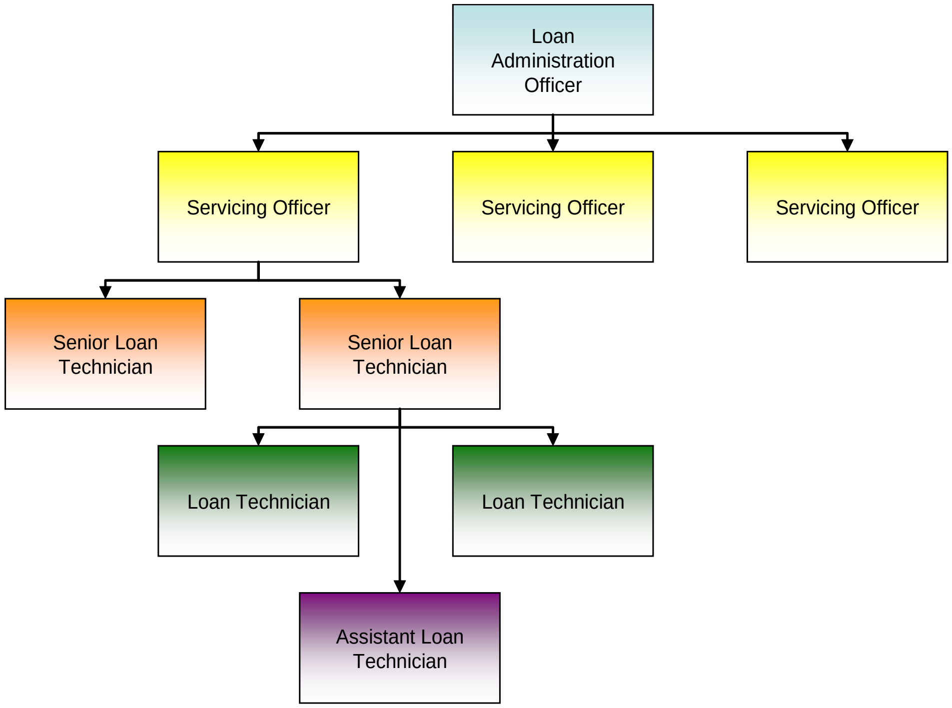
By the end of this chapter, you will understand:

- User roles and responsibilities.
- Servicer event reporting.
- Case assignment and reassignment.
- Accessing VALERI.
- VA NewTrak.
- Servicer Web Portal.
- Reports.
- Policies for handling paper documents.

2.1 User Roles and Responsibilities

Access to certain functions in VALERI is based on your role and responsibilities at VA. Within Loan Administration, there are the following roles: Assistant Loan Technicians (ALT), Loan Technicians (LT), Senior Loan Technicians (SLT), Servicing Officers (SO) and Loan Administration Officers (LAOs). Figure 1 is a representation of a Loan Administration office’s organizational chart.

Figure 1: Representational RLC Organizational Chart



ALTs require approval from an SLT or SO (depending on the process) for all work that they complete in VALERI. LTs have the ability to approve some of their own recommendations, but require approval from an SLT or SO for most work that they complete. SLTs and SOs are tasked with approving work completed by ALTs and LTs.

An appropriate official must approve and certify all payments and bills of collection in VALERI. SLTs and SOs have the responsibility to approve or reject all payments and bills of collection. SLTs have the responsibility of certifying all payments and bills of collection.

Once an ALT or LT completes the necessary processes for a payment or bill of collection, VALERI automatically routes the payment or bill of collection to an approving official. The approving official reviews the financial data and case history if necessary and approves or denies the payment or bill of collection. If approved, VALERI then routes the payment or bill of collection to an SLT for certification. The certification process is the last point of review for all payments and bills of collection.

2.2 Servicer Event Reporting

Under the new regulations, servicers must report events to VA to provide updates on the status of their loans. The new reporting requirements apply to VA guaranteed Type 2 or Type 6 loans, excluding manufactured homes that are not affixed to a permanent foundation. Events are reported electronically in most situations.

Servicers report significant event updates as they occur, pursuant to the new regulatory requirements. For example, servicers are now required to inform VA that a loan is in default by reporting the Electronic Default Notification (EDN) event when a loan becomes at least 61 days delinquent. VA requires servicers to report events in order to monitor its portfolio of active loans and perform oversight of loan servicing activities.

Each event servicers are required to report to VA contains one or more data elements that provide specific information to VA about the event. All reporting requirements are discussed in detail throughout this Guide.

This section describes the following items regarding servicer event reporting:

- How servicers report events to VA.
- Reporting timeframes.
- Event revision and withdrawal.
- Late reporting.

2.2.1 How Servicers Report Events to VA

If a servicer uses a service bureau that has a direct connection with VA, their service bureau submits most servicing events on their behalf through a nightly file exchange process. Otherwise, servicers use the Servicer Web Portal to submit all events until VA has the opportunity to establish an optional direct connection with their servicing system.

Throughout this Guide, you will see that each event is labeled with a method by which servicers must report it to VA. Servicers use three methods to report events to VA:

- Automatically through Service Bureau: If a servicer uses a service bureau that has a direct connection with VA to submit loan events, they submit, revise, and withdraw the events labeled "automatically through service bureau" through their service bureau. They are responsible for entering the event data into their servicing system by the event due date.
- Manually via Servicer Web Portal: If a servicer does not use a service bureau that has a direct connection with VA, they must submit, revise, and withdraw events through the Servicer Web Portal. There are also some events that all servicers must report through the Servicer Web Portal. All servicers must use the Servicer Web Portal to report the following Portal-Only Events: Basic Claim[2], Refunding Settlement, Partial Release of Security, Partial Payment Returned, Invalid Sale Results, and Improper Transfer of Custody. These events are described in greater detail throughout this Guide. Servicers may use a bulk upload spreadsheet to report multiple events at once through the Servicer Web Portal. If a servicer contacts you regarding the bulk upload process, refer them to the VALERI website at http://homeloans.va.gov/valeri.htm, where they will find a bulk upload template and guide.[3]
- Telephone call, email, fax, or letter: Only two events are not reported electronically. All servicers must report the Unauthorized Transfer of Ownership and Extenuating

[2] Name of Basic Claim event corrected throughout entire guide on 7/2009. Deleted Transfer of Custody as a Portal-only event.

[3] Added bulk upload spreadsheet guidance 7/2009.

Property Circumstances events via telephone call, email, fax, or letter. These events are described in greater detail throughout this Guide.

2.2.2 Reporting Timeframes

Servicers must report all events according to VA-specified timeframes. Most events will be reported on either a monthly basis or “on the event.” For example:

- If an event is reported on a monthly basis, they must report the event no later than the seventh day of the month following the month for which the reported information applies.
- If an event is reported on an “on the event” basis, they must report the event no later than the seventh day from when the event occurred.

Not all events are reported monthly or on the event. Servicers report the following events to VA within specified timeframes:

- Refunding Settlement: Within 60 days from the refund approval date. The refund approval date is the date that VA approves a refund.
- Transfer of Custody: Within 15 days of loan termination if the servicer wants to transfer custody of the property to VA.
- Basic Claim: Servicers have 365 days from loan termination to submit a claim and any supplemental claims for a loan terminated through foreclosure, deed-in-lieu, or compromise sale. They have 60 days from the refund approval date to submit a claim for a refunded loan. All claims are submitted through the Servicer Web Portal.

2.2.3 Event Revision and Withdrawal

If a servicer reported an event to VA erroneously, they can revise or withdraw the event. VA generally allows servicers to revise or withdraw events for up to three days from the day they submit the event.[4]

If a servicer reported an event erroneously but the timeframe for revising or withdrawing events has passed, they must contact the VA technician assigned to the loan. If a servicer contacts you in this situation, you consult with your supervisor in order to ensure that the event is cancelled in VALERI. If the loan is fewer than 61 days delinquent and a servicer needs to withdraw or revise an event after the timeframe expires, they may contact any technician at any Regional Loan Center (RLC) to request that the event be cancelled.

If a servicer needs to withdraw multiple events, they must withdraw the events in reverse chronological order. For example: If they report the Foreclosure Referral event first and the Foreclosure Sale Scheduled event second, and they need to withdraw both of them, they must withdraw the Foreclosure Sale Scheduled event first.

[4] Deleted incorrect revision/withdrawal timeframe language on 7/2009.

2.2.4 Late Reporting

For every event a servicer submits to VA, VALERI records information regarding the timeliness of the submission. An event is reported late if they fail to submit the event in accordance with the VA specified timeframe. Late reporting is a regulatory infraction that may affect a servicer's performance rating.

2.3 Case Assignment and Re-Assignment

Cases in default are assigned to a technician and can be reassigned if necessary. It is important to note that VALERI assigns post-audit cases to a different technician than the one who was originally assigned to the loan when the loan was first reported in default. This section discusses the following functions in VALERI:

- Assignment of cases in default.
- Assignment of cases for post-audit.
- Reassignment of cases.

2.3.1 Assignment of Cases in Default

After a servicer reports an Electronic Default Notification, the case is automatically assigned to the next available loan technician through a balanced assignment process. VALERI reviews the number of cases for each technician and assigns the case to the next available technician with the least number of cases.

The assigned technician is responsible for the loan from default notification through claim payment. The technician is assigned to the case until all of the following conditions are met:

- The loan is reinstated or terminated.
- All open processes are completed or closed.
- Timeframes for claim filing, system processing, payment certification, and/or appeals are expired.

If a loan goes into default again after it has been resolved, it is assigned to the next available technician based on the process above.

2.3.2 Assignment of Cases for Post-Audit

During post-audit, VALERI assigns a case to a technician that was not originally assigned to the loan. A technician cannot post-audit a case that he or she has been previously assigned at any time during its processing. Post-audits are assigned equally across all technicians without regard for the number of pending audits or other cases in the technician's Workbasket.

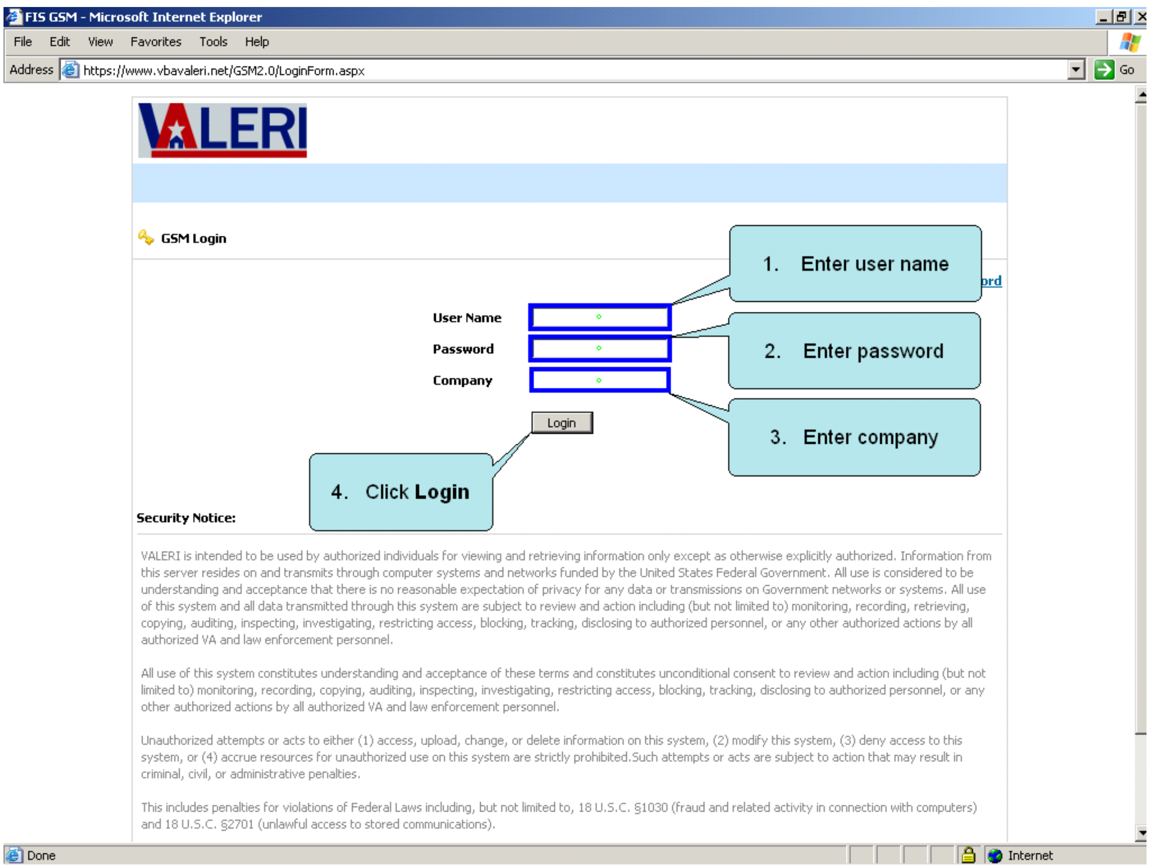
2.3.3 Reassignment of Cases

Loan Administration management has the ability reassign individual cases, groups of cases, and individual tasks to other employees. LAOs may reassign cases individually or in bulk for any reason.[5]

2.4 Accessing VALERI

You access VALERI through the technician interface at www.vbavaleri.com and log on to the system through an application called the VALERI Global Security Manager (GSM) as shown in Figure 2.

Figure 2: Login through VALERI Global Security Manager (GSM)



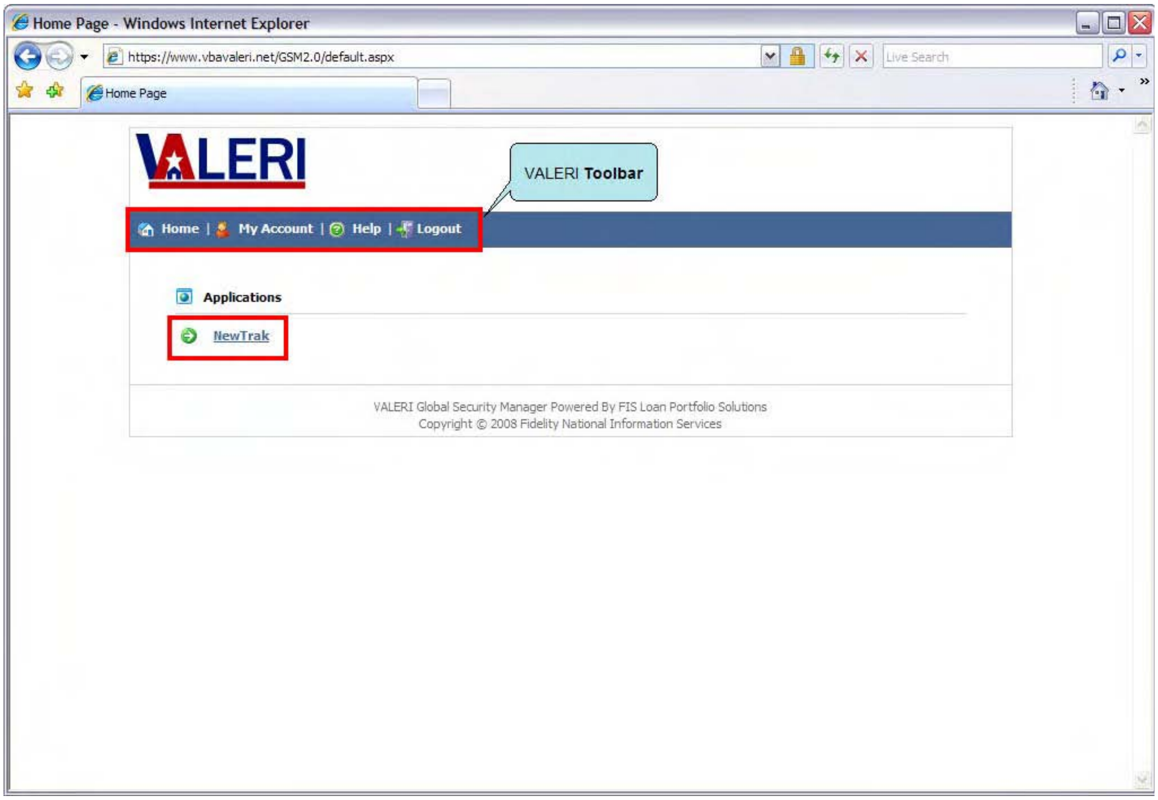
Instructions:

1. Enter your **User Name**.
2. Enter your **Password**.
3. Enter your **Company**.
4. Click the **Login** button to login to the VALERI Application.

[5] Deleted system administrators from list of persons who can reassign cases on 7/2009.

Once, you have logged in through the GSM screen with the required information, GSM authenticates your credentials and takes you to the VALERI Applications screen as shown in Figure 3.

Figure 3: Application Screen to Access VALERI Applications



The VALERI Applications screen has several features that you should be familiar with. The toolbar provides the following options:

- The **Home** link on the Applications screen toolbar takes you back to the Applications screen.
- The **My Account** link allows you to modify your profile including your password.
- The **Help** link provides you with resource materials.
- The **Logout** link logs you out from VALERI.

The following sections describe VALERI applications. VALERI is composed of the following three applications:

- The VA NewTrak application is the primary application you use to complete your tasks. All Loan Administration employees have access to the VA NewTrak application.
- The Reports application allows SOs and LAOs to access servicer operational reports and LA reports.
- The Servicer Web Portal application allows SLTs, SOs, and LAOs to access information in the Servicer Web Portal.

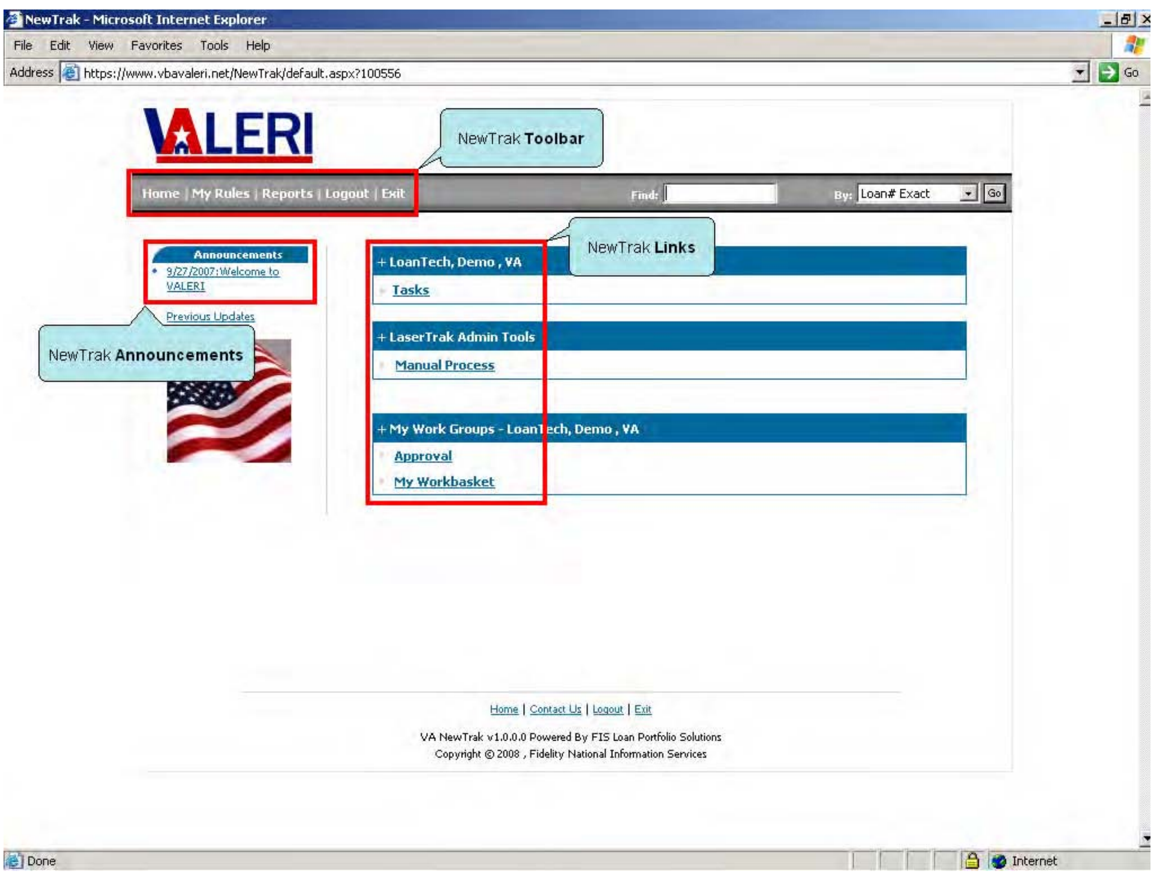
2.5 VA NewTrak

NewTrak is a process management tool that enables VA technicians to handle a variety of business process tasks in VALERI. NewTrak allows you to:

- Manage your work in your individual "Workbasket."
- View and complete VALERI "processes" for each loan assigned to you. A VALERI process is automatically assigned to you when you need to complete work on an individual loan.
- Filter, search, and sort on current or delinquent loans.
- View detailed loan information about each active VA guaranteed loan, including events submitted by the servicer.
- Add case notes on individual loans.
- View and complete tasks that are assigned to you by your supervisor.
- Process claims, perform loss mitigation analysis, conduct post-audits, and process pre-approval and appeal requests from servicers.

Once you click on the NewTrak link, VALERI routes you to the technician home page as shown in Figure 4.

Figure 4: VA NewTrak Home Page



The VA NewTrak Home Page has several features that you should be familiar with. This screen hosts a Toolbar, an Announcements Area, and links for your business process activities.

- The NewTrak Toolbar provides the following options:
  - The **Home** link takes you back to the VA NewTrak Homepage.
  - The **My Rules** link is for SOs and LAOs only.
  - The **Reports** link enables you to access the payment history reports.
  - The **Logout** link logs you out from the VALERI application and takes you to the GSM login screen.
  - The **Exit** link takes you back to the applications screen.[6]
- The NewTrak Announcements panel displays the announcements that have been issued to VA VALERI users.[7]
- The VA NewTrak links provides the following options:
  - The **Tasks** link allows you to view and access tasks assigned to you.
  - The **Manual Process** link allows you to access the Manual Process Utility function to transfer in a process.
  - The **Approval** link allows you to view all approval processes assigned to your approval workgroup. This link is available for LTs, SLTs, SOs, and LAOs.
  - The **My Workbasket** link allows you to view all processes assigned to you.

The remainder of this section describes the following topics related to NewTrak:

- Access loans.
- Manage your Workbasket.
- Complete VALERI processes.
- Use major functions in VALERI.

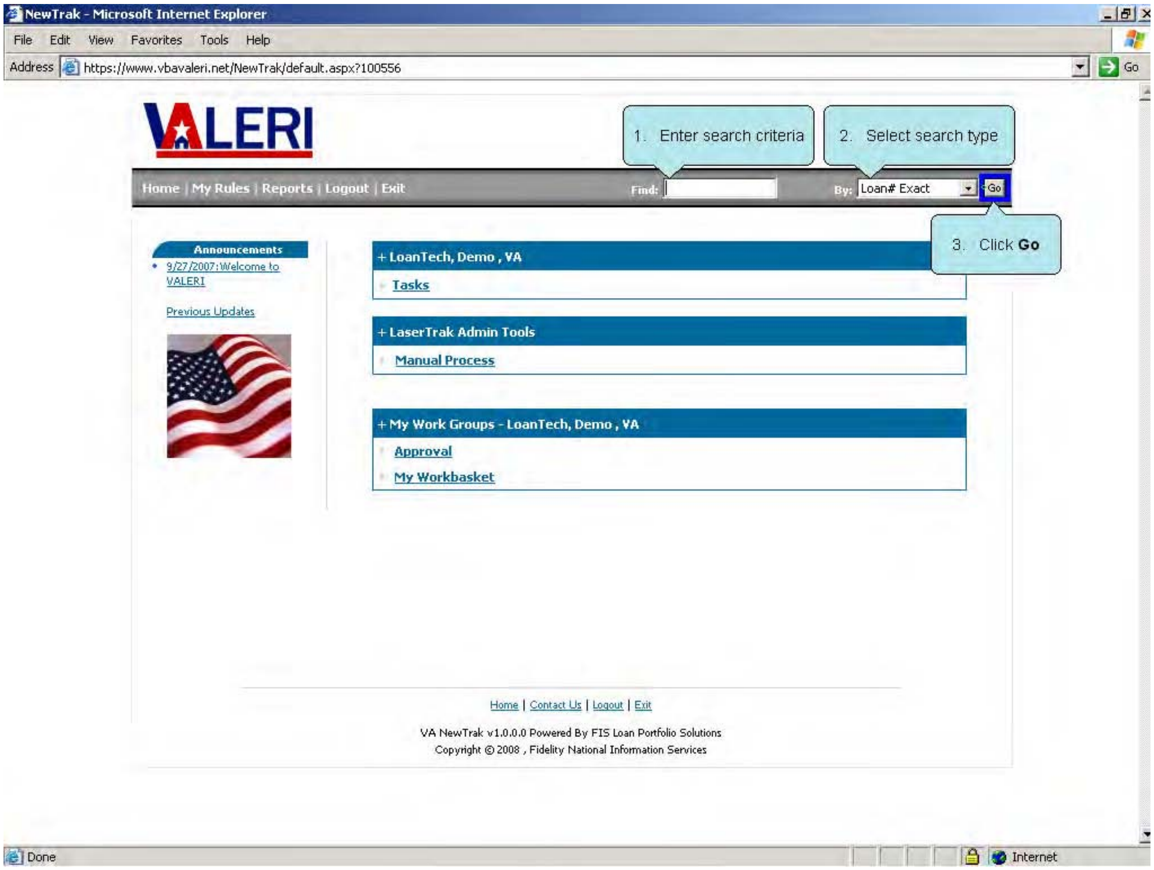
2.5.1 Access Loans

You can access loans through a variety of methods in NewTrak. Figure 5 shows how to search for a loan from the NewTrak home page.

[6] Corrected functionality of the Exit button on 7/2009.

[7] Clarified who sees announcements on 7/2009.

Figure 5: Perform Search in VA NewTrak

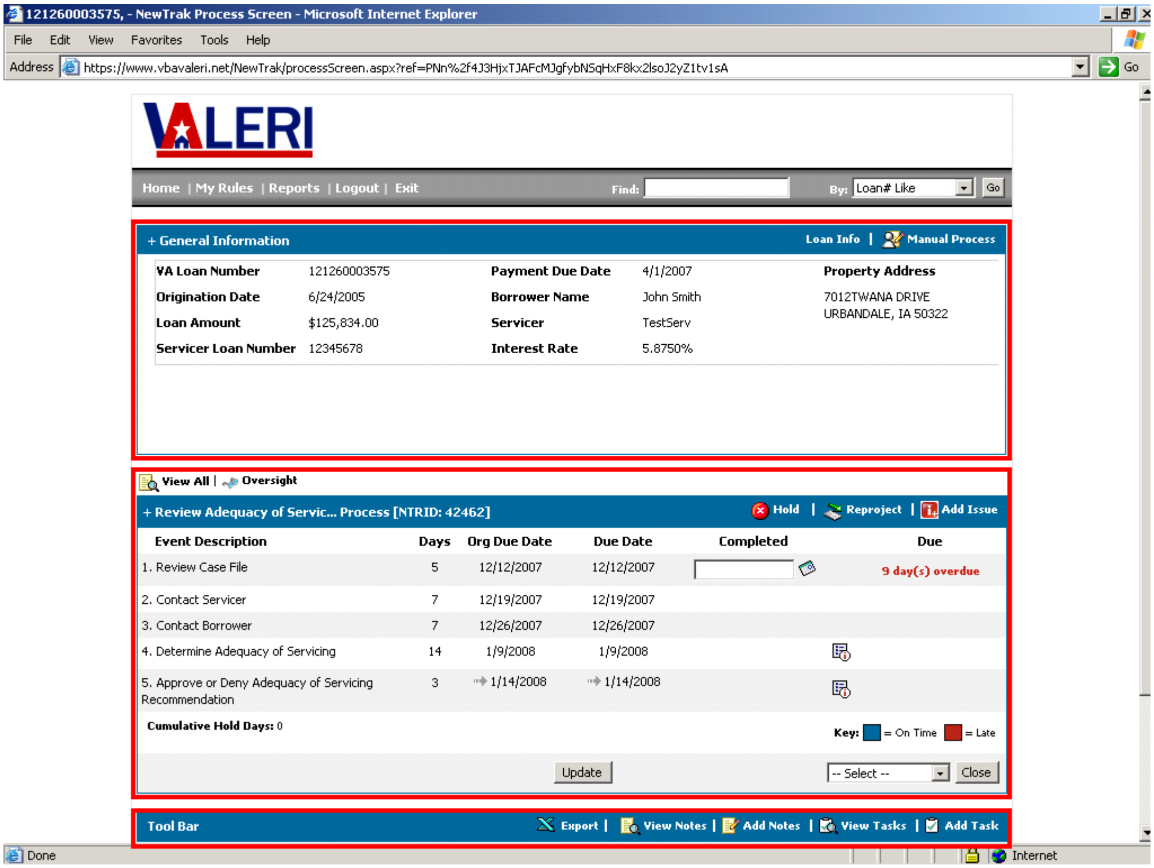


Instructions:

1. Enter search criteria in the **Find** field.
2. Select the search type that you would like to search on for your loans in the **By** list box. The list includes: loan number exact, loan number like, borrower name, property address, social security number (SSN), NewTrak Rail ID (NTRID), and servicer ID.
3. Click **Go** to retrieve your search results.

Once you access the loan, VALERI takes you to the NewTrak Process screen, as shown in Figure 6.

Figure 6: Process Screen



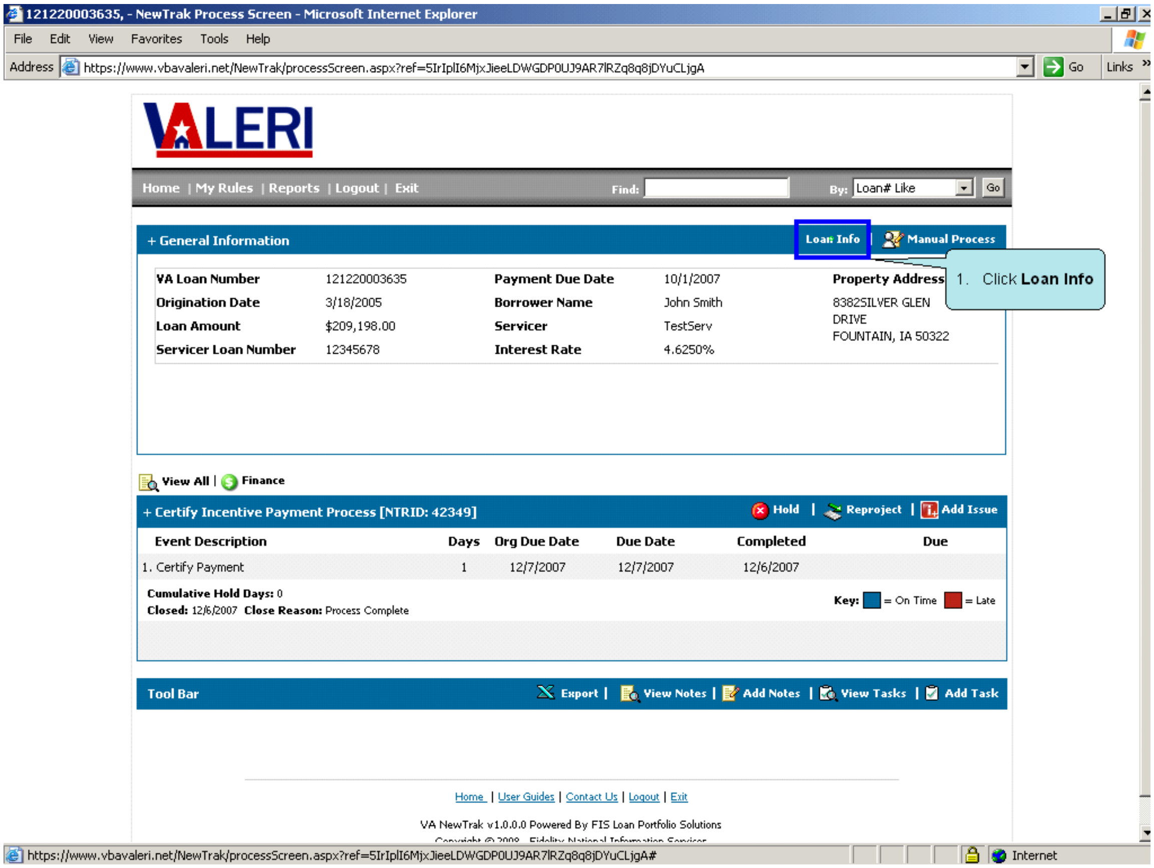
The Process screen displays information in two panels. The upper panel displays general loan information and loan origination data. The lower panel allows you to view processes and steps associated with the loan. The following sections describe how you:

- View the loan information screen.
- View event information and business rules.
- View payment history.

2.5.1.1 View the Loan Information Screen

You access more detailed information on loans by clicking on the link for Loan Information, as show in Figure 7.

Figure 7: Access Loan Information from Process Screen

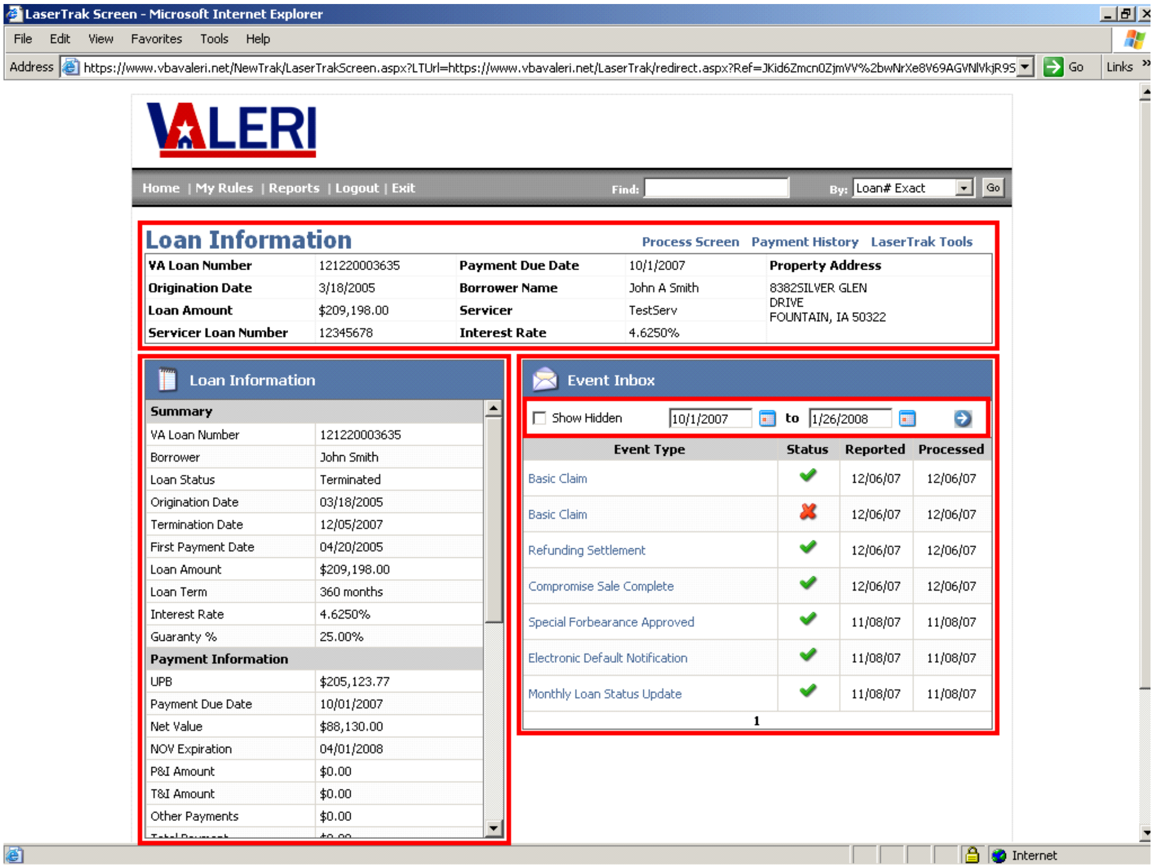


Instruction:

1. Click **Loan Info** to view the detailed loan information for the loan searched.

The Loan Information screen displays information in three panels as shown in Figure 8.

Figure 8: Loan Information Screen



The top panel displays general loan information. The panel on the lower left-hand side displays original loan terms and current payment information. The panel on the lower right-hand side displays events that have been reported on this loan. For each event, the event type, status, reported date, and processed date are displayed. You can filter events displayed by entering a date range and clicking on the arrow icon.

The Status column will display one of the following statuses:[8]

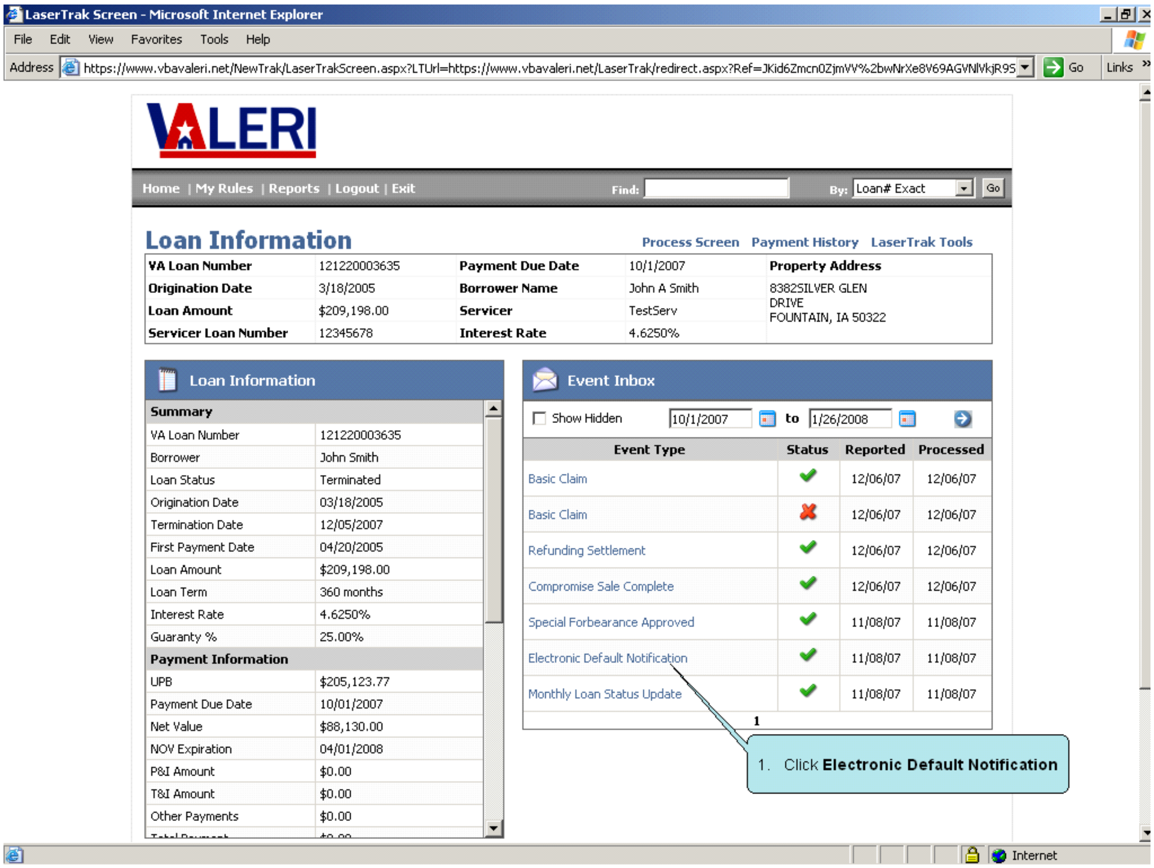
- **Pending**: VALERI is holding the submitted event until it is processed.
- **Not Processed:** Event was withdrawn or cancelled.
- **Accepted:** VALERI has accepted the event with no errors.
- **Requires Review:** VALERI has determined that this event requires further research by a technician.
- **Rejected:** VALERI did not accept the event because it failed at lease one fatal business rule.

[8] Deleted "Accepted with Errors" on 7/2009.

2.5.1.2 View Event Information and Business Rules

If you select an event to view, VALERI takes you to the Event Information screen. Figure 9 shows how to access the Event Information screen for the Electric Default Notification event.

Figure 9: Access Event Information from Loan Information Screen

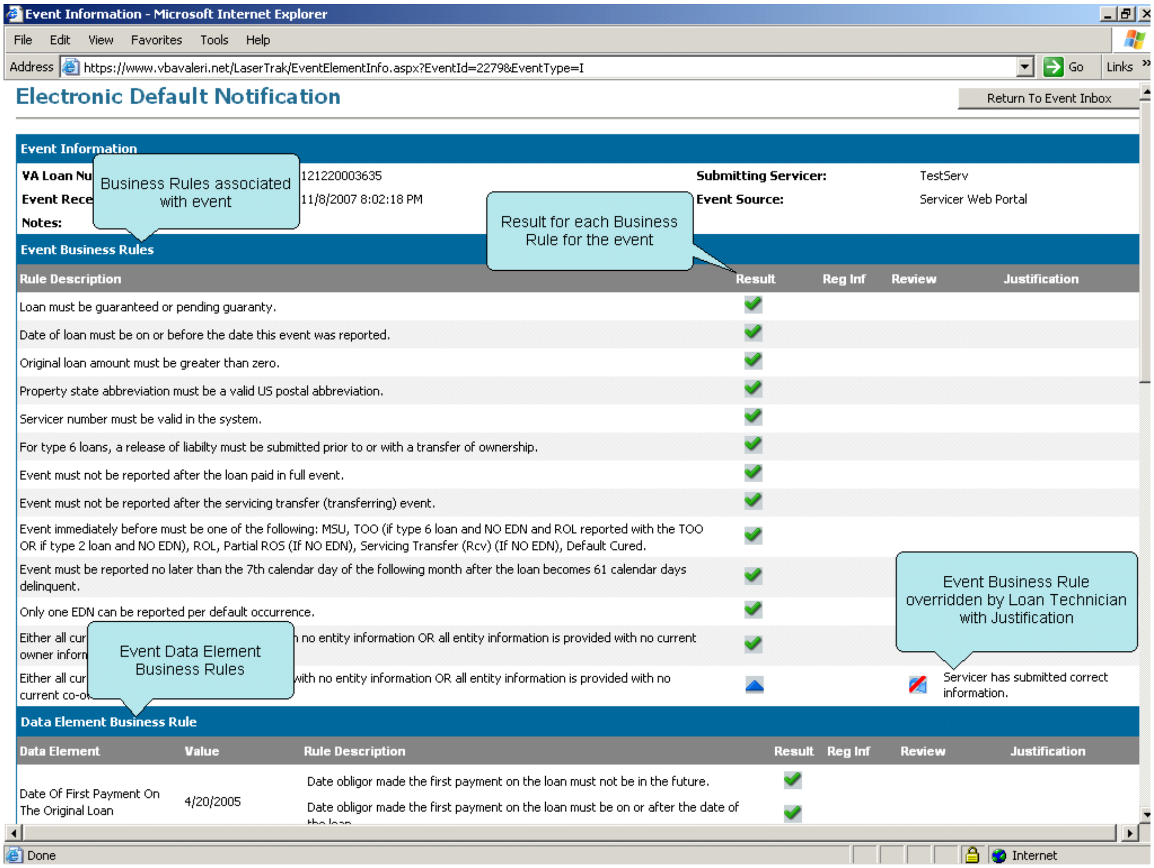


Instruction:

1. Click **Electronic Default Notification** to view more information on this event.

Figure 10 describes the different components of the Event Information screen.

Figure 10: Event Information Screen



The Event Information screen shows the business rules associated with the event. The screen also shows the data element business rules. A data element is data that is entered as part of the event. For example, the servicer must report the unpaid principal balance on the loan when they report an Electronic Default Notification.

VALERI evaluates all events against a set of business rules that define whether or not the servicer is complying with VA rules and servicing regulations. This screen shows you whether the event failed any business rules, and whether or not there are any regulatory infractions that were identified due to a business rule failure.

You have the ability to override business rule failures in order to allow payments to be made to servicers. For example, a claim cannot be paid to a servicer unless all business rule failures have been overridden on all events. Refer to the appropriate chapters on incentive, acquisition, and claim payments for detailed guidance on overriding business rule failures.

The Result column of the Event Information window displays one of the following results for each rule:

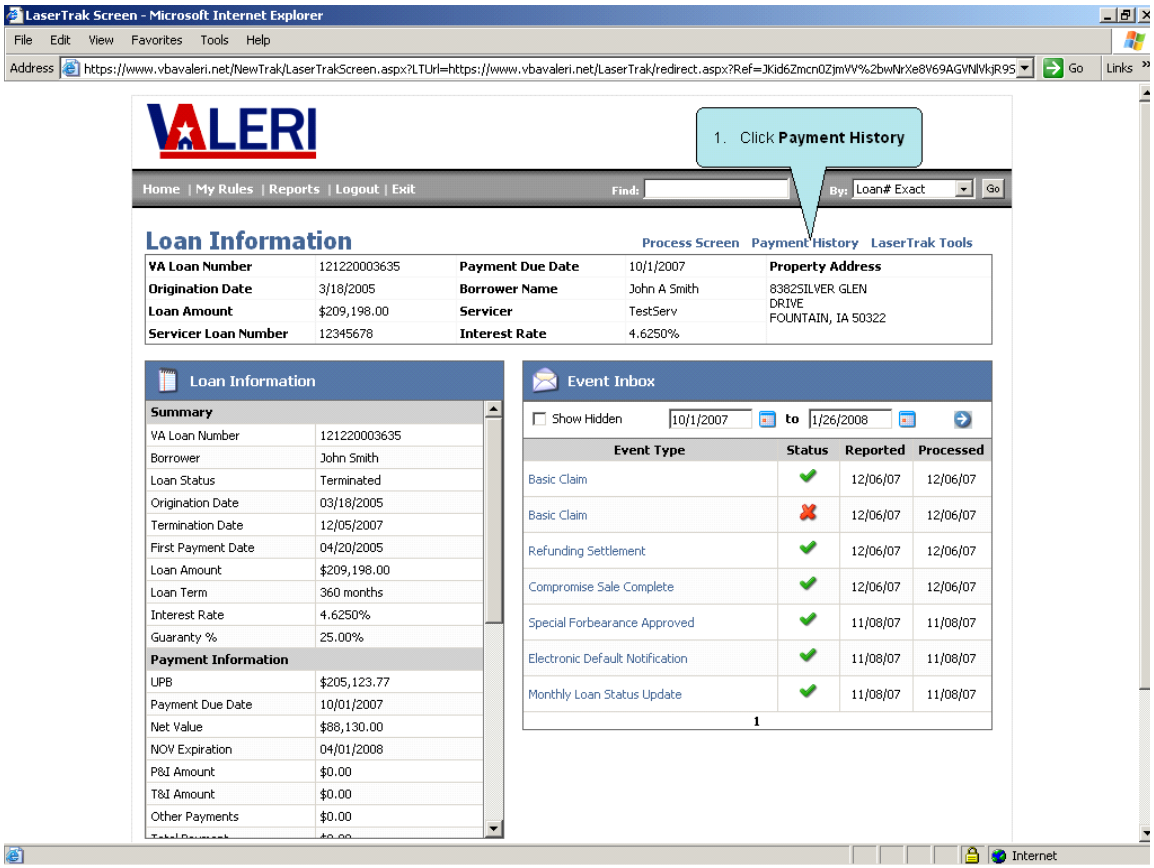
- **Green check mark**: The rule was evaluated correctly and does not require review.
- **Blue question mark**: The rule requires review by a VA technician, because it may not have been evaluated correctly or the data element may have failed the business rule.

- **Blue triangle**: The rule has been reviewed by a VA technician.[9]
- **Red X**: If there was a fatal business rule failure which caused VALERI to reject the event, the red X icon displays because the failure is not able to be overridden.

2.5.1.3 View Payment History

To view the payment history on a loan, click on the Payment History link as show in Figure 11.

Figure 11: Access Payment History from Loan Information Screen



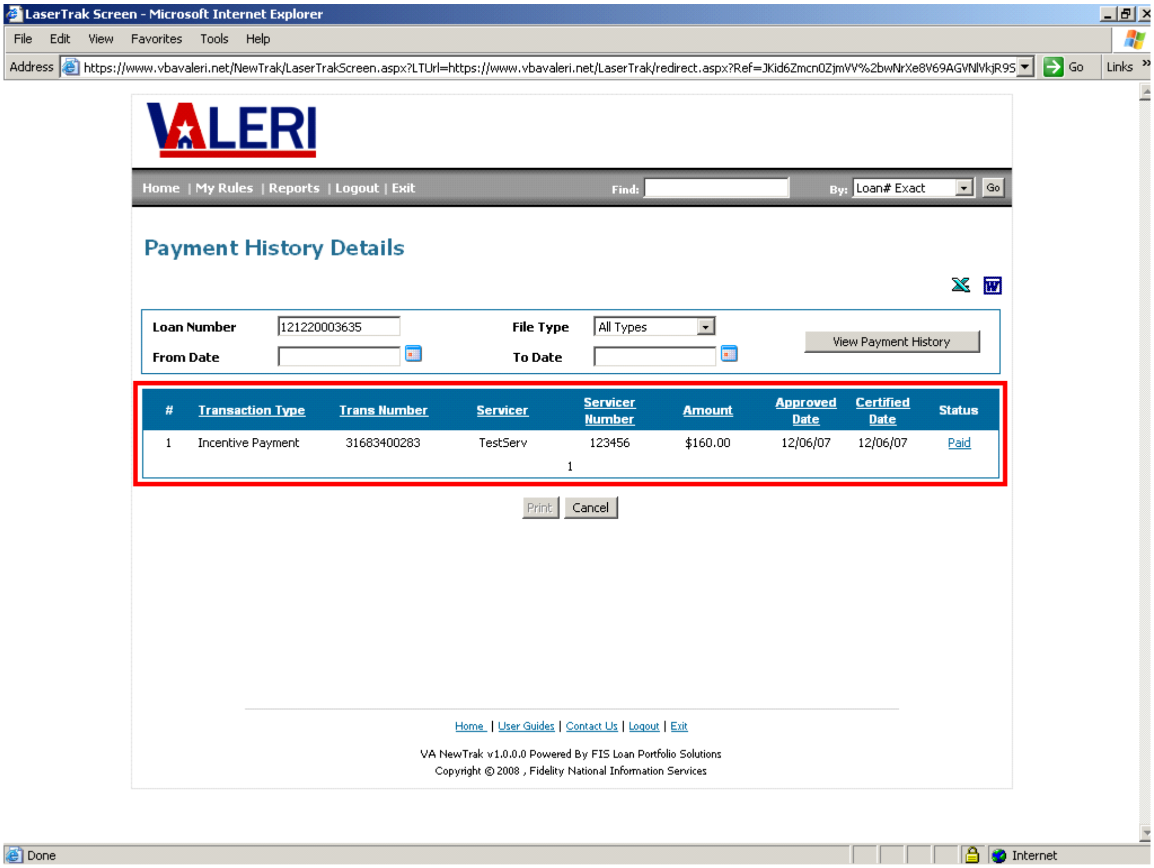
Instruction:

1. Click **Payment History** to view payment information on this loan.

Figure 12 displays the Payment History screen.

[9] Corrected blue triangle reference on 7/2009. The blue triangle does not appear on a fatal business rule.

Figure 12: Payment History Screen



The Payment History screen displays the payment transactions for the loan. This screen provides information on the transaction type, transaction number, servicer name, servicer number, payment amount, payment approval date, payment certification date, and payment status. You can restrict the transactions displayed using the following filters: File Type (Payment or BOC) or Time Period ('From Date' to 'To Date').

2.5.2 Manage Your Workbasket

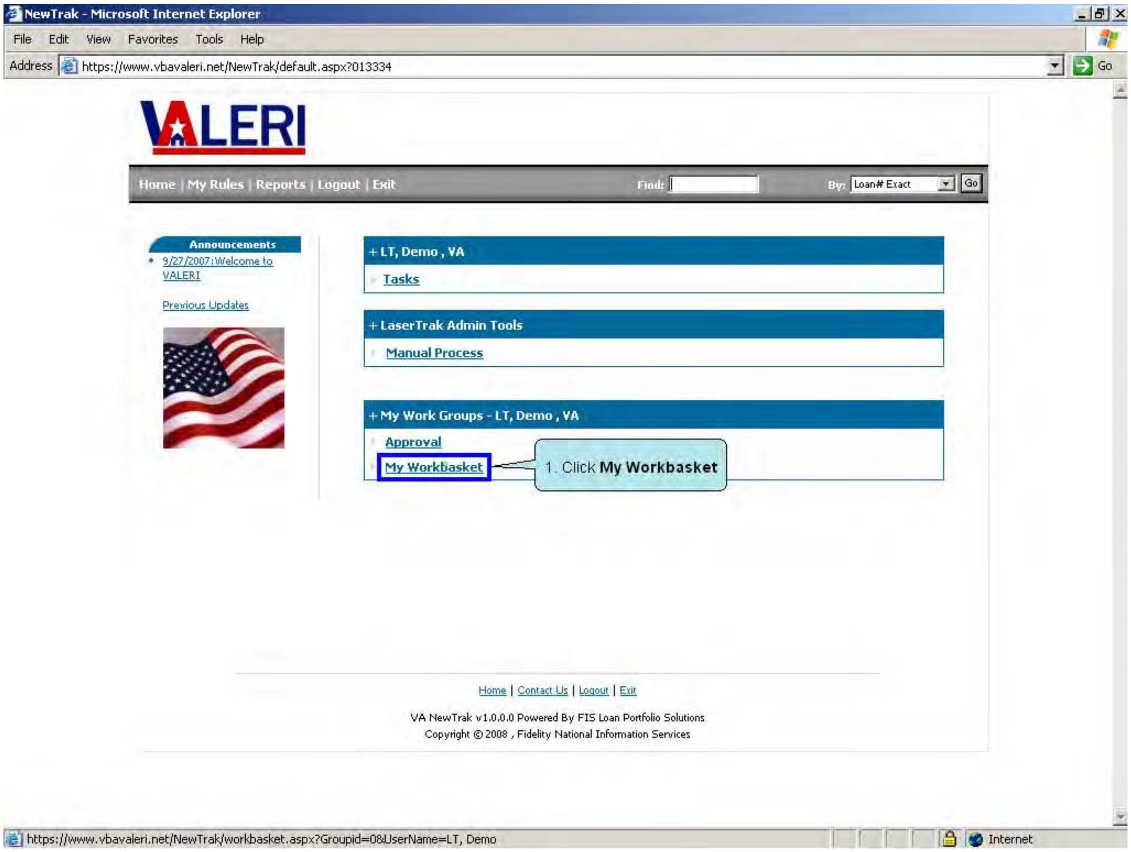
VALERI assigns processes for you to complete and routes each step of the process to your Workbasket. This section provides information on these topics:

- Navigate to your Workbasket.
- Search your Workbasket.
- Manage your due dates.
- Policies for accessing other Workbaskets.

2.5.2.1 Navigate to Your Workbasket

You access the workbasket using the My Workbasket link provided in the VALERI homepage. Figure 13 shows how to navigate to your Workbasket.

Figure 13: Navigate to Your Workbasket



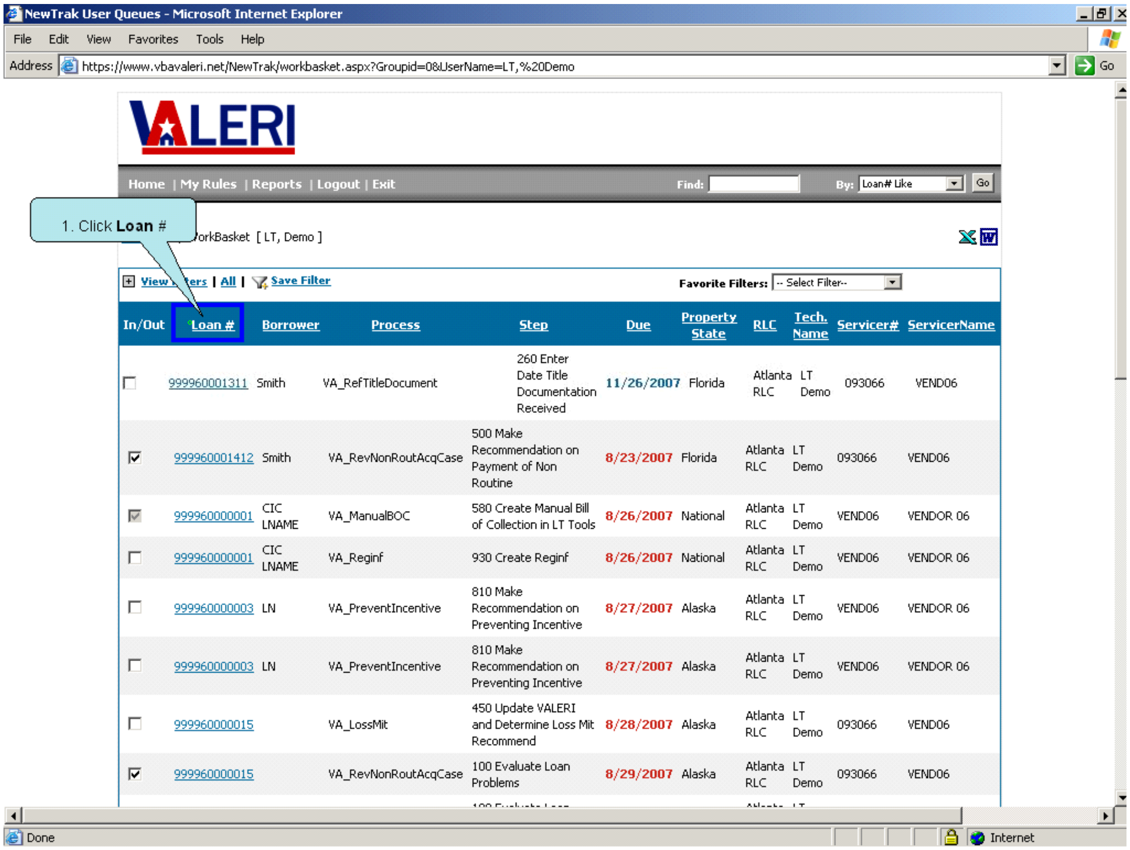
Instructions:

1. From the Technician Home Page, click the **My Workbasket** link to access your Workbasket.

2.5.2.2 Search Your Workbasket

From your Workbasket, you can view all the process steps assigned to you. Your workbasket displays the following details about each process step: loan number, borrower name, process name, step name, due date, property state, RLC, technician name, servicer number, and servicer name. You can sort your Workbasket by each of these details. The default Workbasket view is by process step due date. If a step is overdue, the due date is red. Figure 14 shows how to sort the workbasket and access a process.

Figure 14: Sort Your Workbasket

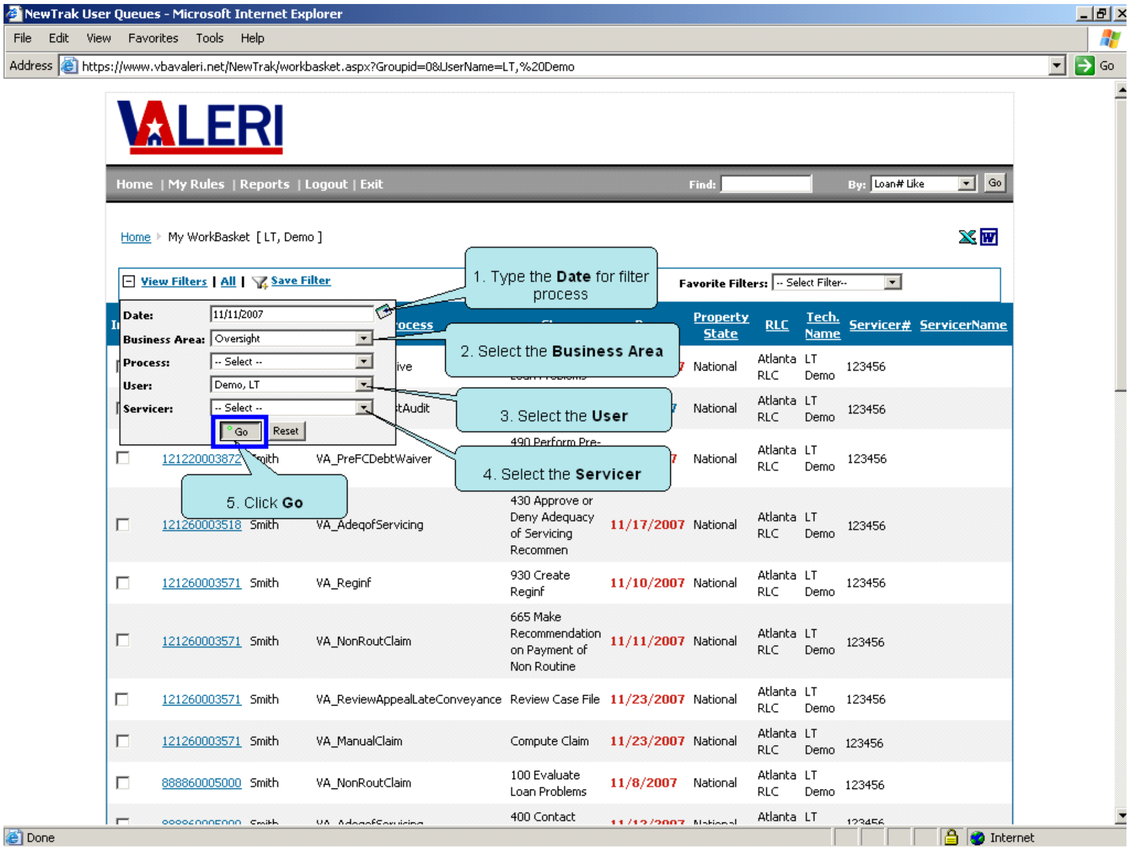


Instructions:

1. Click the **Loan #** field to sort the Workbasket by loan number. You can sort your Workbasket by each of the field descriptions by clicking on them.

You can filter the process steps in your workbasket using View Filters option. A filter allows you to access items in your Workbasket according to specified criteria. You can apply filters against the process step parameters such as Due Date, Business Area, Process, User, and Servicer. For example, you could create a filter that allows you to quickly access all post-audit processes that are open on your loans. Figure 15 shows how to apply filters on the workbasket.

Figure 15: Apply Filters

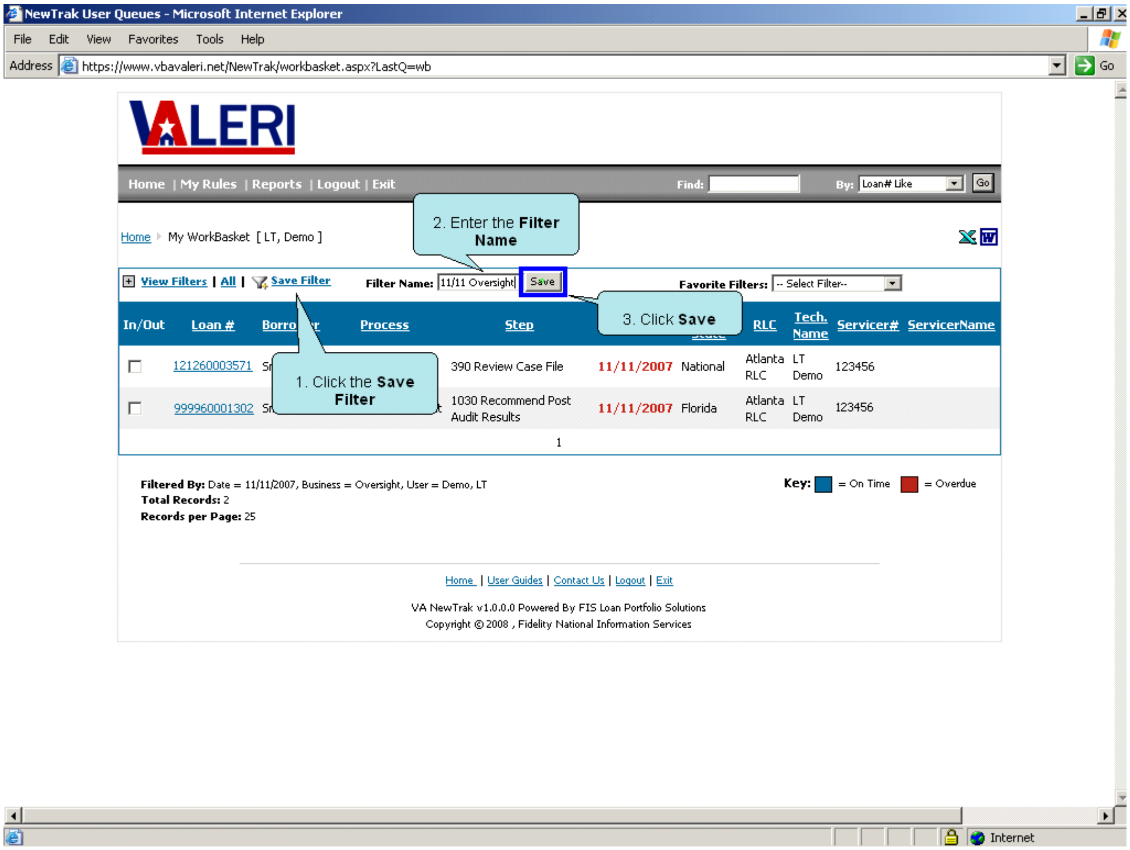


Instructions:

1. Type in the due **Date** of the process.
2. Select the **Business Area** of the process.
3. Select the **User** to whom the process is assigned.
4. Select the **Servicer** of the loan.
5. Click **Go** button to apply the Filter.

You also have the ability to add, modify, and save filters. VALERI allows you to name and save your filters so that you can use them later. Figure 16 shows how to save a filter.

Figure 16: Save a Filter

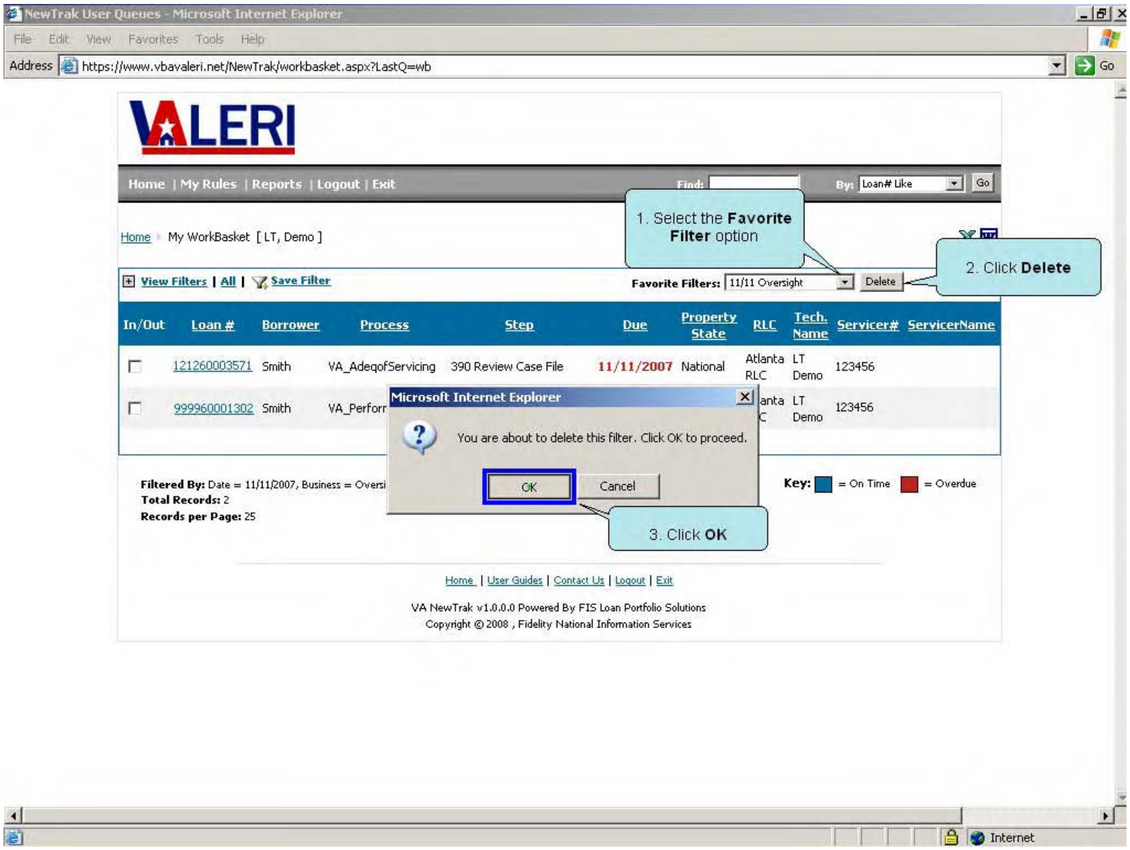


Instructions:

1. Click the **Save Filter** option to add new filter.
2. Enter the **Filter Name**.
3. Click the **Save** button to save the filter.

You can delete the filters which you do not need anymore from the Favorite Filters list. Figure 17 shows how to delete a filter.

Figure 17: Delete a Filter



Instructions:

1. Select the **Favorite Filter** name which you want to delete.
2. Click **Delete** button to remove the selected filter.
3. Click the **OK** button of the confirmation window to complete the deletion process.

2.5.2.3 Manage Your Due Dates

All timeframes for process due dates are shown in calendar days. If your due date falls on a weekend, the due date will default to the next business day. If you will be away from work during a period of time in which steps will become due in your Workbasket, you should attempt to complete all those steps before you leave. If you are unable to complete those steps before you leave, speak to your supervisor, who may decide to re-assign your work.

2.5.2.4 Policies for Accessing Other Workbaskets

To provide flexibility and facilitate the reassignment of work, VALERI allows certain employees to view Workbaskets of other employees. However, Loan Administration management restricts the viewing of Workbaskets according to the following policies:

- LAOs may view the Workbaskets for all employees at the RLC.
- SOs may view the Workbaskets of all the technicians they directly supervise.

- Team Leaders may view the Workbaskets of all the technicians assigned to their team.
- Technicians may not view other employees' Workbaskets without prior approval from Loan Administration Management.

VALERI tracks when any employee views another employee's Workbasket. Loan Administration management strictly enforces rules on viewing another employee's Workbasket.

2.5.3 Complete VALERI Processes

One of the primary actions that you perform in VALERI is completing a process. When VALERI initiates a process on a loan to which you are assigned, it routes the process and all of its steps to your Workbasket. You access the Process screen for a loan by selecting the process in your Workbasket or by searching for a loan from any screen with the search function.

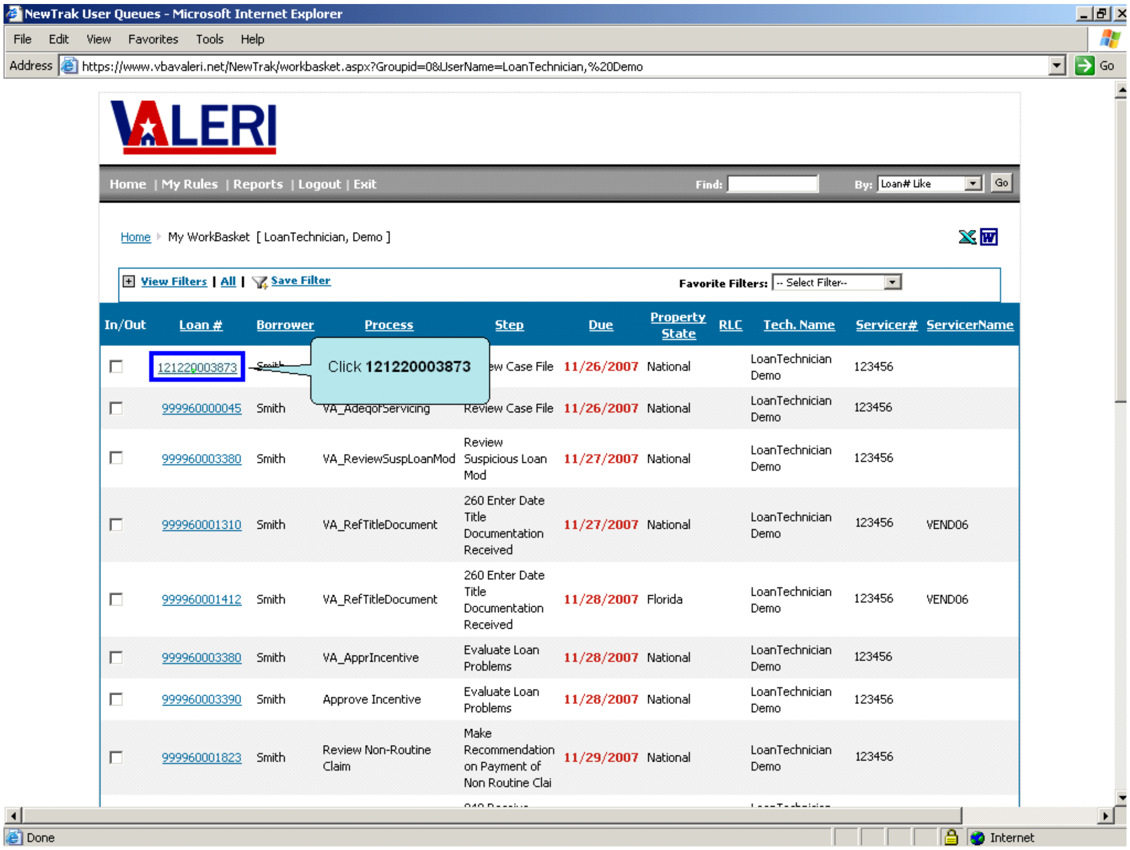
This section provides guidance on how you use the Process screen to:

- Access and view a VALERI process.
- Complete a VALERI process.
- Reproject the due date of a process step.
- Place a hold on a loan.
- Add an issue to a loan.
- Add case notes.
- Transfer in a manual process.

2.5.3.1 1.5.3.1 Access and View a VALERI Process

The processes assigned to you for completion are displayed in your Workbasket. To access a process on a particular loan, you select the loan number from the Workbasket. Figure 18 shows how to select a loan from the workbasket to complete a process.

Figure 18: Access a Process from the Workbasket

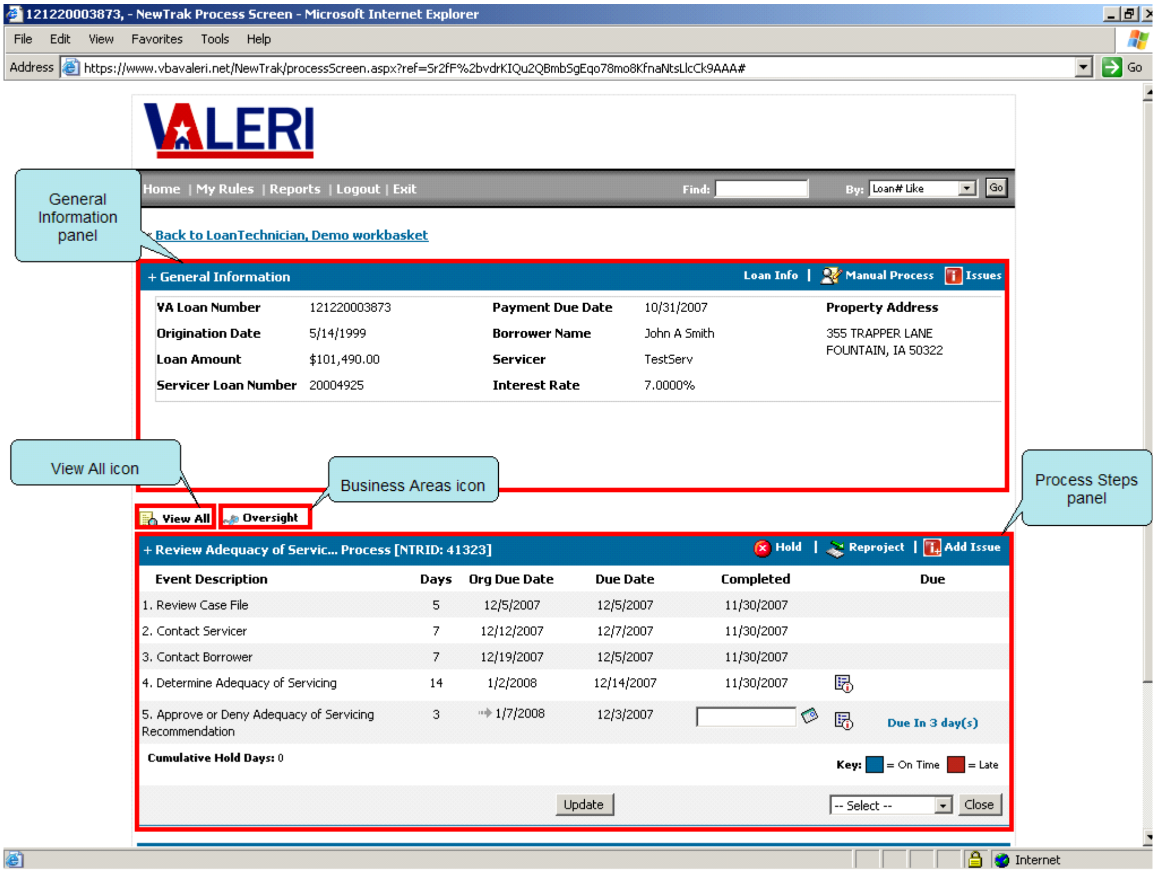


Instructions:

1. Select the **Loan Number** to access the process from the Workbasket.

Once you click on the loan number, VALERI takes you to the Process screen. The Process screen has two panels, the General Information panel and the Process Steps panel. The General Information panel displays loan information details. The Process Steps panel displays the steps that must be completed for the selected process. Figure 19 displays the different components of the Process screen.

Figure 19: Process Screen



For each process, VALERI provides the following information in the Process Steps panel:

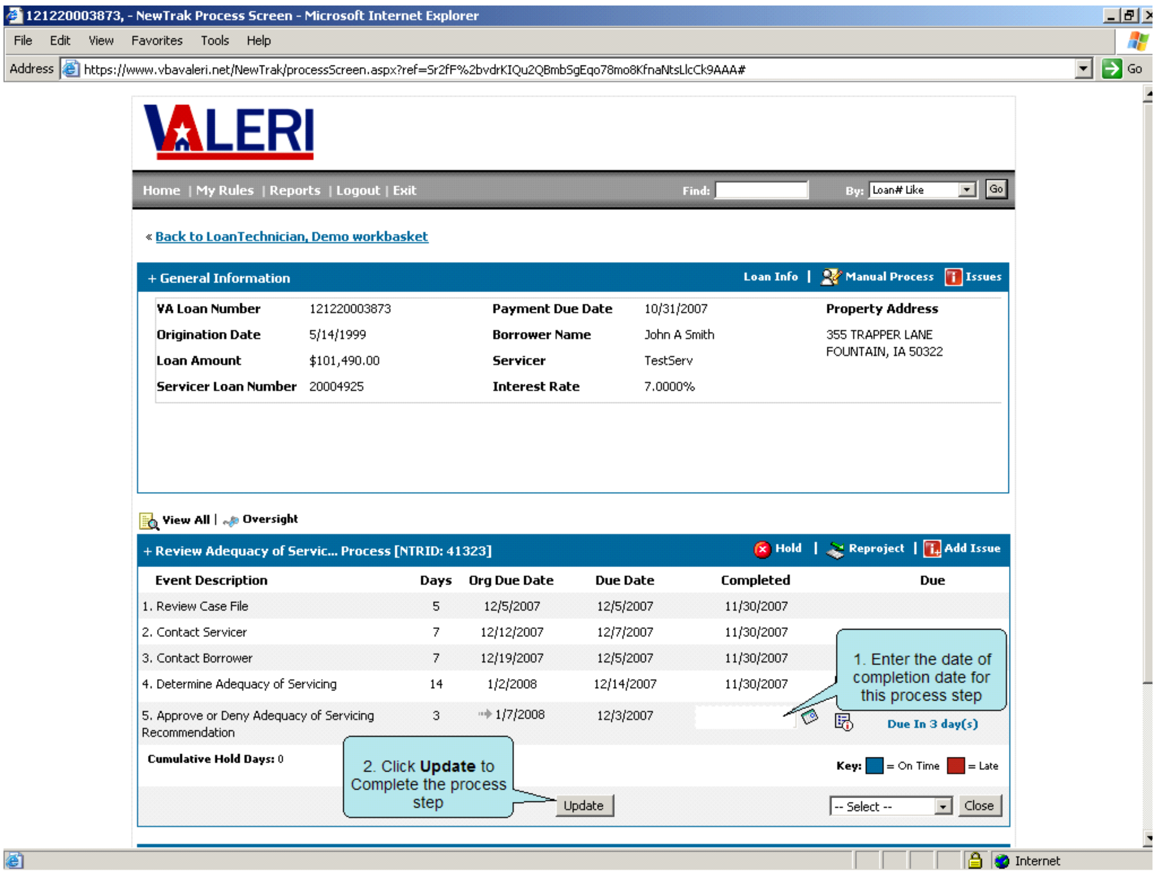
- **Event Description**: A description of the step.
- **Days**: The number of days you have to complete the step once it becomes active in your Workbasket.
- **Original Due Date**: The due date before you reproject a step or put a hold on a process.
- **Due Date**: The most recent due date.
- **Completed**: Either a field you use to enter the completion date or the date the step was completed.
- **Due**: Either the number of days left to complete the step or the number of days the step is overdue.

If you select a loan that has more than one open process, VALERI defaults to show you the process that is closest to being due, or the one that is overdue by the greatest number of days. You can view all the processes on a loan by clicking View All, or you can filter processes by business area. Business areas with processes associated with a loan are displayed above the process steps. Business areas in VALERI include Acquisition, Claim, Finance, Loss Mitigation, Oversight, and Servicing.

2.5.3.2 Complete a VALERI Process

To complete a step in VALERI, you must enter a date in the Completed field on the Process screen. VALERI requires that steps be completed in a pre-determined order. Once you enter a complete date for a step, VALERI activates the next step in the appropriate Workbasket. For steps requiring approval by a SLT, SO, or LAO, VALERI routes the step to the Approvals workgroup. Figure 20 describes the steps necessary to complete a process. In this figure, the dates in the completed field show that the first four process steps have already completed.

Figure 20: Complete a Process Step

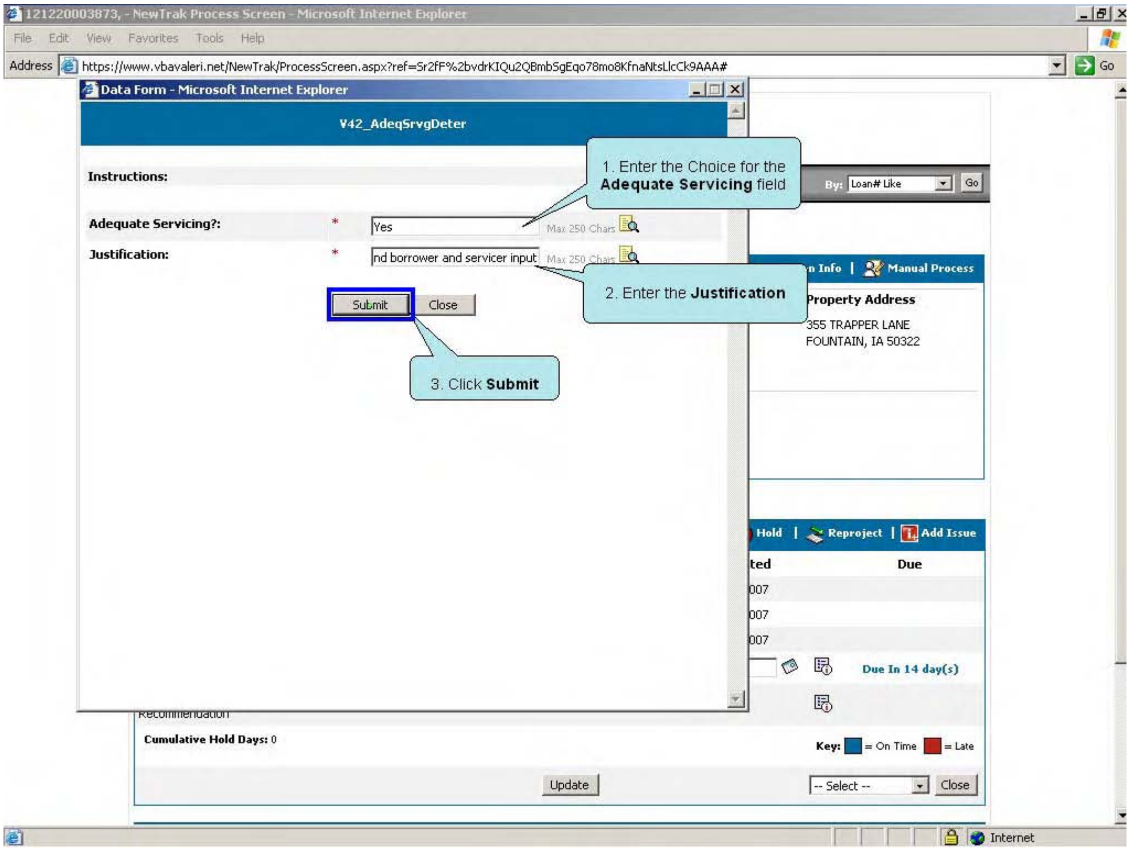


Instructions:

1. Enter the process completed date in the **Completed** field to complete this process step.
2. Click the **Update** button to complete the step or press **Enter** on your keyboard.

For certain steps, you must click on the description and VALERI routes you to a dynamic data form (DDF) where you can input information and the completion date. For example, when you review the adequacy of servicing on a VA loan, you must use a DDF to input whether or not you thought the servicer adequately serviced the loan. Figure 21 shows how to fill a DDF for the process Review Adequacy of Servicing.

Figure 21: Complete a DDF



Instructions:

1. Enter your choice as Yes or No in the **Adequate Servicing?** field.
2. Enter your justification for the choice entered in the **Justification** field.
3. Click **Submit** to save the DDF.

In addition to entering a completion date or answering questions on a DDF, you may be required to click on a hyperlink within the process to go to another screen in VALERI and complete your work. For example, to create a loss mitigation recommendation for a borrower, you would click on the “Update VALERI and Determine Loss Mit Recommendation” hyperlink in this process. Clicking on this link takes you to another VALERI screen that includes a Loss Mitigation Tool. For steps that include hyperlinks, VALERI will automatically enter a completion date for the process step once you have completed your work in the VALERI screen where the link routed you.

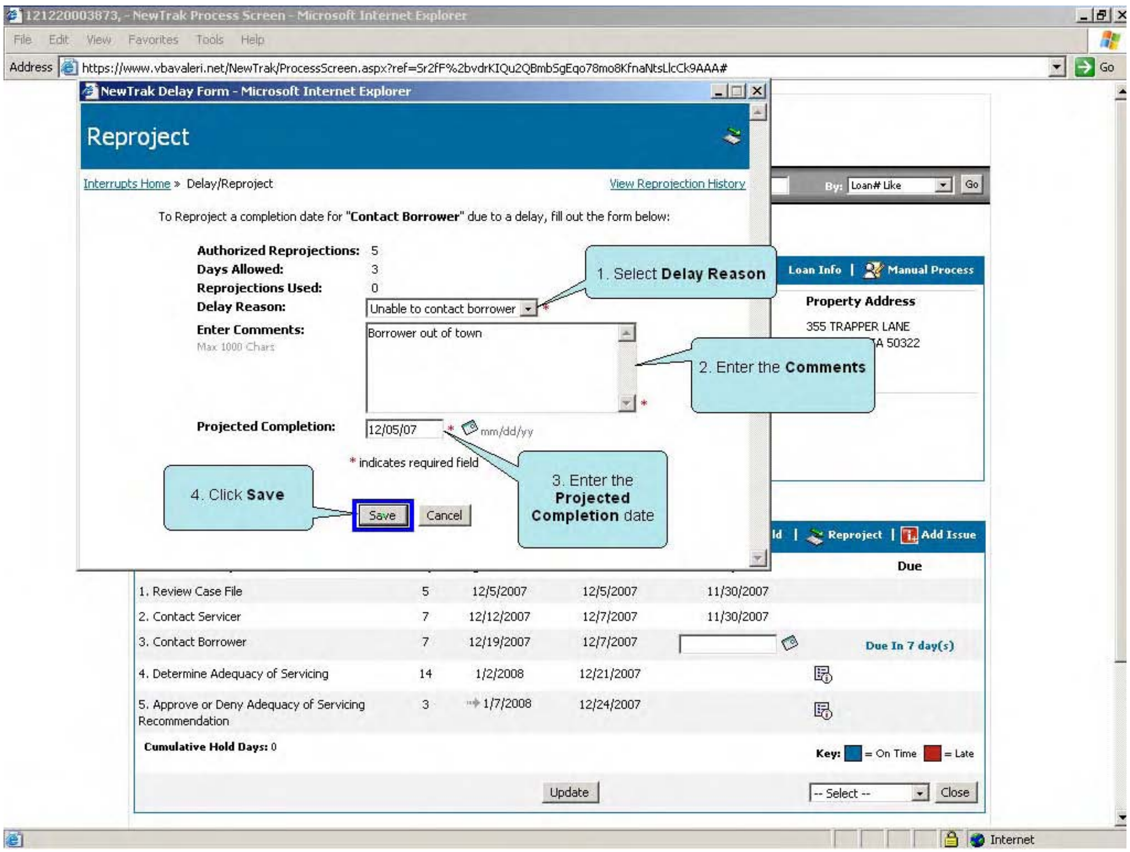
Once a process is complete, VALERI notes the closed date and the closed reason as “Process Complete.” Once a process is closed, your SLT, SO, or LAO can re-open it, if necessary, through the Re-Open button on the Process screen. Certain processes may only be re-opened by SOs or LAOs.[10]

[10] Clarified that SLTs, SOs, and LAOs often have to re-open processes on 7/2009.

2.5.3.3 Reproject the Due Date of a Process Step

VALERI sets a default timeframe for each of the process steps that you must perform. These timeframes are displayed on the Process screen. In certain cases, you may need to reproject the timeframe to allow for additional time to complete a process. The reproject function is available on the Process screen. If you choose to reproject, VALERI allows you to choose the step you wish to reproject, enter a reason, record comments, and enter the date of completion. Figure 22 shows how to reproject a step.

Figure 22: Reproject a Step



Instructions:

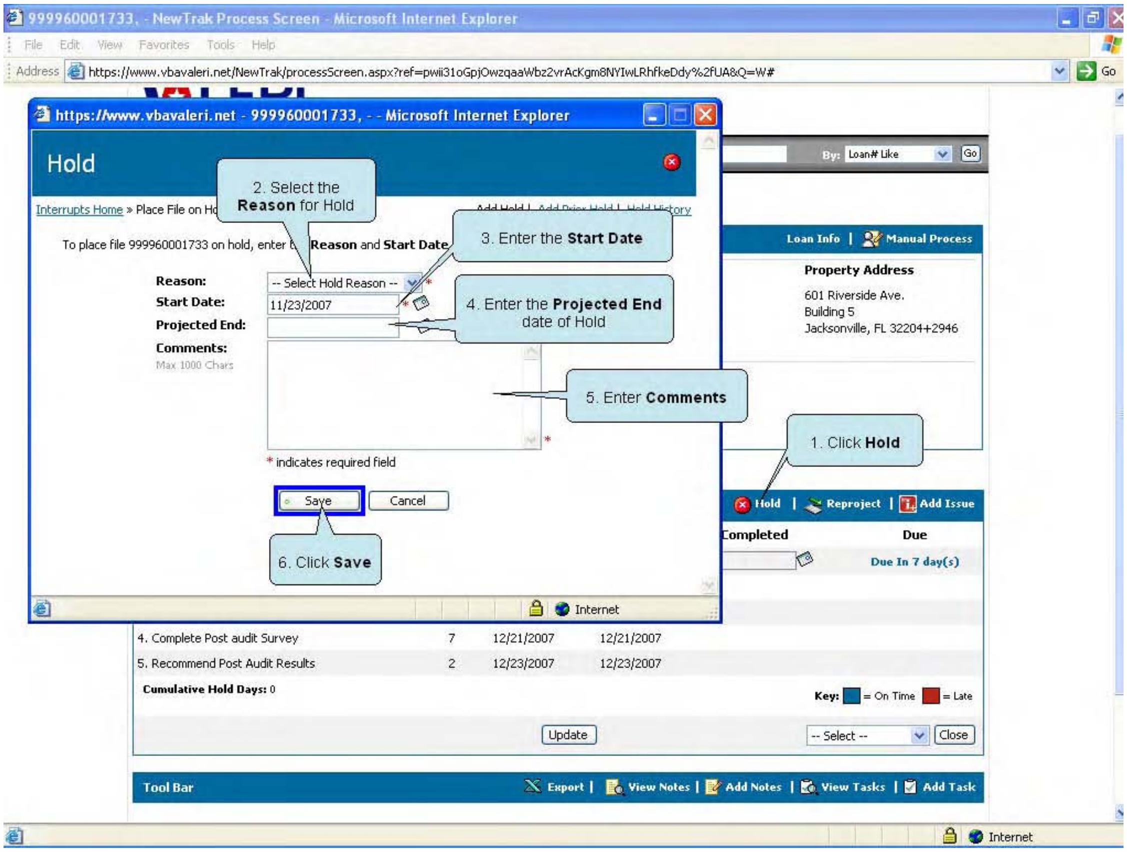
1. Select the **Delay Reason** for reprojection.
2. Enter **Comments** explaining the reason for delay.
3. Enter the **Projected Completion** date.
4. Click the **Save** button to complete the reprojection of the step.

2.5.3.4 Place a Hold on a Loan

VALERI provides you with the ability to place a process on hold. The hold feature is available on the Process screen. When you select the hold feature, VALERI routes you to a screen where you can enter the reason for the hold, the start date, projected end date, and comments. This link also allows you to change the hold end date.

You may want to place a hold on a loan if there is a bankruptcy or other serious loan problem that prohibits work from being completed on the loan. Figure 23 shows how to place a hold on a loan.

Figure 23: Place a Hold on a Loan



Instructions:

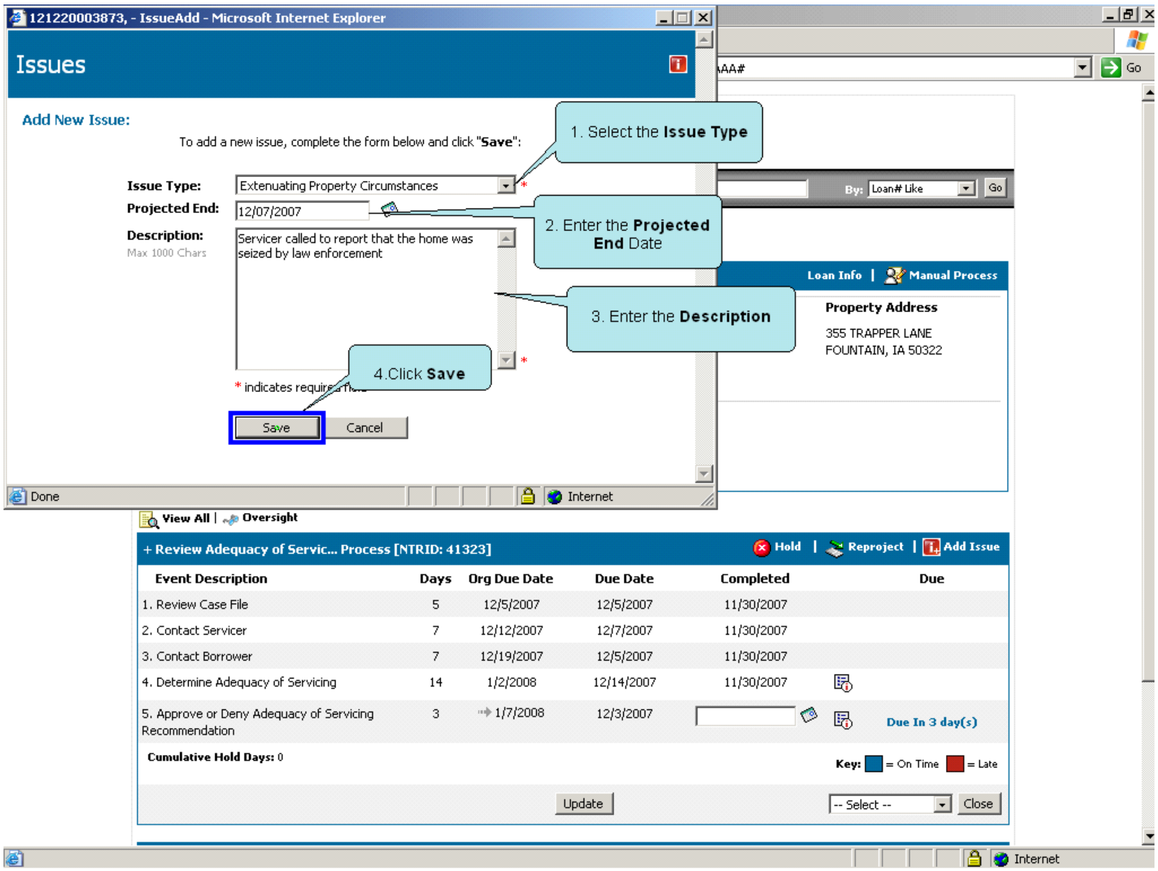
1. Click the **Hold** icon in the Process steps panel. Once you click the **Hold** icon, the hold screen displays.
2. Select the **Reason** for placing the process on hold.
3. Enter the hold **Start Date**.
4. Enter the **Projected End** date of hold.
5. Enter **Comments** explaining the hold reason in detail.
6. Click **Save**.

2.5.3.5 Add an Issue to a Loan

You can open and review issues on loans by using the Issue link on the Process screen. You can add an issue for a number of reasons which are discussed in subsequent chapters of this guide. The primary purpose of an issue is to prevent a claim payment from automatically going through without a review.

For example, you will want to open an issue if you are made aware of substantial property damage and there will be a large insurance loss settlement. This will prevent a claim payment from automatically going through without a review. Figure 24 shows how to add an issue to a loan.

Figure 24: Add an Issue



Instructions:

1. Select the **Issue Type**.
2. Enter the **Projected End** date of the issue.
3. Enter the **Description** of the issue.
4. Click the **Save** button to complete the addition of the issue.

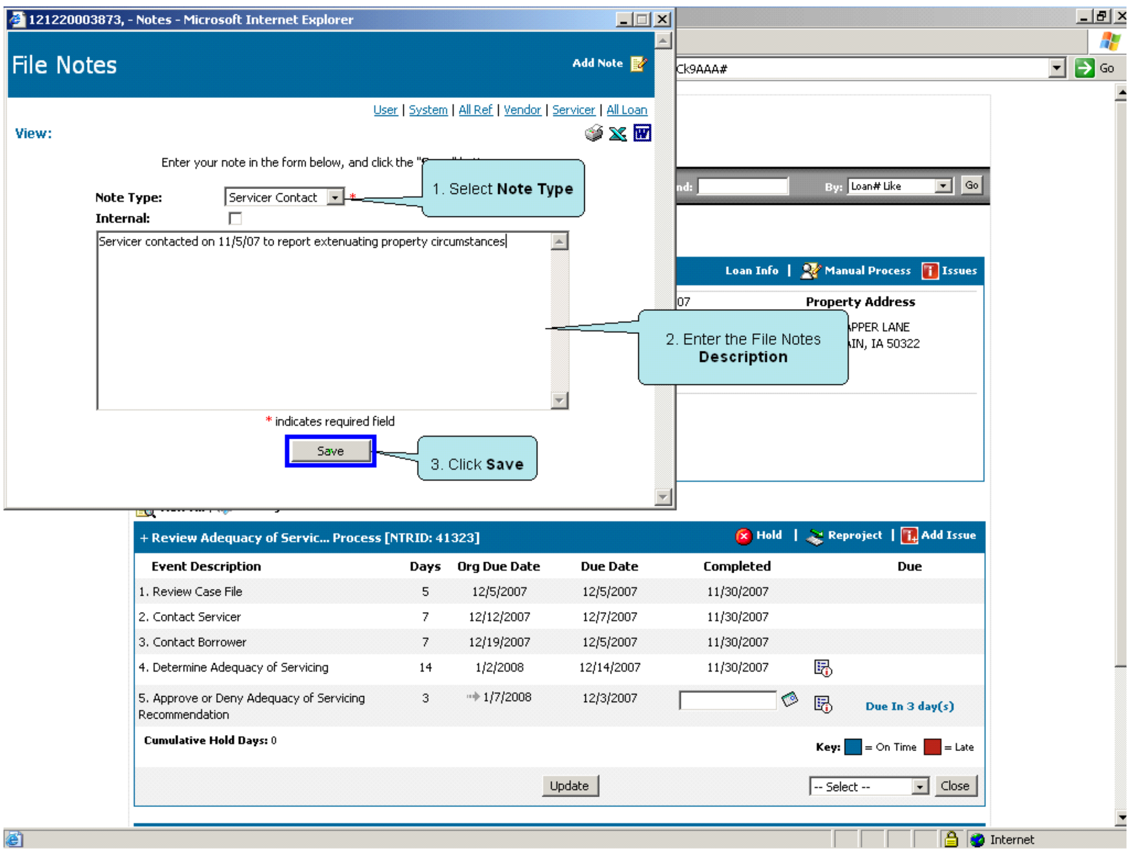
2.5.3.6 Add Case Notes

You can record additional information in case notes. Notes can also be used for information that clarifies a situation and are integral to certain processes. For example, you use case notes when a borrower contacts you to report that the servicer has returned a payment to them. In this case, you would document the complaint and any additional information that the borrower gives you. You can access case notes through any loan Process screen. The Add Notes link takes you to a screen where you can enter information. The toolbar also provides a link to Notes. Notes also allows you to view any case notes that have been recorded on the loan. Case notes can be one of the following types:

- Appeals.
- Borrower Contact.
- Claims.
- Foreclosure.
- Loss Mitigation.
- Post-audit.
- Servicer Contact.

Figure 25 shows how to add case notes to a loan.

Figure 25: Add Case Notes



Instructions:

1. Select the **Note Type**.
2. Enter the File Notes **Description** in detail.
3. Click the **Save** button to save the file notes.

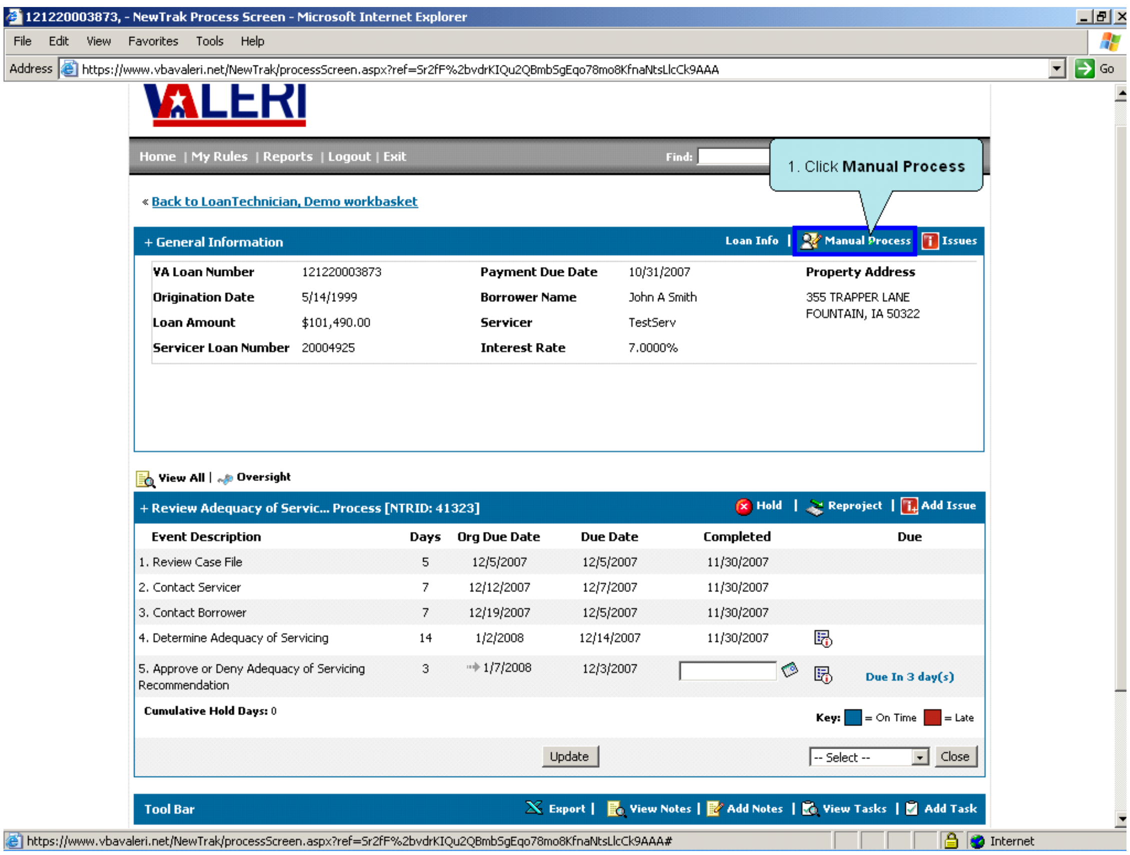
2.5.3.7 Transfer in a Manual Process

VALERI initiates most processes for you based on what is happening with loans that are assigned to you. However, VALERI also provides you with a manual process function that enables you to “transfer in” a VALERI process. This is necessary when you want to complete a process on a loan, but VALERI has not assigned the process to you.

There are several instances in which you will need to transfer in a VALERI process. For example, if you want to generate a loss mitigation recommendation for a borrower, you use the manual process function to transfer in the “make loss mitigation recommendation” process.

You can use the Process screen or the Technician Home Page to transfer in manual processes. When you transfer in a process, VALERI routes the process steps to your workbasket for completion. You can transfer in a manual process from the Process screen as shown in Figure 26.

Figure 26: Navigate to Transfer Utility Screen

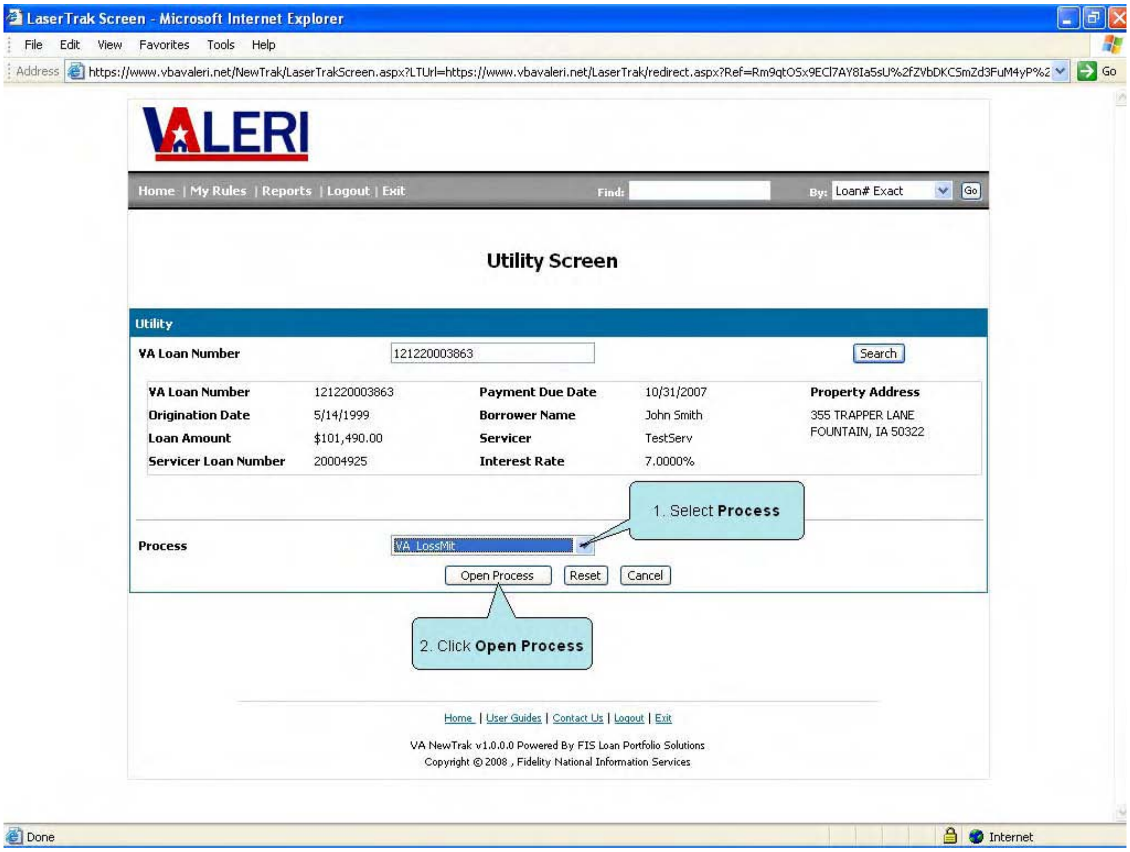


Instructions:

1. Click the **Manual Process** icon in the General Information panel.

Once you click the Manual Process icon, the Transfer in Manual Process Utility Screen displays. Select the process that you wish to transfer in manually and click the Open Process button as shown in Figure 27.

Figure 27: Transfer in a Process



Instructions:

1. Select the **Process** you wish to transfer in for the loan.
2. Click the **Open Process** button to transfer in manual process

2.5.4 Use Major Functions in VALERI

In addition to completing VALERI processes, you access other VALERI functions to complete your work. For example, VALERI has a Loss Mitigation Tool that allows you to generate loss mitigation recommendations based on borrower financial information. These major VALERI functions also help you complete post-audits, grant appeals, process claims, and manage regulatory infractions.

2.5.4.1 Loss Mitigation

VALERI has a Loss Mitigation Tool which enables you to generate loss mitigation recommendations for borrowers. To access the tool, you must have the “make loss mitigation recommendation” process open in your workbasket. The tool generates a recommendation for a repayment plan, special forbearance, loan modification, compromise sale, or deed-in-lieu of foreclosure based on financial information you input into the tool. In the new environment, you generate loss mitigation recommendations on an exception basis. The Loss Mitigation Tool is covered in more detail in the Loss Mitigation chapter.

2.5.4.2 Claims

VALERI has a tool that allows you to analyze claims submitted by servicers. VALERI takes claims that servicers file on the Servicer Web Portal, calculates the claim amount, and prepares the claim for processing. The claims feature displays information on how VALERI calculated the claim payment and allows you to make adjustments to the claim if necessary. You must have the "review non-routine claim" process open in your workbasket to access the claims function. Claims processing is covered in more detail in the Claims chapter.

2.5.4.3 Appeals

Servicers may file appeals when they disagree with certain VA decisions. When servicers file appeals, VALERI routes the appropriate appeals process to your workbasket. Through this process, you access an appeals function which allows you to make a recommendation on allowing or denying the appeal. Appeals processing is covered in more detail in the Appeals chapter.

2.5.4.4 Post-Audits

The post-audit is one of your most important responsibilities as a technician. VALERI selects cases for post-audit based on a random sample of terminated loans, cured loans that received an incentive payment, and partial releases of security. When VALERI assigns a post-audit case to you, you can access the post-audit feature to review the case. The Post-Audit function is covered in more detail in the Post-Audit chapter.

2.5.4.5 Regulatory Infractions

A regulatory infraction occurs when a servicer fails to comply with a VA regulatory requirement. VALERI recognizes regulatory infractions automatically and add them to a case, or you can recognize infractions and add them to the case. When you identify a regulatory infraction, you can use the regulatory infraction feature in VALERI to add an infraction. The feature also allows you to view all infractions that have been added on the loan.

2.6 Servicer Web Portal

Servicers use the Servicer Web Portal to access VALERI. The Servicer Web Portal is a primary means for servicers to communicate with VA about loans and enables servicers to report events, file claims and appeals, upload and send documents to VA, and access various reports. Contact your SLT if you need access to information in the Servicer Web Portal or if you need to report an event for a servicer.

2.7 Reports

SOs and LAOs have access to several servicer operational reports in VALERI through the Reports application. VALERI generates these reports for all loans in a servicer's portfolio. SOs and LAOs may need to access these reports if a servicer calls with a question. The reports function includes the following servicer reports:

- Acquisition Payment Status Report.

- Appeal Status Report.
- Bill of Collections Status and Offsets Report.
- Claim Payment Status Report.
- Claims Summary Report[11].
- Incentive Payment Status Report.
- Post-Audit Results Report.[12]
- Post-Audit Selection Detail Report.
- Post-Audit Selection Report.
- Reconveyance Status Report.
- Refund Status Report.
- Servicer Action Required Report.[13]
- Servicer Events Report Log Report.
- VA Contact Information Report.
- Payment Denial Report.
- Non Matching Report.[14]

For access to these reports, contact your SO.

2.8 Policies for Handling Paper Documents[15]

One of the goals of the VALERI system is to promote a paperless environment. If you receive documents from a servicer and need to upload them into VALERI, you must first scan the documents into your computer (or save e-mailed documents onto your computer). Then, use the "View Event Documentations" feature in the NewTrak Event Inbox to upload the document(s). Once you have successfully uploaded the document(s), you are responsible for deleting the copy of the document from your computer and destroying any hard copies you received.

[11] Claims Summary Report added on 5/15/2008

[12] Updated all Post Audit Reports on 7/2009.

[13] Servicer Action Required Report added on 7/2009.

[14] Non-Matching Report added on 7/2009.

[15] New section added on 7/2009.

3 General Loan Servicing

Servicers are responsible for current and delinquent servicing of VA loans and for reporting certain loan events to VA throughout the life of the loan, regardless of whether the loan is current or delinquent. These general loan events are reported either electronically or through other means, such as a telephone call, e-mail, fax, or letter. Borrowers may also contact you directly with questions or information regarding their loan.

Servicers must service VA loans in conformity with procedures customarily used by prudent lenders in servicing portfolios of similar conventional and government loans. They are also expected to comply with all applicable local, State, and Federal statutes, such as the Real Estate Settlement Procedures Act (RESPA), as amended, and regulations governing the VA Home Loan Program.

Loan Administration (LA) is responsible for all functions of VA guaranteed loans from origination until the loan is paid in full, so being familiar with general loan servicing requirements and general loan events helps you address loan inquiries and issues at all points in the loan lifecycle.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding general loan servicing.
- The general loan servicing process.
- The process for adding case notes and issues on loans with no open VALERI processes.

3.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding general loan servicing for you and the servicer.

Your Role

You assist borrowers and servicers throughout the life of the loan. You enter general loan event data into VALERI on behalf of the servicer for events they cannot report electronically. You also evaluate general loan events when you review the adequacy of servicing at foreclosure referral, as well as when you review non-routine claims or conduct post-audits.

You may also provide information and instructions to borrowers about servicing procedures. In all cases, your role is also one of referral – you work collaboratively with borrowers and servicers, and refer borrowers to their servicer for help in most cases.

Servicer Role

Servicers are responsible for servicing loans to the highest standard and reporting required event updates to VA. As such, when a certain general loan event occurs, they are responsible for reporting the event to VA.

3.2 The General Loan Servicing Process

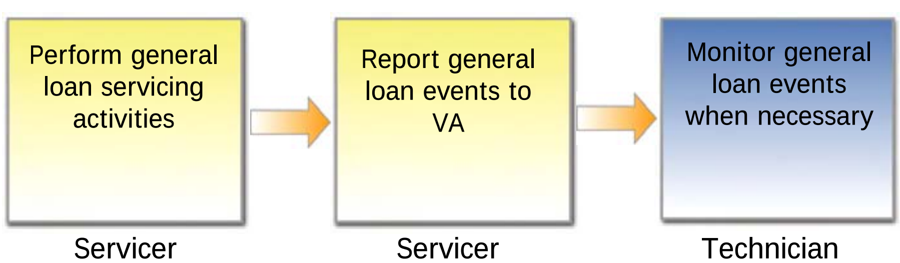
Servicers are required to service VA loans to the highest standard and report general loan events to VA within certain timeframes according to 38 CFR 36.4817. Late reporting is a regulatory infraction that may affect a servicer's performance rating. Refer to Table 1 for a list of general loan events with their respective means of submission and due dates.

Table 1: Timeframes for Reporting General Loan Events

General Loan Events	Means of Submission	Event Due Date
Monthly Loan Status Update	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of every month, until the loan becomes 61 or more days delinquent
Release of Liability	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer released the obligor from liability
Transfer of Ownership	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the title holder of the property changed
Unauthorized Transfer of Ownership	Telephone, e-mail, fax, or letter	By the seventh calendar day of the month following the month in which the servicer discovered that the unauthorized transfer occurred
Partial Release of Security	Manually via Servicer Web Portal	By the seventh calendar day of the month following the month in which the holder released the lien on a part of the security for the loan pursuant to 38 CFR 36.4827
Loan Paid In Full	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the loan was paid in full

Figure 28 illustrates the general loan servicing process.

Figure 28: General Loan Servicing Process



The following three steps comprise the general loan servicing process:

- Servicer performs general loan servicing activities.
- Servicer reports general loan events to VA.
- Technician monitors general loan events when necessary.

3.2.1 Servicer Performs General Loan Servicing Activities

Servicers must comply with general loan servicing requirements for VA guaranteed loans. This includes maintaining operations requirements and quality control procedures, responding to written borrower inquiries, complying with reporting requirements, and following appropriate procedures for:

- Maintenance of records.
- Income tax statements.
- Advances.
- Prepayments.
- Late charges and other fees.
- Payment of taxes.
- Insurance.
- Escrow accounts.
- Application of funds.
- Legal proceedings.
- Servicemembers Civil Relief Act (SCRA).

Refer to Chapter 3 of the Servicer Guide, General Loan Servicing, for more details on these general loan servicing requirements.

3.2.2 Servicer Reports General Loan Events to VA

(38 CFR 36.4817)

This section discusses general loan events servicers report electronically in VALERI or via telephone call, e-mail, fax, or letter. The following general loan events are reported throughout the life of the loan:

- Monthly Loan Status Update.
- Release of Liability.
- Transfer of Ownership.
- Unauthorized Transfer of Ownership.
- Partial Release of Security.
- Loan Paid in Full.

3.2.2.1 Monthly Loan Status Update

Servicers are required to report the Monthly Loan Status Update in VALERI for all VA loans that are current or fewer than 61 days delinquent. The Monthly Loan Status Update informs VA of the unpaid principal balance on the loan and the payment due date. Monthly updates provide a snapshot of how each VA loan is performing and allows VA to forecast future liabilities. VA also requires this information to determine the total number of VA guaranteed loans and each loan's outstanding balance. Servicers replace the monthly loan status update with a monthly Delinquency Status Update if the loan becomes 61 or more days delinquent.

3.2.2.2 Release of Liability

A mortgagor remains liable on a VA guaranteed mortgage indebtedness unless he or she is released from personal liability. Assumptions of loans for which loan commitments were made on or after March 1, 1988, must have the prior approval of VA or a VA automatic lender. With some exceptions, approval of an assumption of a loan releases the veteran from any future liability to VA, including liability for any loss resulting from the default of the purchaser or subsequent owner of the property. Failure to secure approval could lead to the acceleration of the loan after the transfer. Assumptions and releases of liability are generally processed by holders and include a funding fee and processing charge. The release of liability agreement does not release the veteran's entitlement, unless the person assuming the loan is a veteran who has entitlement available to use as a substitute.

Servicers are required to report the Release of Liability event in VALERI after releasing an obligor from liability. VA requires the Release of Liability event to determine the liable obligor on the loan. If the loan is or becomes 61 or more days delinquent, VA expects liable obligors to participate in any effort to cure the delinquency.

Loan Production (LP) is responsible for providing servicers with guidance for processing loan assumptions and releases of liability.

3.2.2.3 Transfer of Ownership

(38 CFR 36.4809, 38 CFR 36.4813)

VA requires servicers to report the Transfer of Ownership event in VALERI when the title holder of the property securing a VA guaranteed loan changes. Servicers are required to process a release of liability on loans originated on or after March 1, 1988, before reporting the transfer of ownership. A release of liability is not required before reporting a transfer of ownership on a loan originated before March 1, 1988. VA requires the transfer of ownership event to determine the liable obligor on the loan. If the loan is or becomes 61 or more days delinquent, VA expects liable obligors to participate in any effort to cure the delinquency. LP is responsible for providing servicers with guidance for processing assumptions and releases of liability in connection with transfers of ownership.

You should advise any borrower who contacts you regarding a transfer of ownership that they may remain liable to VA for any loss that may occur as a result of a future default and subsequent claim payment. The borrower should execute a release of liability with the servicer to protect them should the loan go into default.

3.2.2.4 Unauthorized Transfer of Ownership

(38 CFR 36.4803)

An unauthorized transfer is a transfer of ownership made on a loan originated on or after March 1, 1988, without the prior approval of VA or an automatic lender. Servicers are required to notify VA via telephone call, e-mail, fax, or letter after learning of an unauthorized transfer of ownership. VA requires this information to determine whether the unauthorized transfer led to foreclosure, and a subsequent claim, on the loan.

When a servicer reports an unauthorized transfer of ownership, you add an "unauthorized transfer of ownership" issue on the loan in VALERI. You also add a regulatory infraction for an unauthorized transfer of ownership. If the servicer fails to report the unauthorized transfer by the seventh day of the month following the month in which they discover that the unauthorized transfer occurred, you also add a regulatory infraction for late reporting. Refer to Chapter 7, Regulatory Infractions, for guidance on adding a regulatory infraction in VALERI.

You should also encourage the servicer to attempt to contact the borrower and execute a retroactive release of liability with them upon hearing of an unauthorized transfer of ownership. The servicer should not accelerate the loan if the loan is performing. LP is responsible for providing servicers with guidance on processing assumptions and releases of liability in connection with an unauthorized transfer of ownership.

3.2.2.5 Partial Release of Security

(38 CFR 36.4827)

A partial release of security releases a portion of a secured property from the lien. For example, partial releases may involve requests from the state or local government to widen a roadway. Occasionally, borrowers request that portions of their properties be released so that they may subdivide or provide gifts of land to their children or to another recipient. In most cases, the borrowers are paid an amount of consideration for the property. Servicers must follow guidelines established by VA to complete partial releases of security. These guidelines include:

- No obligated borrower is released from liability.
- The servicer must obtain a VA appraisal on the security, the portion to be released, and the value of the remaining security prior to making a decision regarding a partial release request. If the information provided by, or on behalf of, the borrower is insufficient for making a decision, the borrower must agree to pay for the cost of a VA appraisal. To order a VA appraisal for a partial release of security, the servicer must contact the Construction and Valuation office of the Regional Loan Center with jurisdiction over the state in which the property is located.[16]
- The consideration received for the release should be equal to the fair market value of the property being released. In state or local Government cases, the amount of the consideration is rarely negotiable, and the property will be taken by eminent domain if the servicer does not grant the release. In these cases, the only decision

[16] Added reference to VA appraisal on 7/2009 and included instructions for ordering appraisals.

to be made is the disposition of the compensation. No VA appraisal is required for state and local Government property acquisitions.

- The consideration received for the release must be applied to the principal balance unless the loan to value (LTV) ratio is 80 percent or lower. The LTV ratio is calculated using the current principal balance of the loan and the value of the security remaining after the release. For example, a borrower is offered $10,000 for a portion of the security on her loan. The consideration is appropriate, and the value of the remaining security will be $190,000 after the release. The principal balance of the loan is $160,000, but the balance must be $152,000 ($190,000 x 0.80) to meet VA's LTV ratio requirement before the consideration can be released to the borrower. In this case, the servicer must apply $8,000 of the consideration to reduce the principal balance and the remaining $2,000 can be released to the borrower. Failure to apply the $8,000 to reduce the principal balance is a regulatory infraction for claim adjustment.
- The loan must be current if a portion of the consideration is given to the borrower.
- If delinquent, a portion of the proceeds may be used to bring the loan current.
- The portion of the property still subject to the lien must be fit for dwelling purposes.

Servicers are required to report the Partial Release of Security event in the Servicer Web Portal by the seventh day of the month following the month in which they executed the partial release.

3.2.2.6 Loan Paid in Full

A loan is paid in full when the loan obligation has been fully satisfied by receipt of funds and not a servicing transfer. Servicers are required to report the Loan Paid in Full event in VALERI when a loan is paid in full. The Loan Paid in Full event closes all open processes on the loan in VALERI. This event also updates the Web-enabled Loan Guaranty System (WebLGY) of the loan paid in full status, and notifies VA that it is no longer liable as a guarantor on the loan. VA no longer requires servicers to return the cancelled Loan Guaranty Certificate.

3.2.3 Technician Monitors General Loan Events When Necessary

VA uses general loan events to manage its portfolio of active loans and measure servicer compliance with regulatory requirements. You will not review all general loan events at the time they are reported, but general loan event information is critical to gaining a complete understanding of the activity on a loan when: reviewing the adequacy of servicing; conducting a review of an incentive, acquisition, or claim payment; or, conducting a post-audit.

3.3 Add Case Notes or Issues to Loans

You are responsible for adding case notes and issues to loans. These functions are located in the VALERI process screen. When VALERI has not initiated any processes for a loan, you add a note or issue by transferring in the "loan notes" process.

VALERI Process 1: "Loan notes"

The "loan notes" process does not have any steps to complete. This process simply allows you to access the case notes and issue functions in VALERI. Once you have added the case note or issue, you close the process. For more information on adding case notes and issues, refer to 2.5.3 Complete VALERI Processes.

4 Delinquent Loan Servicing

(38 CFR 36.4850)

A loan becomes delinquent when a borrower misses one or more mortgage payments. Servicers are responsible for servicing delinquent loans and working with the borrower to reach an agreement that will bring the loan current. You oversee the adequacy of servicing on the part of the servicer in order to protect the interests of veterans and the Government. If the case is an exception that requires technician analysis, you may become more directly involved in activities on a delinquent loan. Servicers report loans that are delinquent for 61 days through the Electronic Default Notification (EDN), which allows VALERI to automatically assign a loan to you.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding delinquent loan servicing.
- The delinquent loan servicing process.

4.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding delinquent loan servicing for you and the servicer.

Your Role	Your role is primarily to ensure that the servicer provides adequate servicing by monitoring the delinquent loan servicing process. You may also need to send the loss mitigation letter and you may be involved in a partial payment return. VA only directly handles delinquent loan cases that are exceptions and require technician involvement. If a case is an exception, you may be required to complete certain processes.
Servicer Role	Servicers are responsible for providing adequate servicing of delinquent loans through telephone calls and/or letters discussing loss mitigation options, sending the loss mitigation letter, and reporting delinquent loan events in VALERI.

4.2 The Delinquent Loan Servicing Process

Servicers are required to provide adequate servicing on delinquent loans and report delinquent loan events to VA within certain timeframes, as outlined in 38 CFR 36.4817. Late reporting is a regulatory infraction that may affect a servicer’s performance rating.

Refer to Table 2 for a list of delinquent loan events with their respective means of submission and due dates.

Table 2: Timeframes for Reporting Delinquent Loan Events

Delinquent Loan Events	Means of Submission	Event Due Date
Electronic Default Notification (EDN)	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day after the 61st day of delinquency
Loss Mitigation Letter Sent	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer sent the loss mitigation letter to the borrower
Delinquency Status	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer reported the delinquency to VA and once per month by the 7th day until default cures
Servicing Transfer (transferring servicer)	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer transferred the loan
Servicing Transfer (receiving servicer)	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer boarded the new loan
Contact Information Change	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the information changed
Property Occupancy Change	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which there was a change
Bankruptcy Filed	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day after the servicer discovers that the obligor has filed for bankruptcy
Bankruptcy Update	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day after a significant bankruptcy event has occurred
Default Cured/Loan Reinstated	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the default cures
Default Reported to Credit Bureau	Automated via a Service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer reported the default to the credit bureau

Delinquent Loan Events	Means of Submission	Event Due Date
Partial Payment Returned	Manually via Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer returned the partial payment to the borrower
Extenuating Property Circumstances	Telephone, e-mail, fax, or letter	By the seventh calendar day of the month following the month in which the servicer discovered the extenuating property circumstance

Figure 29 illustrates the delinquent loan servicing process.

Figure 29: Delinquent Loan Servicing Process

The three steps in the delinquent loan servicing process are:

- Servicer submits EDN.
- Technician ensures loss mitigation letter is sent.
- Technician oversees delinquent loan events.

4.2.1 Servicer Submits EDN

(38 CFR 36.4817)

The servicer reports when a loan is 61 days delinquent, which creates an Electronic Default Notification (EDN) in VALERI. In cases of property problems, the servicer should submit the EDN before the 61st day. Once VALERI creates an EDN, the case is assigned to a technician for oversight from inception to cure or termination. For more information on how cases are assigned, refer to Chapter 2, Introduction to VALERI. VALERI generally initiates processes in your workbasket when action is required on your loans.

4.2.2 Technician Ensures Loss Mitigation Letter is Sent

(38 CFR 36.4850)

The servicer should send the loss mitigation letter to the borrower within 45 days for Early Payment Defaults (EPDs) and within 75 days for non-EPDs. A default is considered an EPD if the borrower becomes delinquent in the first six months after origination or modification. For information on oversight of EPDs on modified loans, refer to the section on loan modifications in Chapter 5, Loss Mitigation. If the servicer does not send the loss mitigation letter to the borrower by the 100th day,[17] VALERI initiates the "Unreported Loss Mitigation Letter" process in your workbasket and requires you to follow up with the servicer and send the letter directly to the borrower if necessary.

When you contact the servicer, you should ask if they have sent the letter and, if the letter has not been sent, ask why and if they plan to send the letter. If the servicer agrees to send the letter, you can reproject this step for 15 days to allow the servicer additional time to send the letter and report the Loss Mitigation Letter Sent event.[18] If the servicer declines to send the letter, or if the reporting period has passed and the servicer has not reported the letter sent, you must send the loss mitigation letter directly to the borrower and create a regulatory infraction in VALERI. If the servicer does send the letter within the appropriate timeframes and reports the Loss Mitigation Letter Sent event in VALERI, you are not required to send a loss mitigation letter to the borrower.

4.2.3 Technician Oversees Delinquent Loan Events

(38 CFR 36.4817)

In addition to reporting the loan as delinquent, VA requires servicers to report other relevant information concerning delinquent loans. VALERI updates the majority of these events automatically and does not create a process step in your workbasket. The following events are delinquent loan events that VALERI automatically processes:

- Delinquency Status Update.
- Contact Information Change.
- Occupancy Status Change.
- Servicing Transfer (Transferring Servicer).
- Servicing Transfer (Receiving Servicer).
- Default Reported to Credit Bureau.
- Bankruptcy Filed.
- Bankruptcy Update.
- Default Cured/Loan Reinstated.

Note that when the servicer reports the Bankruptcy Filed event, VALERI will automatically allow an additional 180 days of interest if a claim is subsequently filed as a result of that default. VALERI allows 180 days regardless of the number of bankruptcies that occur, and whether or not the bankruptcy or bankruptcies were resolved in less than 180 days.[19]

Other events reported by the servicer may require your involvement. The following delinquent loan processes require your involvement:

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[17] Modified to 100th day on 7/2009.

[18] Deleted need to follow-up with the servicer on 7/2009 and replaced with servicer reporting the Loss Mitigation Letter Sent event instead.

[19] Added bankruptcy timeframe information on 7/2009.

- "Unreported loss mitigation letter."
- "Send loss mitigation letter."
- "Review partial payment."

VALERI Process 2: "Unreported loss mitigation letter"

If the servicer does not report the Loss Mitigation Letter Sent event by the 100th[20] day of delinquency, VALERI initiates a process to follow up with the servicer.

Step 1: Contact servicer – You first check the Event Inbox in VALERI to see if the servicer attempted to report the Loss Mitigation Letter Sent event. If they did attempt to report it, you can close the process.[21] If they did not attempt to report the event, contact the servicer to check if they sent the loss mitigation letter. If they have not, ask the servicer if they agree to send the letter and report the event.

Step 2: Confirm letter sent and reported – If the servicer agrees in Step 1 to send the letter and report it, you check in VALERI to ensure that the event was reported. You have the option of re-projecting the reporting timeframe to allow the servicer extra time to report the event. If the servicer fails to report the event within the re-projected timeframe, or if the servicer does not agree to send the loss mitigation letter, you record this in VALERI. This kicks off the "Send loss mitigation letter" process in your workbasket. You also add the Failure to Send Loss Mitigation Letter regulatory infraction.

VALERI Process 3: "Send loss mitigation letter"

If the servicer refuses to send and report the loss mitigation letter in the "unreported loss mitigation letter" process**,** VALERI kicks off a process in your workbasket to create and send the letter.

Step 1: Create loss mitigation letter – You can use the language for the loss mitigation letter found in the in Chapter 4, Delinquent Servicing of the Servicer guide to create a letter to the borrower.

Step 2: Send loss mitigation letter – You must then send the letter directly to the borrower.

VALERI Process 4: "Review partial payment"

For cases in which a borrower contacts you directly to report a partial payment returned, you must initiate the "review partial payment" process in VALERI, review the circumstances, and determine if the payment was improperly returned.

Step 1: Document Borrower Complaint – You ask the borrower for the reason the payment was returned and document the borrower's complaint. If information from the

[20] Changed to 100th day on 7/2009.

[21] New guidance to check for the Loss Mitigation Letter Sent event added on 7/2009.

borrower suggests that the servicer was authorized to return the payment, you can close this process and you do not have to progress to Step 2.

Step 2: Contact servicer – A servicer should only return a partial payment when certain conditions exist. For a list of these conditions, refer to Chapter 4 of the Servicer Guide. If you need additional information to determine if the returned payment conformed to VA regulations concerning partial payment returns, you must contact the servicer and ask them to explain the situation. You will be able to select the reason for a returned payment from the list in VALERI. If the return is unauthorized, you can make that choice from the list. If you determine that the servicer should not have returned the payment, you should encourage the servicer to accept the payment and ask the borrower to re-send the payment to the servicer. If the servicer still refuses to accept a partial payment that should not have been returned, you add the Improper Partial Payment Returned regulatory infraction using the Regulatory Infraction Utility in VALERI. Refer to the Chapter 7, Regulatory Infractions for more information on this topic.

In addition to the events above, servicers are required to contact you to report extenuating property circumstances on delinquent loans. You must document these circumstances in the servicing case notes in VALERI. Extenuating property circumstances may affect the value of the property and could lead the servicer to accelerate foreclosure. For a list of extenuating circumstances, refer to the Servicer Guide, Chapter 4 on Delinquent Loans. If the servicer asks for guidance on extenuating circumstances, consult your supervisor for further information to provide to the servicer.

5 Loss Mitigation

Loss mitigation is a way to help veterans avoid foreclosure on delinquent loans and reduce losses to the Government. VA delegates the primary responsibility for loss mitigation to servicers. VA recognizes five loss mitigation options and pays incentives when these options are successfully completed. The five loss mitigation options are divided into home retention options and alternatives to foreclosure. Home retention options include repayment plans, special forbearances, and loan modifications. Alternatives to foreclosure include compromise sales, and deeds-in-lieu of foreclosure.

You become involved in the loss mitigation process when VALERI identifies cases for your review, when borrowers contact you directly to request help, or when you determine that a loss mitigation option should be pursued after reviewing the adequacy of servicing on a loan.

You also have a role in the servicer incentive payment process for successfully completed loss mitigation options. Refer to Chapter 6, Servicer Incentive Payments for more information on your role in the incentive payment process.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding loss mitigation.
- The loss mitigation process.
- Loss mitigation recommendations in VALERI.

5.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding loss mitigation for you and the servicer.

Your Role

You oversee the loss mitigation process primarily by reviewing servicer performance of loss mitigation options. This review can take place at the time an event is reported or at a later point, such as when you review the adequacy of servicing on a loan, when you review non-routine payments, or when you conduct a post-audit. You may also perform loss mitigation analyses for borrowers on an exception basis and recommend loss mitigation options to servicers for implementation.

Servicer Role

Servicers are required to comply with VA regulations for considering and completing loss mitigation options. They are also responsible for reporting required events electronically to VA. Servicers receive incentive payments for successfully completed home retention options and alternatives to foreclosure.

5.2 The Loss Mitigation Process

VA prefers[22] that servicers first consider loss mitigation options that allow the veteran to remain in their home. VA requires servicers to choose the best option for all parties and asks that servicers consider options as early in the delinquency as possible. Home retention options must be considered prior to alternatives to foreclosure, and VA prefers that they be considered in the following order:

- Repayment plan.
- Special forbearance.
- Loan modification.

When servicers complete and report one of these three options, and the loan reinstates, they report the reinstatement to VA to receive an incentive.

If the servicer and the borrower cannot resolve the delinquency through a home retention option, the servicer may assess alternatives to foreclosure. VA prefers servicers to consider alternatives to foreclosure in the following order:

- Compromise sale.
- Deed-in-lieu of foreclosure (DIL).

When alternatives to foreclosure are not possible, the servicer should refer the loan for foreclosure as quickly as possible. VA encourages servicers to continue to pursue loss mitigation options even after initiating the foreclosure process. You review the adequacy of servicing on a loan when it is referred to foreclosure or when it is at least 210 days delinquent, to ensure that the servicer met all servicing requirements on the loan. Refer to Chapter 9, Foreclosure, for guidance on completing an adequacy of servicing review.

Throughout the loss mitigation process, servicers must comply with reporting requirements, as outlined in 38 CFR 36.4817. Late reporting is a regulatory infraction that may affect their servicer performance rating. Refer to Table 3, Timeframes for Reporting Loss Mitigation Events, for a list of loss mitigation events servicers report to VA, and their respective means of submission and due dates.

Table 3: Timeframes for Reporting Loss Mitigation Events

Loss Mitigation Events	Means of Submission	Event Due Date
Repayment Plan Approved	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer approved the repayment plan
Special Forbearance Approved	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer approved the special forbearance agreement

[22] Changed “required” order to “preferred” throughout the guide on 7/2009.

Loss Mitigation Events	Means of Submission	Event Due Date
Loan Modification Approved	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer approved the loan modification
Loan Modification Complete	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the servicer and borrower executed the loan modification agreement
Compromise Sale Complete	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day of the month following the month in which the compromise sale closed
Deed-in-lieu Complete	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day after the deed is recorded (note: the date the deed was submitted for recording may be submitted in lieu of the actual recording date)[23]

Figure 30 illustrates the loss mitigation process.

Figure 30: Loss Mitigation Process

The loss mitigation process is comprised of the following steps:

- Servicer performs loss mitigation and reports events to VA.
- Technician performs loss mitigation oversight.
- Technician conducts loss mitigation analyses for borrowers, as necessary.

5.2.1 Servicer Performs Loss Mitigation and Reports Events to VA

Servicers consider the following loss mitigation options and report to VA when the option is completed:

- Repayment plan.
- Special forbearance.

[23] Deed-in-lieu Complete event information updated throughout the guide on 7/2009.

- Loan modification.
- Compromise sale.
- Deed-in-lieu of foreclosure (DIL).

Refer to Chapter 5, Loss Mitigation, of the Servicer Guide for more detailed information on how the servicer must consider and implement each of these five loss mitigation options.

5.2.1.1 Repayment Plan

A repayment plan is a written, executed agreement to reinstate a loan[24] by paying the normal monthly payment plus a portion of the delinquency each month. VA prefers that servicers consider a repayment plan before any other loss mitigation option. A repayment plan must be a signed, written agreement between the borrower and servicer, must be at least three months in duration, and must cure the default to qualify for an incentive payment.

Servicers report the Repayment Plan Approved event to VA by the seventh day of the month following the month in which they approve a repayment plan.

5.2.1.2 Special Forbearance

A special forbearance is a written, executed agreement in which the servicer agrees to suspend or reduce payments for one or more months. VA prefers that servicers consider a special forbearance only after considering a repayment plan and determining it is not feasible. The borrower must pay the total delinquency at the end of the forbearance period or enter into a repayment plan.

A special forbearance must be at least one month in duration, and must cure the default in order to qualify for an incentive payment. If a repayment plan is developed at the end of the forbearance period, the special forbearance is not eligible for an incentive payment, although the subsequent repayment plan will be eligible upon loan reinstatement.

Servicers are required to report the Special Forbearance Approved event to VA by the seventh day of the month following the month in which they approved a special forbearance.

5.2.1.3 Loan Modification

(38 CFR 36.4815)

A loan modification is a written agreement that permanently changes one or more of the terms of a loan, and includes re-amortization of the balance due. VA prefers that servicers consider a loan modification only after determining that a repayment plan and special forbearance are not feasible. Servicers should only modify loans when the borrower has both the ability and desire to retain[25] the home.

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[24] Removed reference to "61 or more days delinquent" definition of loss mitigation options on 7/2009.

[25] Modified from "remain in the home" to "retain the home" throughout the guide on 7/2009.

Servicers must comply with regulatory requirements for loan modifications. In order to be eligible for incentive payments, a loan modification must meet VA requirements. The servicer must also have reported the Default Cured/Loan Reinstated event to VA.

Servicers are required to report the Loan Modification Approved event in VALERI by the seventh day of the month following the month in which they approve a loan modification, and report the Loan Modification Complete event to VA by the seventh day of the month following the month in which they and the borrower executed a loan modification agreement.

5.2.1.4 Compromise Sale

(38 CFR 36.4822(e))

A compromise sale is a sale to a third party for an amount less than is sufficient to cover the borrower's total indebtedness on the loan. Servicers may only consider a compromise sale after determining that no home retention options are feasible. The servicer must agree to release the lien in exchange for the proceeds of the sale.

A private sale may also be possible at this point. A private sale occurs when the borrower sells the property for an amount sufficient to cover total indebtedness. VA encourages servicers to complete private sales for borrowers when possible. Private sales are not eligible for incentive payments.

Servicers are required to report the Compromise Sale Complete event to VA by the seventh day of the month following the month in which the compromise sale closes. Servicers may file a claim within 365 days of the compromise sale settlement date (per the HUD-1). Completed compromise sales are also eligible for incentive payments, which are paid at time of claim.

Note that if a servicer approves a compromise sale option on a loan that is less than 61 days delinquent, they will need to report the Electronic Default Notification (EDN) event prior to reporting the completion of the compromise sale. The EDN may be reported prior to the 61st day of delinquency by choosing "property problems" as the reason for default on the EDN.[26]

5.2.1.5 Deed-in-lieu of Foreclosure (DIL)

(38 CFR 36.4822(f))

A deed-in-lieu of foreclosure (DIL) is a voluntary transfer of a property from the borrower to the holder for a release of all obligations under the mortgage. Servicers may only consider a DIL after considering all other loss mitigation options and determining they are not feasible.

Servicers are required to report the Deed-in-lieu Complete event to VA by the seventh day after the date the deed is recorded. However, the servicer may choose to report the date the deed was submitted for recording instead of the actual recording date. In this case the servicer would need to report the Deed-in-lieu Complete event within seven

[26] Included option to report EDN prior to 61st day of delinquency on compromise sales and deeds-in-lieu on 7/2009.

days after the deed was submitted for recording. After the completion of a DIL, servicers can retain the property or transfer custody of the property to VA. For more information on handling property transfers, refer to Chapter 10, Property Acquisitions. Servicers may file a claim within 365 days of the termination date. Completed DILs are also eligible for incentive payments, which are paid at time of claim.

Note that if a servicer approves a deed-in-lieu option on a loan that is less than 61 days delinquent, they will need to report the Electronic Default Notification (EDN) event prior to reporting the completion of the deed in lieu. The EDN may be reported prior to the 61st day of delinquency by choosing "property problems" as the reason for default on the EDN.

5.2.2 Technician Performs Loss Mitigation Oversight

You perform several loss mitigation oversight activities at different points in the loan lifecycle. For example, you review all details of loss mitigation activities on a case when you review the adequacy of servicing at either foreclosure referral or the 210th day of delinquency. You may also review cases on which loss mitigation options were completed when you review non-routine incentive, acquisition, or claim payments. Finally, at post-audit you review a sample of cases for which incentives were paid, or loans were terminated through alternatives to foreclosure, to determine the servicer's compliance with VA loss mitigation requirements.

You may also be required to perform the following loss mitigation oversight activities:

- Review of a suspicious loan modification.
- Review of an Early Payment Default (EPD) on a modified loan.
- Review of a Notice of Value (NOV) without an Electronic Default Notification (EDN).

5.2.2.1 Review of a Suspicious Loan Modification

Servicers must comply with VA regulatory requirements for loan modifications. You perform a review of a loan modification if the servicer reports the Loan Modification Complete event and VALERI determines that information provided in the event does not meet VA requirements. VALERI initiates the "review suspicious loan modification" process when one or more of the following conditions exist:[27]

- The loan modification completion date reported with the event is before the loan origination date.
- The loan does not amortize to within $50 of zero over the proposed term.
- The first payment on the modified loan is due before the loan modification completion date.[28]
- The interest rate exceeds the maximum allowable rate. The interest rate applied to the modified loan may not exceed the Government National Mortgage Association

[27] Deleted bullet "current owner does not occupy the property" on 7/2009.

[28] Corrected from "less than one month after" the completion date to "before" the completion date on 7/2009.

(GNMA or Ginnie Mae) current month coupon rate that is closest to par (100) in effect as of the close of business the last business day of the month prior to the approval of the loan modification, plus 50 basis points. A basis point is equal to .01 percent. For example, if the current Ginnie Mae production rate is six percent, the corresponding fixed rate for VA-guaranteed loan would be 6.5 percent (the Ginnie Mae production rate plus 50 basis points).

- The term of the loan exceeds the maximum allowable term. The maximum allowable term is the shorter of: (1) 360 months from the due date of the first installment required under the modification, or (2) 120 months after the original maturity date of the loan.
- Fewer than 12 full monthly installments have been paid since the original closing date on the loan.
- The loan has been modified three times prior to the current modification.
- The loan has been modified within three years of the current modification.

The following VALERI processes are part of a review of a suspicious loan modification:

- "Review suspicious loan modification."
- "Communicate modification corrections."

VALERI Process 5: "Review suspicious loan modification"

Step 1: Review suspicious loan modification – The first step in the process is to review the suspicious loan modification by reviewing the details of the Loan Modification Complete event and verifying which VA requirements were not met by the servicer. If the servicer received a pre-approval for the loan modification, you verify whether or not they adhered to the pre-approved parameters, enter your findings in your case notes, and close the process. If the servicer adhered to the pre-approved parameters, you also override the business rule failures on the Loan Modification Complete event. If the servicer has reported the Default Cured/Loan Reinstated event, and they are eligible for an incentive, you generate a manual incentive for the loan modification. Refer to Chapter 6, Servicer Incentive Payments, for guidance on the manual incentive process.

Step 2: Obtain documents – You obtain documents from the servicer to confirm whether or not VA requirements were met and determine the quality of the underwriting on the loan modification. You may request the following documents:

- Loan modification approval letter.
- Servicing case notes.
- Loan modification agreement.
- Loan modification worksheet.
- Underwriting package.

Refer to Annex 10, Post-Audit Document Definitions, for more information on these documents.

Step 3: Perform loss mitigation analysis – After you review documentation provided by the servicer, you review the servicer's submitted documentation to determine if the loan modification agreement was an appropriate option for the veteran.[29]

During this process, you should use your judgment to determine whether or not the servicer committed egregious errors on the loan modification. Egregious violations of VA requirements, rather than minor errors, should be the basis for your decision whether or not to order corrections or establish a regulatory infraction.

Some egregious errors can be corrected by requiring the servicer to obtain a corrected modification agreement. A corrected modification may be required when you find one or more of the following errors:

- The loan modification did not cure the default.
- The interest rate on the modified loan exceeds the maximum allowable rate.
- The term of the modified loan exceeds the maximum allowable term.
- The new loan does not amortize to within $50 of zero over the new term.

Other egregious errors, which cannot be corrected with a new loan modification agreement, require you to add a regulatory infraction. These regulatory infractions may result in a future claim adjustment if the loan is terminated by foreclosure. Regulatory infractions include the following:

- Servicer returning payments to the borrower to create a default.
- Reason for default is not resolved.
- Borrower is not a reasonable credit risk.
- Current owner is not obligated to repay the loan.
- Late fees and other charges were capitalized.
- Borrower received cash back.

Refer to Chapter 7, Regulatory Infractions, for guidance on adding and managing regulatory infractions in VALERI.

Step 4: Make recommendation on suspicious loan modification – Once you have completed your loss mitigation analysis and added any regulatory infractions, you make a recommendation to allow the modification to go forward without corrections, or recommend that the servicer make corrections to the loan modification agreement. You answer “Yes” or “No” to the question “Make servicer fix modification agreement?” and enter a justification for your answer that includes the suggested corrections.

Step 5: Approve or deny recommendation – A Servicing Officer (SO)[30], or other designated approving official, must approve or deny your recommendation. If the approving official determines that corrections should be made, VALERI initiates the “communicate modification corrections” process for you to complete.

[29] Deleted “perform loss mitigation analysis in loss mitigation tool” on 7/2009.

[30] Modified approving official to SO on 5/01/08

VALERI Process 6: "Communicate modification corrections"

Step 1: Prepare modification correction letter – The loan modification correction letter explains VA's recommendations for correcting the loan modification agreement. Refer to VA's VALERI intranet site for a template of the loan modification correction letter.

Step 2: Communicate corrections to servicer – Once you have prepared the modification correction letter, you e-mail or fax a copy of the loan modification correction letter to the servicer. The servicer then has 60 days to make the corrections to the loan modification.[31]

Servicers are not allowed to charge a processing fee for completing a loan modification. If they do, you must also recommend that the servicer refund the fee to the borrower.

Step 3: Confirm corrections agree – The last step in this process is to confirm that the corrections to the loan modification agree with what you communicated to the servicer. The corrected modification information will need to be entered in VALERI by an administrator. You may issue a manual incentive for the corrected loan modification by accessing NewTrak tools.

VALERI will prompt you to answer the following question: "New Modification as Promised by Servicer?" If you answer "yes," the process ends and you do not have any further work to complete on this case. If you answer "no" you may consider a refund, consider stopping the incentive, or decide to take no action.

If the servicer does not correct the loan modification within the required timeframe, you should contact the servicer to follow up on your recommendation. If the servicer does not implement the corrections, the outstanding regulatory infraction for the improper loan modification could lead to a claim adjustment should the loan subsequently terminate.

5.2.2.2 Review of an Early Payment Default on a Modified Loan

An early payment default (EPD) occurs on a modified loan when a loan becomes delinquent within six months of the date the loan was modified. An EPD on a modified loan may indicate fraud or mishandling of the loan modification. VALERI initiates the "review early payment default" process any time a servicer reports an EDN for a modified loan and the loan became delinquent within six months of the date the loan was modified.

VALERI Process 7: "Review early payment default"

Step 1: Review case file – You review the case file to become familiar with the loan information, events that have been submitted, open issues, regulatory infractions, and any payments issued on the loan.

Step 2: Contact borrower – Following the review of the case file, you contact the borrower to determine the answers to the following questions:

[31] Deleted reference to reporting a new Loan Modification Completed event on 7/2009 and replaced it with directions to have a VALERI administrator make the updates.

- Why are they delinquent again?
- Did they request the loan modification or was it the servicer's recommendation?

Step 3: Obtain information from servicer – After the borrower has been contacted, you must also contact the servicer to obtain the following documents:

- Loan modification approval letter.
- Servicing case notes.
- Loan modification agreement.
- Loan modification worksheet.
- Underwriting package.

Refer to Annex 10, Post-Audit Document Definitions, for more information on these documents

Step 4: Determine quality of underwriting – Using the documentation submitted, you perform an analysis of the loan modification[32] to determine whether the loan modification was underwritten per VA requirements as stated in 38 CFR 36.4840. VALERI will prompt you to answer the following question: "Was the loan modification underwritten per VA requirements?"

If you answer "yes", the process ends and you do not have any further work to do on this case. If you answer "no," you must add a regulatory infraction for an improper loan modification.

If you discover fraud or mismanagement of the loan by the servicer, you should issue a bill of collection (BOC) for any incentive paid for completing the loan modification. You may also contact the servicer to require them to complete a new loan modification agreement.

5.2.2.3 Review of a Notice of Value (NOV) without an Electronic Default Notification (EDN)

The Appraisal System (TAS) may send VALERI a Notice of Value (NOV) on a loan for which the servicer has not yet reported an EDN. In this case, the servicer could be pursuing a compromise sale, DIL, or foreclosure without waiting for the loan to become at least 61 days delinquent. The servicer could also be failing to report required events to VA, including the EDN. If TAS sends an NOV for a loan without an EDN, VALERI initiates the "review NOV without EDN" process for you to determine the reason for the NOV.

VALERI Process 8: "Review NOV without EDN"

Step 1: Review case file – You review the case file to become familiar with the loan information, events that have been submitted, open issues, regulatory infractions, and any payments issued on the loan.

[32] Deleted reference to using the loss mitigation tool on 7/2009.

Step 2: Review NOV/appraisal in TAS – Once you have reviewed the case file, you obtain a copy of the NOV and appraisal information from your local Valuation Officer. When reviewing the appraisal information, you should determine if:

- The servicer ordered the appraisal for a partial release of security and the appraisal was incorrectly classified as a liquidation appraisal.
- The appraisal was ordered for the purpose of terminating the loan.

Step 3: Contact servicer – Once you have reviewed the NOV and appraisal information, you contact the servicer confirm that your findings are correct. VALERI will prompt you to enter one of the following reasons for the NOV:

Erroneous NOV, no action required – An erroneous NOV with no action required would occur if, for example, the servicer ordered an appraisal for a partial release of security and it was incorrectly classified as a liquidation appraisal.

Reporting error, need to confirm loss mitigation – A reporting error occurs when you contact the servicer and they indicate that they have been reporting all of the required events on the loan and for some reason VALERI has not accepted the events. In this case, VALERI initiates the "confirm loss mitigation implemented" process for you to complete.

Servicer referred to foreclosure without loss mitigation – If the servicer referred the loan to foreclosure without loss mitigation efforts, VALERI initiates the "make loss mitigation recommendation" process for you to complete. You complete the VA loss mitigation process to determine if the borrower is eligible for a loss mitigation option rather than a foreclosure. Refer to section 5.2.3 Technician Conducts Loss Mitigation Analyses for Borrowers, as Necessary, for detailed information on the "make loss mitigation recommendation" process.

Other – You answer "other" when the NOV is due to something not on this list that would require stopping the loan termination action. When you select this option, VALERI initiates the "make loss mitigation recommendation" processes for you to complete. You may also be required to add a regulatory infraction in VALERI.

5.2.3 Technician Conducts Loss Mitigation Analyses for Borrowers, as Necessary

You conduct loss mitigation analyses in VALERI when one of the following occurs:

- A borrower calls you directly regarding possible loss mitigation options. In this case, if the borrower is unwilling or unable to work with their servicer, you transfer in the "make loss mitigation recommendation" process.
- You determine there was inadequate servicing on a loan during the "review adequacy of servicing" process. In this case, VALERI will initiate the "make loss mitigation recommendation" process for you to complete.
- You complete the "review NOV without EDN" process and determine that the servicer is pursuing a loan termination action without considering loss mitigation options. In this case, VALERI will initiate the "make loss mitigation recommendation" process for you to complete.

You can generate loss mitigation recommendations on both current and delinquent loans, however, if the servicer has reported an Electronic Default Notification (EDN), much of the required delinquency information will be populated for you in the Loss Mitigation Tool. When conducting a loss mitigation analysis, you may be required to complete the following processes in VALERI:

- "Make loss mitigation recommendation."
- "Get agreement from servicer on loss mitigation."
- "Confirm loss mitigation implemented."

VALERI Process 9: "Make loss mitigation recommendation"

Step 1: Collect information from veteran – When you make contact with a borrower to discuss loss mitigation options, you should request financial information from the veteran to obtain an understanding of their current financial situation. Once you have discussed this information with the borrower, you close Step 1 and open Step 2. If you are on the phone with the borrower and you are able to continue, keep the borrower on the phone to capture this information for VALERI's Loss Mitigation Tool.

Step 2: Update VALERI and determine loss mitigation recommendation – For this step, you will open the Loss Mitigation Tool and enter general information, enter borrower financial information, generate a recommendation, and upload supporting documents. If the caller is not the obligor but indicates that he or she is authorized to speak on behalf of the obligor, you must request an "Authorization to Release Information" and/or a "Power of Attorney" letter from the caller. The letter must be signed by the obligor. You should not continue your conversation with the caller until you receive one of these letters.

Capture General Information – You ask the obligor the following questions and store the answers in the Loss Mitigation Tool's General Information screen:

- What is the property address?
- What is the mailing address?
- What is the borrower's the contact number(s) and e-mail address?
- Has the obligor been in contact with his or her servicer?
- Does the borrower intend to keep the property?
- Has bankruptcy been filed?
- Has the case been referred to foreclosure?
- What is the occupancy status of the property?
- What is the current reason for default?
- Is the obligor selling the property?
- Is the obligor refinancing?
- Are there other liens on the property?

It is important to note that if the borrower intends to sell the property, an estimated property value should be entered into the Loss Mitigation Tool. If there is a valid NOV for the property, it will display in the Tool. If there is not a valid NOV, you obtain an estimated property value from the borrower and enter it into the tool.

Capture Borrower Financial Information – The Loss Mitigation Tool generates recommendations based upon borrower financial information, specifically the borrower's discretionary income. You also enter financial information for any co-obligors. When entering co-obligor data, you should only enter any financial information that is unique to the co-obligor because VALERI will calculate the total discretionary income by adding together the obligor and co-obligor information. The details you capture in VALERI are:

- Cash on hand.
- Gross income or net income (bi-weekly, monthly, or annual).
- Assets the borrower is willing to liquidate to help cure the delinquency.
- Effective dates of income (valid only if there is income that is expected to begin in the future).
- Monthly Debts.
- Monthly Expenses.
- Employment type.
- Tax filing status.
- Number of deductions.
- Non-taxable deductions.
- Effective date for future discretionary income (allows VALERI to determine which income should be considered "future" income).

If gross income information is entered, VALERI determines the appropriate total annual deductions based on the obligor's income, filing status, employment type, number of deductions, and amount of non-taxable deductions.

Generate Recommendation – Once you have updated VALERI with the appropriate borrower information, the Loss Mitigation Tool evaluates all of the captured data and presents a list of ranked loss mitigation options. The rankings are presented according to the following colors:

- **Green**: An option that passed all business rules and appears to be a good option based on the data available.
- **Yellow**: An option that has some constraints but might be a good option depending on the situation and borrower.
- **Red**: The least likely option for both the servicer and borrower.

You should determine the loss mitigation recommendation that you believe is in the best interest of all parties. Generally, these options are coded green. VALERI allows you to conduct a "what-if" analysis for the computation of all loss mitigation options, which allows you to determine if different borrower data would change the terms of the loss mitigation recommendation. For example, if VALERI determines a default recommendation for a 10 month repayment plan at 75% of the borrower's discretionary income, you may conduct an analysis in the tool to determine the impact of lengthening the term of the plan.

Upload and Associate Documents – The Loss Mitigation Tool requires you to upload certain documents based on the information you enter into VALERI's General Information screen. You should save your recommendation and upload these documents prior to sending your recommendation for approval.

You may obtain documents from the borrower, servicer or any other appropriate source. All documents must be uploaded into the Loss Mitigation Tool, so you should upload any hard copies you receive and associate them to the loan and to the loss mitigation recommendation.

The following is a list of required documents to substantiate information entered into the Loss Mitigation Tool:

- If the caller is a representative of the borrower, upload the authorization to release information and/or power of attorney letters.
- If the reason for default is unemployment but the borrower is starting a new job, upload the borrower's reinstatement letter.
- If the borrower is refinancing, upload a proof of funds document.
- If the borrower indicates they are considering a private sale, upload the sales contract from the obligor and the itemized payoff statement from the servicer.

Step 3: Contact borrower with results – Once you have generated the recommendation, you contact the borrower to communicate the results of your analysis and gain their agreement on the option. You may also discuss alternatives, if the recommendation is not feasible to the borrower. For example, if the green option is "repayment plan" but your discussions with the borrower reveal information which indicates a loan modification may be the best option, you may decide to recommend a loan modification.

Once you have discussed the option with the borrower and uploaded all supporting documents, you may access the recommendation you generated as part of Step 2 and submit it for approval.

Step 4: Approve or deny loss mitigation recommendation – Your recommendation requires approval prior to communicating the loss mitigation recommendation to the servicer. Assistant Loan Technicians need to receive approval from a Senior Loan Technician (SLT), or other designated approving official, before they recommend a loss mitigation option to a servicer. Loan Technicians (LTs) may approve their own recommendations. Once the recommendation is approved, VALERI initiates the "get agreement from servicer on loss mitigation" process for you to complete.

VALERI Process 10: "Get agreement from servicer on loss mitigation"

Step 1: Obtain response from servicer to implement loss mitigation recommendation – When you have an approved loss mitigation option, you notify the servicer of your recommendation, and fax the servicer the details of your recommendation and any information used in making your decision. You must seek verbal agreement from the servicer to implement the recommendation. You must also notify the borrower that you have received approval for the recommendation and have contacted the servicer to implement it.

VALERI will prompt you to answer the following question: "Will servicer implement recommendation?" You must choose from one of the following answers:

Yes – If the servicer verbally agrees to implement the recommendation, you answer "yes." In this case, VALERI initiates the "confirm loss mitigation implemented" process for you to complete. You must also transfer in the "prevent servicer incentive" process to stop the incentive for the loss mitigation option.

No, with justification – If the servicer does not agree to implement the recommendation, but provides a sufficient reason for not doing so, you may answer "no, with justification." In this case, VALERI closes the process and no further action is required.

No – If the servicer does not agree to implement the recommendation, and does not provide an adequate reason for not doing so, you answer "no." In this case, VALERI initiates the "review refund" and "prevent servicer incentive" processes for you to complete.

VALERI Process 11: "Confirm loss mitigation implemented"

Step 1: Confirm loss mitigation efforts – If the servicer chooses to implement the recommendation, VA requires them to implement the recommendation expeditiously. If VA determines that a servicer is not implementing VA recommended loss mitigation options expeditiously, their servicer performance rating may be affected.

You confirm that the loss mitigation option is being implemented by verifying that the loss mitigation event is on the VALERI loan information screen or calling the servicer to check and make sure they are implementing the recommendation. You must complete this action within 14 days.

VALERI will prompt you to answer the question, "Servicer Implemented Recommendation?" If you answer "no," VALERI launches the "review refund" process. If you answer "yes," VALERI completes the process and no further action is required.

5.3 Loss Mitigation Recommendations in VALERI

VALERI's Loss Mitigation Tool allows you to generate a loss mitigation recommendation for a borrower. The Loss Mitigation Tool is accessible via the "make loss mitigation recommendation" process. VALERI generates this process for you in some situations, but it also allows you to manually transfer in the process. Refer to Section 2.5.3 Complete VALERI Processes, for guidance on transferring in a manual process.

To generate a loss mitigation recommendation, you complete the following steps:

- Access the Loss Mitigation Tool.
- Complete the Existing Loss Mitigation Recommendations screen.
- Complete the General Information screen.
- Complete the Financial Information screen.

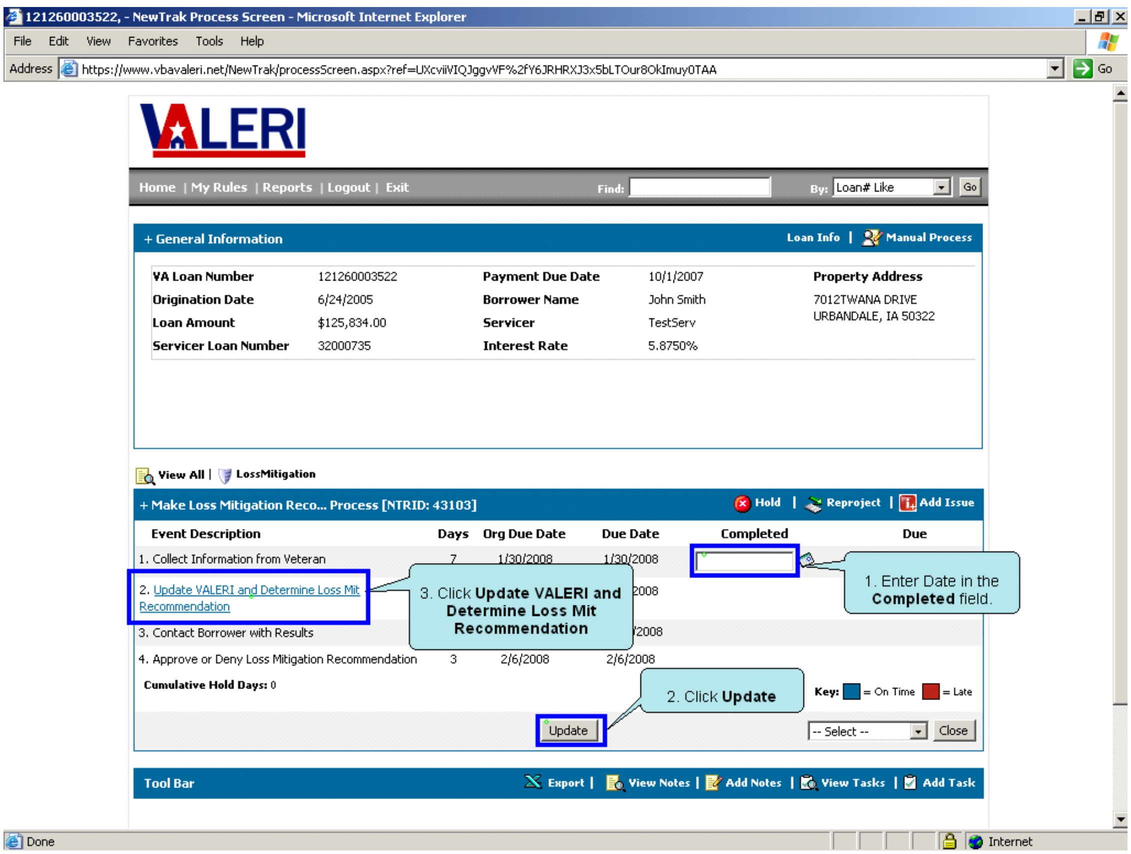
- View the loss mitigation recommendations.
- Tinker with a loss mitigation recommendation.
- Submit a loss mitigation recommendation for approval.

5.3.1 Access the Loss Mitigation Tool

You have already manually transferred in the “make loss mitigation recommendation” process and you can see the opened process on VALERI’s Process screen.

Before you can access the Loss Mitigation Tool, you must collect information from the veteran regarding his loan and his general financial situation. When you have collected this information, you enter a completed date for process Step 1. You access the Loss Mitigation Tool through the hyperlink in Process Step 2 as shown in Figure 31.

Figure 31: Complete Step 1 and Access Loss Mitigation Tool



Instructions:

1. Enter the date in the **Completed** field for Step 1 of the Make Loss Mitigation Recommendation process.
2. Click the **Update** button to complete Step 1.
3. Click the **Update VALERI and Determine Loss Mit Recommendation** link to access the Loss Mitigation Tool.

5.3.2 Complete the Existing Loss Mitigation Recommendations Screen

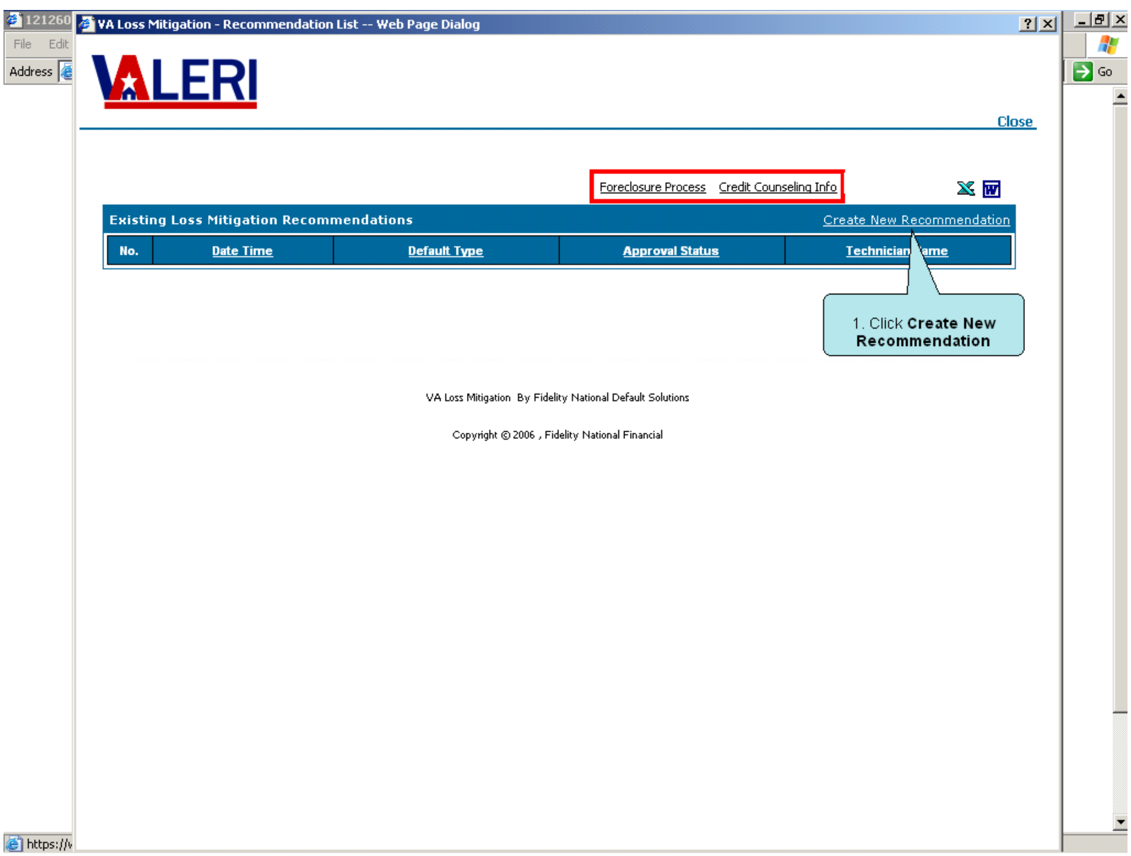
When you click on the hyperlink in Step 2 of the “make loss mitigation recommendation” process, VALERI takes you to the Existing Loss Mitigation Recommendations screen, as shown in Figure 32. This screen allows you to view existing recommendations and provides a link to create a new recommendation.

The following are some useful links highlighted in Figure 32:

- **Foreclosure Process**: Click this link to view the details of the foreclosure process in each state, such as the type of foreclosure proceeding (judicial or non-judicial), foreclosure timeframe, final loan termination event (sale or confirmation of sale), and whether or not the state is an after-sale redemption state.
- **Credit Counseling Info**: Click this link to access credit counseling information from the Department of Housing and Urban Development (HUD) and the Federal Trade Commission (FTC). You may also refer the borrower to these resources.

The screen in Figure 32 shows no existing recommendations on this loan for you to work with. When this is the case, you create a new recommendation using the Create New Recommendation link.

Figure 32: Create New Loss Mitigation Recommendation



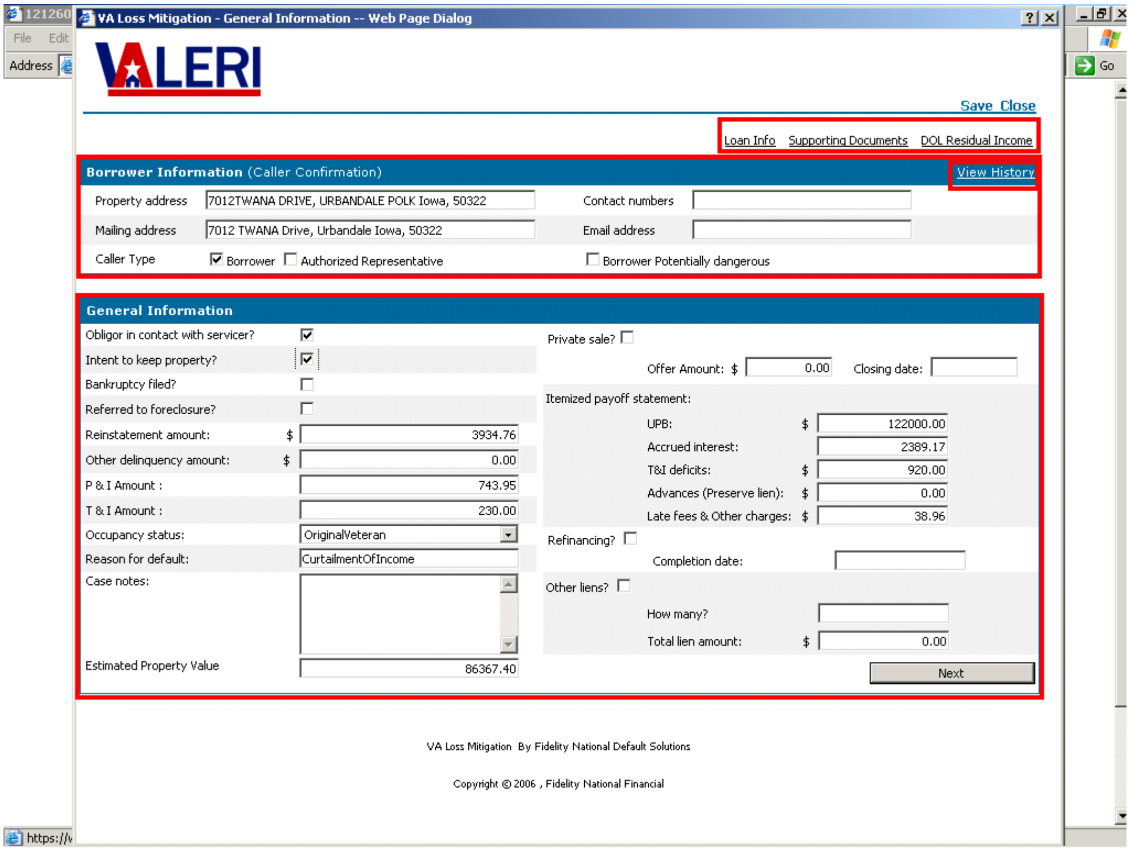
Instructions:

1. Click the **Create New Recommendation** link.

5.3.3 Complete the General Information Screen

When you click the Create New Recommendation link, VALERI takes you to the General Information screen, as shown in Figure 33.

Figure 33: General Information Screen



You use this screen to capture general information about the veteran's situation. VALERI pre-populates some of the information on this screen based on information reported by the servicer in the Electronic Default Notification event. This screen includes the following elements:

- Borrower information panel.
- General information panel.
- Helpful links.

5.3.3.1 Borrower Information Panel

The Borrower Information panel displays general property and borrower information, such as the property address, mailing address, contact numbers, and e-mail address. You may edit some, but not all, of the fields in this panel.

If the person you are speaking to while generating your recommendation is an authorized representative of the borrower, you must indicate this by selecting the box next to Authorized Representative. If the borrower is potentially dangerous, you may select the box next to Borrower Potentially Dangerous.

5.3.3.2 General Information Panel

The General Information panel allows you to input information about the borrower's situation. Some of the information in this panel is pre-populated based upon information provided by the servicer in event updates or by information VALERI received from other sources, such as The Appraisal System (TAS). You have the ability to edit some, but not all, of the fields in this panel. The information you input into this panel will help VALERI determine the appropriate loss mitigation recommendation.

The General Information panel includes the following fields:

- **Borrower in contact with servicer?:** Check the box in this field if the borrower is in contact with their servicer.
- **Intent to keep property?:** Check the box in this field if the borrower intends to keep the property. If the box is checked, VALERI will only generate a recommendation for the repayment plan, special forbearance, and loan modification options. If the box is not checked, VALERI will only generate a recommendation for the special forbearance, compromise sale, and deed-in-lieu options.
- **Bankruptcy filed?:** The box for this field will be checked if the servicer has reported that the borrower is in bankruptcy. Check the box in this field if the field is blank but the borrower states that he or she is in bankruptcy.
- **Referred to foreclosure?:** The box for this field will be checked if the servicer has reported the Foreclosure Referral event to VA. Check the box if the field is blank and the borrower states that the loan has been referred to foreclosure.
- **Reinstatement amount, Other delinquency amount, P&I amount, and T&I amount fields:** VALERI pre-populates these fields for you based on information reported by the servicer in the Electronic Default Notification. Review the information in these fields.
- **Occupancy status and Reason for default fields:** VALERI pre-populates these fields for you based on information reported by the servicer in the Electronic Default Notification. Edit the information in these fields based on your conversation with the borrower, if applicable.
- **Case notes:** Enter any relevant notes into the Case notes field.
- **Estimated property value:** VALERI pre-populates this field if there is a valid NOV for the property. Edit this field with an estimated property value if the field is not populated and the borrower intends to sell the property.
- **Private sale?, Offer amount, and Closing date fields:** Check the box in the "Private sale?" field if the borrower has a purchase offer and intends to sell the property. Enter the net proceeds of the offer amount and the closing date in the appropriate fields.
- **Itemized payoff statement fields:** VALERI pre-populates these fields showing the details of the payoff amount. This is useful if the borrower wants to sell the property. The interest field is interest calculated up to the date you are generating the recommendation.

- **Refinancing? and Completion date fields:** Check the box in the “Refinancing?” field if the borrower is refinancing. Enter the refinancing completion date as well.
- **Other liens?, How many?, and Total lien amount fields:** Check the box in the “Other liens?” field if there are other liens on the property. If there are other liens, enter the number of liens and the total dollar amount in the appropriate fields.

5.3.3.3 Helpful Links

The General Information screen also includes the following helpful links:

- **Loan Info:** Click this link to access the Loan Information screen.
- **Supporting Documents:** Click this link to upload required documents into the Tool.
- **DOL Residual Income:** Click this link to view the Department of Labor (DOL) residual income table.
- **View History:** Click this link to view the obligor’s information history.

5.3.4 Complete the Financial Information Screen

When you click Next on the General Information screen, VALERI takes you to the Financial Information screen. This screen allows you to input detailed information about the obligor’s finances. The Financial Information screen includes the following panels:

- Financial information.
- Cash-on-hand.
- Income.
- Assets.
- Monthly debts.
- Monthly expenses.
- Deductions and total summary.

5.3.4.1 Financial Information

The Financial Information panel at the top of the screen allows you to choose which obligor’s financial information to input into the Tool. VALERI defaults to the obligor. Check the box next to co-obligor if you would like to start a new Financial Information screen for a co-obligor.

A co-obligor may already exist in VALERI, but you may also add co-obligors in order to input their financial information. To add a co-obligor, you would type the co-obligor’s name and click the Add Co-obligor link. You should only enter financial information for a co-obligor that is unique to that particular co-obligor, as VALERI merges the financial information of both obligors to determine the appropriate recommendation.

VALERI determines the borrower’s state income tax obligations using the state populated in the Financial Information panel. Be sure to always select the state where the current obligor pays income taxes.

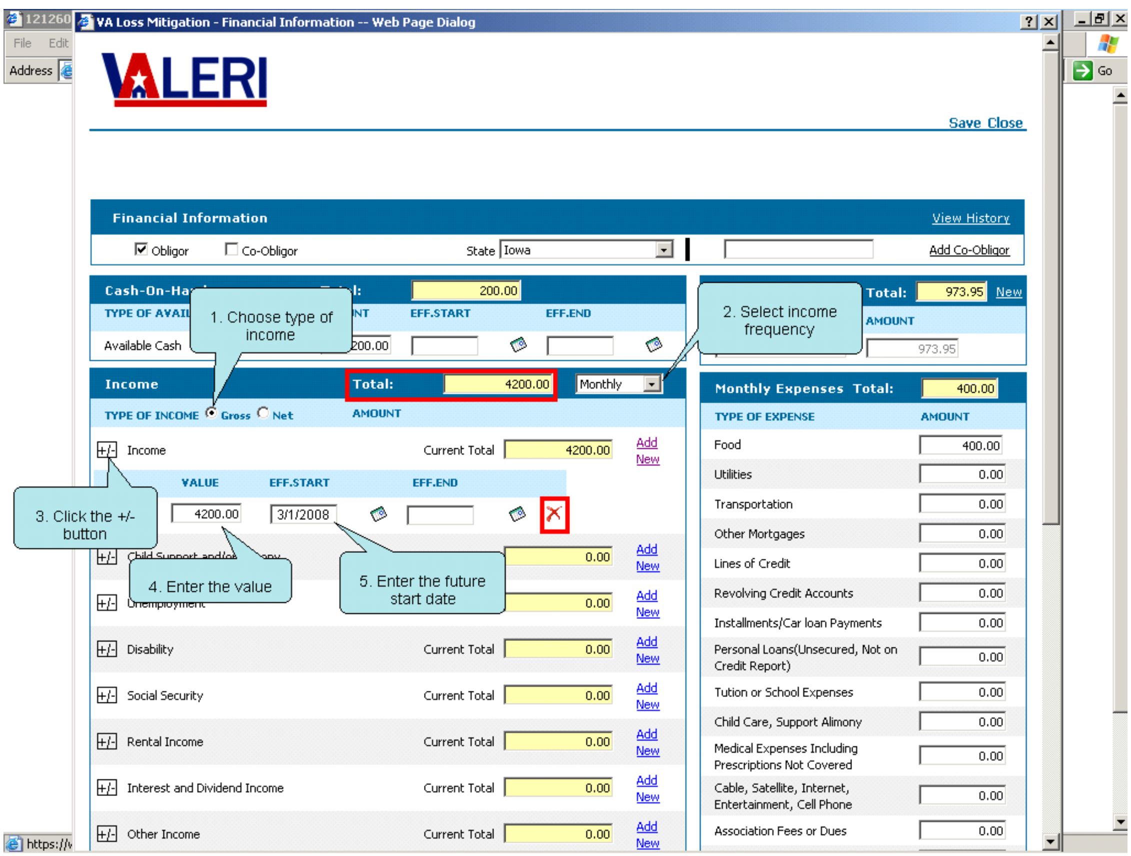
5.3.4.2 Cash-On-Hand

Enter the obligor's available cash, if any, in the Cash-On-Hand panel. VALERI uses the Cash-On-Hand panel to determine the amount the obligor can use as a down payment for certain loss mitigation options. If the obligor does not have immediately available cash, enter an effective start date for the cash in the Eff. Start field to let VALERI know that the cash will be available on a future date.

5.3.4.3 Income

The Income panel allows you to enter information on the different sources of income for the current obligor. You must enter either the obligor's annual, monthly, or bi-weekly income. VALERI defaults to the Gross income type of income, but you may select net income as a substitute if the borrower knows their net income. Similar to the Cash-On-Hand panel, you may enter a future effective date for the income in the Eff. Start field if the borrower is expecting the income to occur in the future.

Figure 34: Enter Obligor Income Information



Instructions:

1. Choose the type of income (gross or net).
2. Select the frequency of the income (annual, monthly, or bi-weekly)
3. Click the **+ / -** icon to display a new income field.
4. Enter the income value.
5. Enter an effective start date, if income occurs in the future.

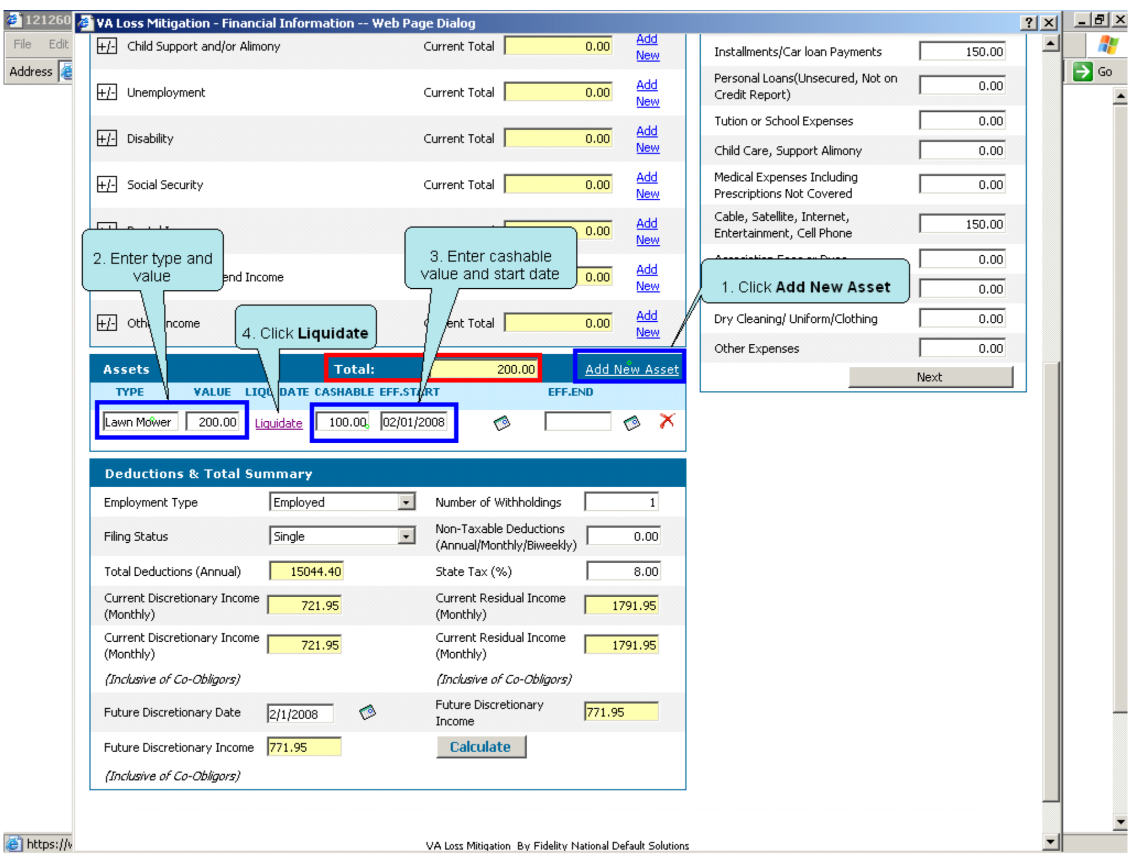
VALERI keeps track of the total amount of income entered in the Total field at the top of the panel, as shown in Figure 34. If you need to delete an income item, click the red X next to the item, also shown in Figure 34.

5.3.4.4 Assets

The Assets panel allows you to enter the details of one or more of the borrower's assets when the borrower is willing to liquidate them to help cure their delinquency. The asset's cashable value is added to the Cash-On-Hand panel when it is liquidated. If the asset is cashable only on a future date, be sure to enter the future date in both the Assets and Cash-On-Hand panels.

When a borrower is willing to liquidate an asset, you enter the asset information into the Assets panel, as shown in Figure 35.

Figure 35: Add an Asset



Instructions:

1. Click the **Add New Asset** link to add an asset.
2. Enter the type and value of the asset.
3. Enter the cashable amount and an effective start date, if applicable.
4. Click the **Liquidate** hyperlink.

5.3.4.5 Monthly Debts

The Monthly Debts panel allows you to enter any of the current obligor's ongoing monthly debts that do not fit into a category in the Monthly Expenses panel. VALERI pre-populates the monthly mortgage payment into the Monthly Debts panel for you.

5.3.4.6 Monthly Expenses

The Monthly Expenses panel allows you to enter all of the current obligor's monthly expenses. Enter each expense into the appropriate category.

5.3.4.7 Deductions and Total Summary

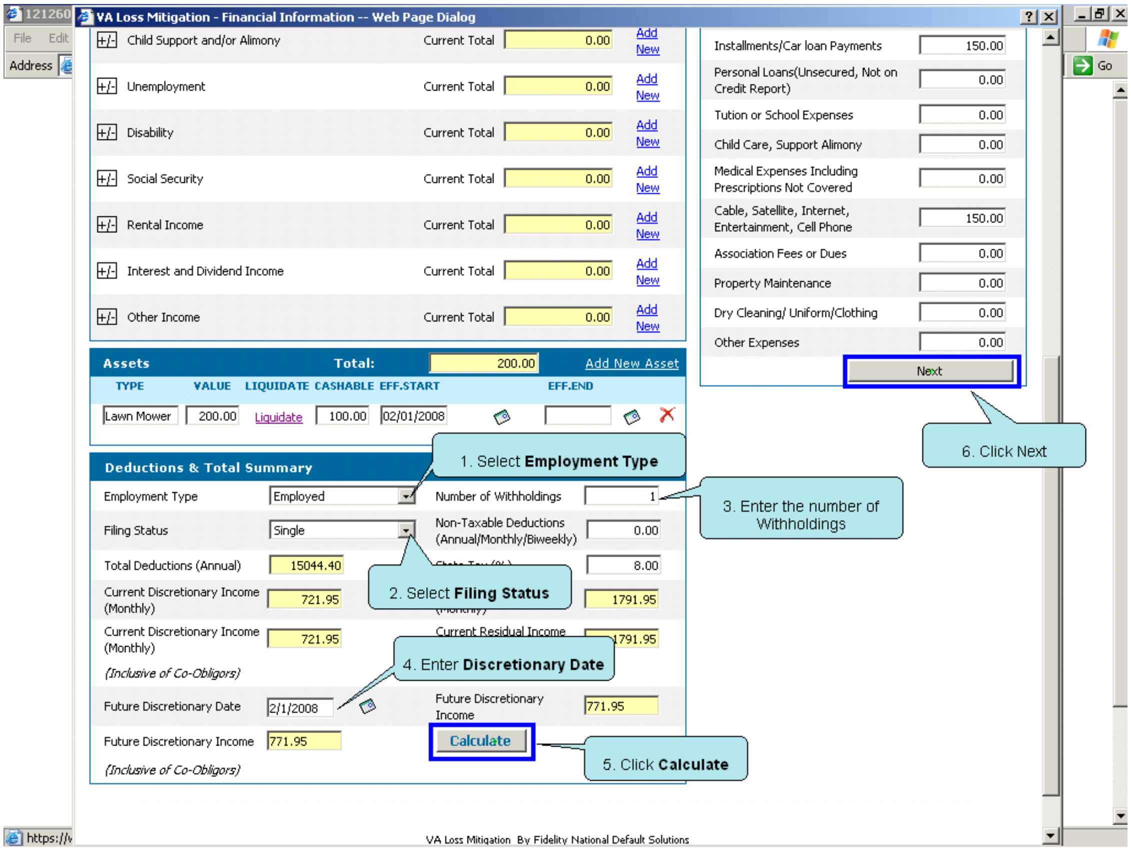
The Deductions & Total Summary panel allows you to enter information about the borrower's employment status, tax filing status, tax withholdings, and non-taxable deductions. You also use this panel to define a future date for income, which tells VALERI when to begin calculating income as a "future" income.

VALERI uses this information to calculate the current and future monthly residual and discretionary income. The residual income is the borrower's monthly net income less the monthly shelter expenses (monthly debts, utilities, association fees or dues, and property maintenance). The discretionary income is the borrower's monthly net income less the total amount of debts and expenses. Once calculated, VALERI displays the following monthly income numbers:

- Current discretionary income.
- Current discretionary income (inclusive of co-obligors).
- Current residual income.
- Current residual income (inclusive of co-obligors).
- Future discretionary income.
- Future discretionary income (inclusive of co-obligors).

Figure 36 shows how to record deductions.

Figure 36: Record Deductions and View Total Summary



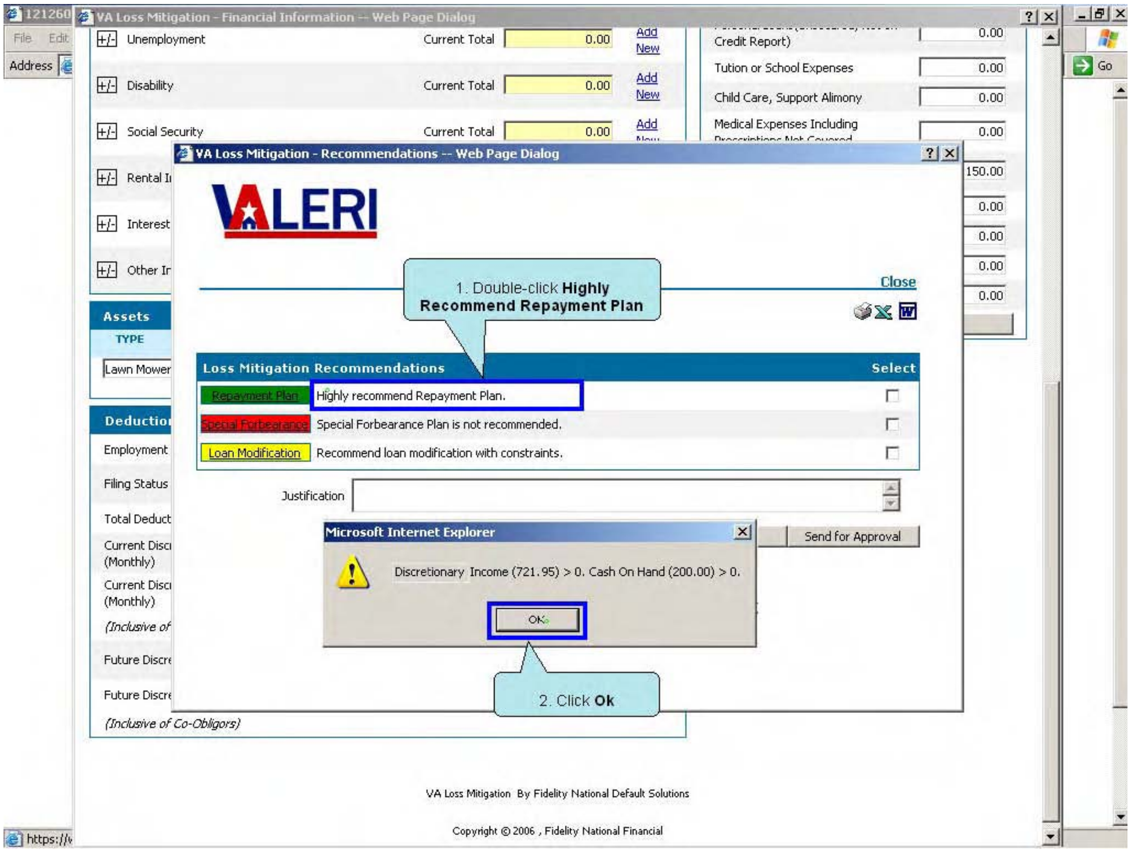
Instructions:

1. Select the **Employment Type**.
2. Select the **Filing Status**.
3. Enter the number of withholdings.
4. Enter the **Future Discretionary Date**, if there is any future income or cash.
5. Click the **Calculate** button.
6. Click the **Next** button to proceed to the next step.

5.3.5 View the Loss Mitigation Recommendations

When you complete the Financial Information screen and select the Next button, VALERI generates the loss mitigation recommendation based on the data you entered. VALERI presents each option with a green, yellow, or red color, as shown in Figure 37. It is important to note that these are simply recommendations. It is your responsibility to evaluate the unique situation of the borrower and determine the best recommendation for them. To know the reason why VALERI is providing each of these recommendations, double click on the text next to the recommendation as shown in Figure 37.

Figure 37: View Loss Mitigation Recommendations and Justifications

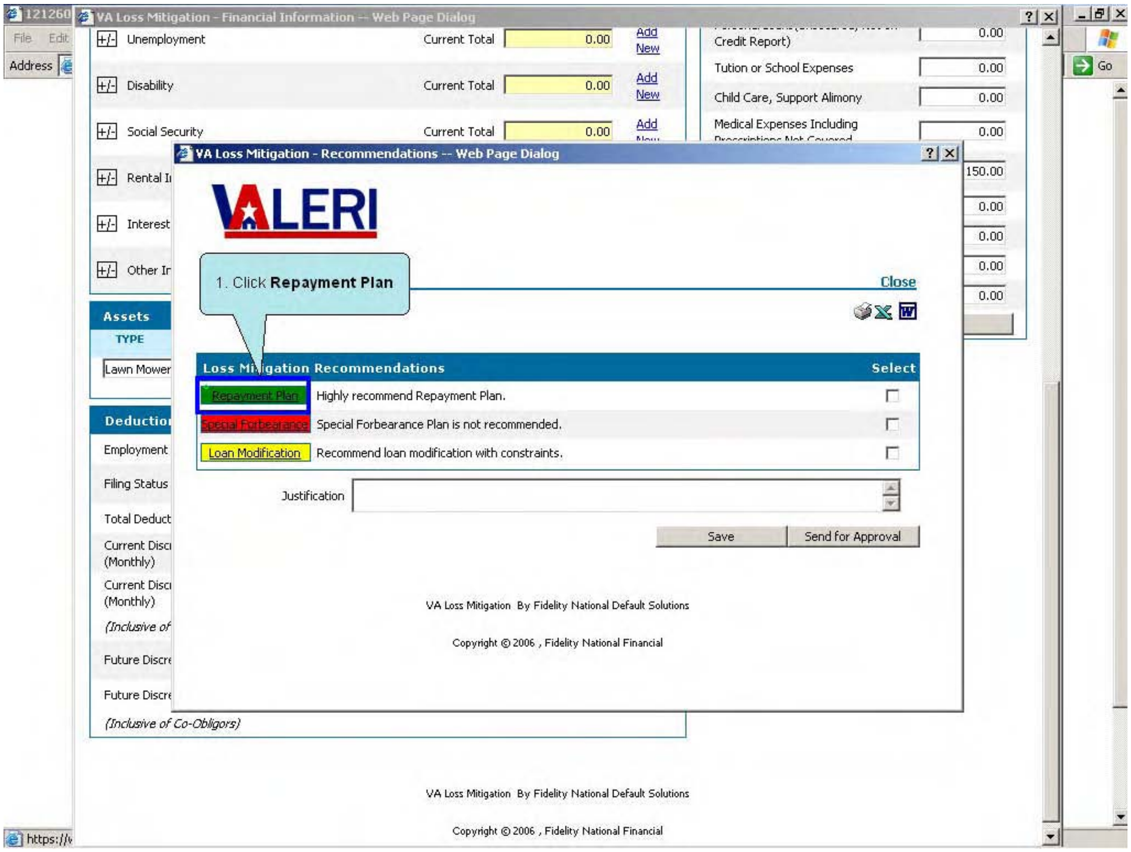


Instructions:

1. Double click **Highly Recommend Repayment Plan** from the Loss Mitigation Recommendations list.
2. Click **OK** to close the justification window.

You can view a specific recommendation by clicking on the name of the option, as shown in Figure 38. In this screen, VALERI highly recommends the Repayment Plan option.

Figure 38: View a Specific Loss Mitigation Option

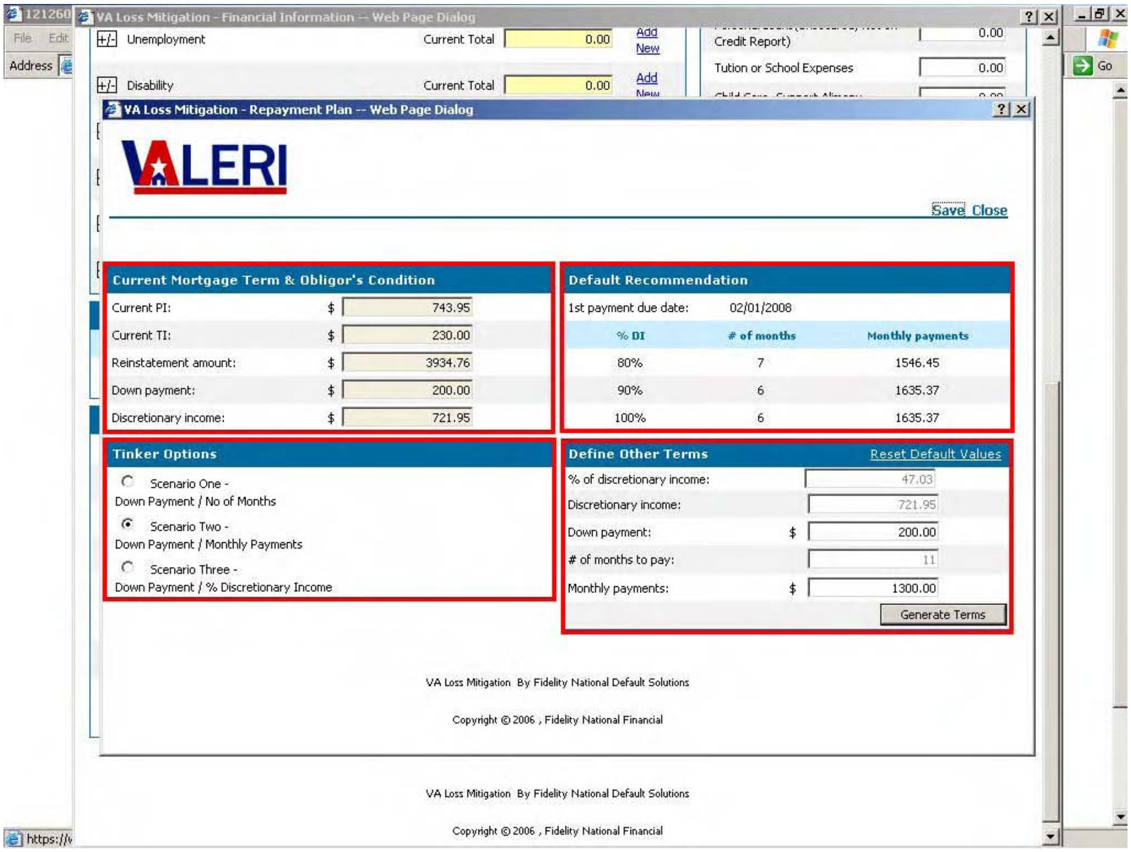


Instructions:

1. Click the **Repayment Plan** option.

When you click on a specific option, VALERI takes you to the recommendation screen for that option. The recommendation screen for each home retention option (repayment plan, special forbearance, and loan modification) displays the current mortgage term and obligor's condition, the details of VALERI's default recommendation, and a panel that allows you to define other terms. The recommendation screen for a compromise sale or deed-in-lieu displays the details of the recommendation only. Figure 39 displays the recommendation screen for the repayment plan option.

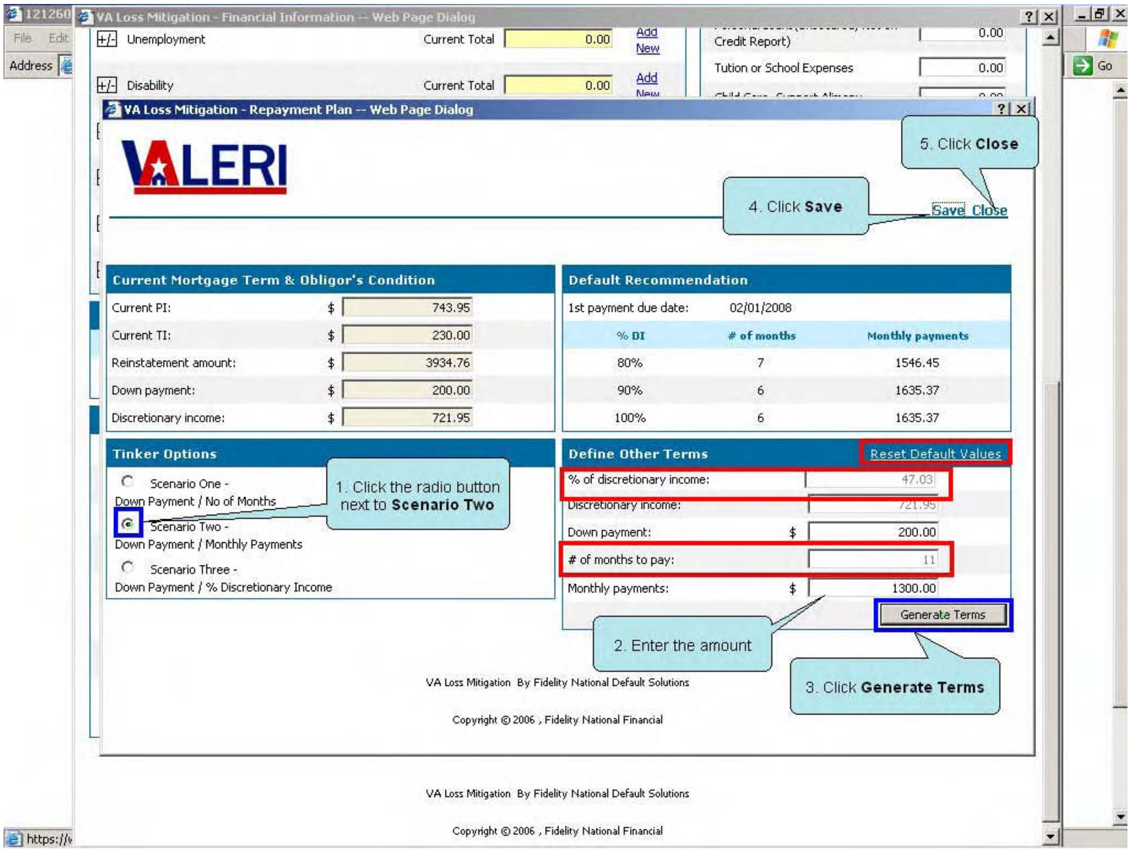
Figure 39: Sample Loss Mitigation Recommendation Screen



5.3.6 Modify a Loss Mitigation Recommendation

You may “tinker” with the Repayment Plan, Special Forbearance, and Loan Modification recommendations to generate different terms than VALERI’s default recommendation. The Tinker Options panel provides options for changing the default recommendation. The Define Other Terms panel allows you to change the terms of the recommendation based on which tinker option you select. Choosing Tinker Option 2 (Down Payment/Monthly Payments) in the Repayment Plan recommendation screen allows you to alter the amount of the down payment and the amount of the monthly payment, as shown in Figure 40.

Figure 40: Sample Tinker Option



Instructions:

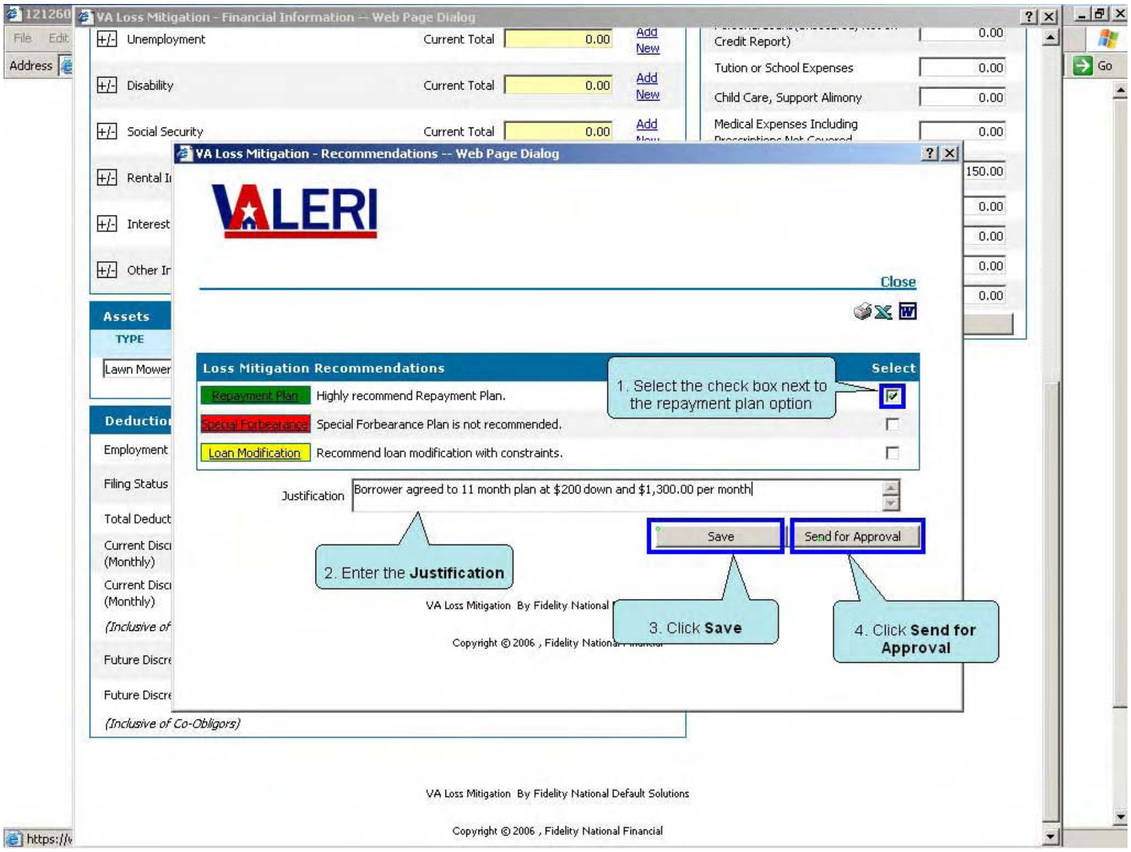
1. Click the radio button next to **Scenario Two** in the Tinker Options panel.
2. Enter the amount of the new the monthly payment (and/or down payment).
3. Click the **Generate Terms** button.
4. Click **Save** the save the Repayment plan option.
5. Click **Close** to close the Repayment window.

Once you click the Generate Terms button, the % of discretionary income and % of months to pay fields are updated, as highlighted in Figure 40. If the borrower did not agree with the option, you could click Reset Default Values, as highlighted in Figure 40, and start over.

5.3.7 Submit a Loss Mitigation Recommendation for Approval

When you have received agreement from the borrower for a loss mitigation option, you are ready to submit the option for approval. Be sure to include the terms of the agreed upon option in the Justification field. If there are any required documents to upload for the option, be sure to save the recommendation and upload the documents prior to submitting the recommendation for approval.

Figure 41: Submit a Recommendation for Approval



Instructions:

1. Select the check box next to the Repayment Plan option.
2. Enter the **Justification** for selecting the Repayment Plan option.
3. Click **Save** to save your recommendation.
4. Click **Send for Approval** button to complete the process.

When a loss mitigation recommendation is approved, you can use the export function to export the recommendation to another file format. VALERI exports all of the recommendations in the Loss Mitigation Recommendations window. Once you have exported the information, choose the appropriate information for the recommendation that was approved and fax it to the servicer.

6 Servicer Incentive Payments

(38 CFR 36.4819)

VA administers the incentive payment program to motivate servicers to do all they can to keep veterans in their homes, avoid foreclosure if home retention options aren't feasible, recognize servicers that are high performing, and promote reasonable competition among servicers.[33]

Loss mitigation options completed by servicers must meet certain criteria to be eligible for an incentive payment. Incentive payment amounts differ based upon the loss mitigation option and the servicer's tier ranking. VA is in the process of gathering data to develop a four-tiered ranking system. Until then, all servicers receive Tier Two incentive payment amounts.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding servicer incentive payments.
- The VA incentive program.
- The servicer incentive payment process.
- Manual incentive payments.

6.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding incentive payments for you and the servicer.

Your Role	You are responsible for making decisions to allow or prevent incentive payments on individual loans.
Servicer Role	Servicers are responsible for servicing loans to the highest standard and following VA requirements for implementing loss mitigation options that best suit all parties.

6.2 Incentive Program Overview

This section discusses the following characteristics of the VA incentive program:

- Determination of incentive amount.
- Payment timing and frequency.
- Requirements for preventing an incentive payment.

6.2.1 Determination of Incentive Amount

VA determines appropriate incentive amounts for each loss mitigation option annually and publishes the amounts in the Federal Register. The list of incentive amounts also

[33] Deleted reference to paying incentives only on loans that are 61 or more days delinquent on 7/2009.

can be viewed by accessing the VA published regulations on the VA VALERI website at http://homeloans.va.gov/pdf/2008-02-01_FinalRegulations_VALERI.pdf.[34] VALERI calculates the incentive payment amount after the servicer reports the Default Cured/Loan Reinstated event (for home retention options), or after the servicer files their claim (for alternatives to foreclosure). VALERI calculates the incentive payment amount based upon the loss mitigation option that was completed, and the servicer's tier ranking at the time the incentive payment is calculated. All servicers receive Tier Two incentive payment amounts until VA develops the four-tiered ranking system.

6.2.2 Payment Timing and Frequency

VA only pays one incentive per reportable default because the incentive is not paid until the loan reinstates or a claim is filed. It is possible for a servicer to receive more than one incentive payment per loan. Servicers may receive more than one incentive payment on one loan if: (1) the loan defaults on more than one occasion and (2) the servicer successfully completes a loss mitigation option on each default. VA does not charge any portion of an incentive to the veteran, and incentive payments do not reduce the guaranty.

VA pays incentives for home retention options once the incentive payment is certified. Incentives for compromise sales and deeds-in-lieu of foreclosure (DILs) are paid with the claim payment.

6.2.3 Requirements for Preventing an Incentive Payment

You may recommend preventing a servicer's incentive payment before the servicer successfully completes and reports a loss mitigation option to VA. When you prevent an incentive on a loan, VALERI automatically prevents an incentive payment on the next loss mitigation event reported by the servicer. You stop an incentive using the "prevent servicer incentive" process in VALERI. The "prevent servicer incentive" process can be initiated by VALERI or transferred in by a technician. VALERI initiates the "prevent servicer incentive" process if:

- You communicated a loss mitigation recommendation to a servicer during the "get agreement from servicer on loss mitigation" process, and you enter into VALERI that the servicer did not agree to implement the recommendation.

You should transfer in the "prevent servicer incentive" process if:[35]

- You perform a loss mitigation analysis in VALERI at the request of a borrower and recommend the loss mitigation option to the servicer for implementation.
- You recommend loan modification corrections to a servicer and they do not agree to make the corrections.

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[34] Updated link to regulations on 7/2009.

[35] Deleted bullet "you determine that a servicer should fix a suspicious loan modification" on 7/2009.

VALERI Process 12: "Prevent servicer incentive"

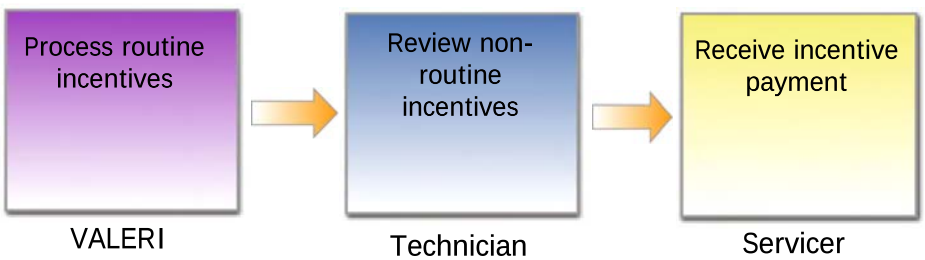
Step 1: Make recommendation on preventing incentive – Once the "prevent servicer incentive" process is initiated, you must recommend whether or not to prevent the incentive. You make a recommendation in the Prevent Incentive screen in VALERI. When you have entered your recommendation and submitted it for approval, VALERI automatically completes Step 1.

Step 2: Approve or deny preventing incentive – A Senior Loan Technician (SLT), or other designated approving official, must approve or deny preventing the incentive.

6.3 The Servicer Incentive Payment Process

VALERI initiates the incentive payment process at different times for home retention options and alternatives to foreclosure. The Default Cured/Loan Reinstated event initiates the process for home retention options, while the submission of a claim initiates the process for alternatives to foreclosure. Figure 42 describes the servicer incentive payment process:

Figure 42: Servicer Incentive Payment Process



There are three steps in this process:

- VALERI processes routine incentives.
- Technician reviews non-routine incentives.
- Servicer receives incentive payment.

6.3.1 VALERI Processes Routine Incentives

VALERI calculates and presents for certification any incentive payment that meets all eligibility criteria. These incentive payments are considered routine incentive payments, and do not require technician review. Failure to meet one or more criteria either automatically stops the incentive payment or initiates the "approve incentive" process. For compromise sales and DILs, failure to meet one or more criteria initiates the "review non-routine claim" process. You review the incentive for these loss mitigation options when you review the non-routine claim.

You only review an incentive if there are specific business rule failures that cause a non-routine incentive. Failure to meet one or more of the other criteria automatically prevents the incentive payment from being paid.

The following sections explain when VALERI automatically approves and presents an incentive payment for certification for a:

- Repayment plan.

- Special forbearance.
- Loan modification.
- Compromise sale.
- Deed-in-lieu of foreclosure (DIL).

6.3.1.1 Repayment Plan

VALERI automatically approves a repayment plan incentive payment for certification when all of the following criteria are met:

- The servicer reported an Electronic Default Notification (EDN) for the current default.
- The servicer reported the Repayment Plan Approved event.
- The servicer reported the Default Cured/Loan Reinstated event.
- The repayment plan was at least three months in duration.
- The technician did not prevent the incentive.
- There are no business rule failures that cause a non-routine incentive.

6.3.1.2 Special Forbearance

VALERI automatically approves a special forbearance incentive payment for certification when all of the following criteria are met:

- The servicer reported an EDN for the current default.
- The servicer reported the Special Forbearance Approved event.
- The servicer reported the Default Cured/Loan Reinstated event.
- The special forbearance was at least one month in duration.[36]
- The technician did not prevent the incentive.
- There are no business rule failures that cause a non-routine incentive.

6.3.1.3 Loan Modification

VALERI automatically approves a loan modification incentive payment for certification when all of the following criteria are met:

- The servicer reported an EDN for the current default.
- The servicer reported the Loan Modification Complete event.
- The servicer reported the Default Cured/Loan Reinstated event.
- The loan modification complied with VA's requirements for loan modifications. Refer to Chapter 5, Loss Mitigation, for a complete list of loan modification requirements.
- The technician did not prevent the incentive.

[36] Added bullet on 7/2009.

- There are no business rule failures that cause a non-routine incentive.

6.3.1.4 Compromise Sale

VALERI automatically approves a compromise sale incentive payment for certification when all of the following criteria are met:

- The servicer reported an EDN for the current default.
- The servicer reported the Compromise Sale Complete event.
- The technician did not prevent the incentive.
- The servicer has submitted the claim and VALERI or the technician has approved the claim payment.

6.3.1.5 Deed-in-lieu of Foreclosure

VALERI automatically approves a DIL incentive payment for certification when all of the following criteria are met:

- The servicer reported an EDN for the current default.
- The servicer reported the Deed-in-lieu Complete event in VALERI.
- The technician did not prevent the incentive.
- The servicer has submitted the claim and VALERI or the technician has approved the claim payment.

6.3.2 Technician Reviews Non-Routine Incentives

A non-routine incentive is an incentive that requires technician review because the loan has certain business rule failures. Incentives for transition loans, which are loans for which a servicer reported a default to VA prior to their transition to VALERI, are also non-routine incentives. VALERI initiates the "approve incentive" process on all transition loans for which a home retention option was completed, and any time there are business rule failures that cause a non-routine incentive on a loan on which a home retention option was completed. Refer to Annex 7, Transition Period Annex, for specific procedures to follow when reviewing non-routine incentives on transition loans.

You review non-routine incentives for compromise sales and DILs as part of the "review non-routine claim" process. In both cases, you must decide whether to recommend allowing or stopping the incentive payment.

The following steps are part of the "approve incentive" process. You do not complete this process in VALERI when reviewing a non-routine claim for a compromise sale or DIL, but you are required to evaluate business rule failures to determine whether to recommend approving or denying the incentive payment. Refer to Chapter 11, Claims, for more information on the process steps for reviewing a non-routine claim.

VALERI Process 13: "Approve incentive"

Step 1: Evaluate loan problems – To evaluate loan problems, you review the business rule failures that caused the non-routine incentive. Only certain business rule failures create a non-routine incentive. Refer to Annex 3, Business Rules for Non-Routine

Incentives, for a complete list of business rules whose failure causes a non-routine incentive.

When reviewing business rule failures that caused the non-routine incentive, you should:

- Identify the business rule failures.
- Determine whether each failure was due to a servicer data entry error, or whether it had a negative impact on the veteran or VA.
- Document your findings in your servicing case notes.
- Override business rule failures that can be resolved (e.g., were due to data entry errors or other problems not causing harm to VA or the veteran). If the business rule failure cannot be resolved, you should recommend denying the incentive payment.

The following business rule failures may require you to recommend denying the incentive:

- Default Cured/Loan Reinstated event: The date the loan reinstated must be on or after the due date of the EDN unless "property problems" is reported as the reason for the default in the EDN. If the failure was due to anything other than a data entry error, you must recommend denial of the incentive.
- Repayment Plan Approved event: The event must only be reported after or with the uncured EDN. If the failure was due to anything other than a data entry error, you must recommend denial of the incentive.
- Special Forbearance Approved event: The estimated cure date must be at least one month after the report date of the event. If this rule failed, but the date of loan reinstatement reported with the Default Cured/Loan Reinstated event was at least one month after the date the special forbearance was approved, you should not recommend denying the incentive.
- Special Forbearance Approved event: The date special forbearance was approved must be 61 or more days from the most recently reported payment due date. If the failure was due to anything other than a data entry error, you must recommend denial of the incentive.

Step 2: Make recommendation on payment of non-routine incentive – To recommend allowing or denying an incentive payment, you access the Incentives screen in VALERI. Before making a recommendation on payment of the non-routine incentive, you should ask yourself:

- Is there any indication that the loan is not guaranteed?
- Is there any indication that you are processing the incentive payment for the wrong loan?
- Have any business rule failures increased VA's liability in any way?
- Were there any business rule failures that you could not resolve?
- Did the loss mitigation option fail any of VA's regulatory requirements?
- Is there reason to believe that there was fraud in the creation of the loss mitigation option?

If you can answer "no" to all of the above questions, you should recommend payment of the incentive. If you answered "yes" to any of these questions, you should consider recommending denial of the incentive payment.

Step 3: Approve or deny recommendation – An SLT, or other designated approving official, must approve or deny your recommendation. If the payment is denied, VALERI does not pay the incentive and no further action is necessary. If the payment is approved, VALERI presents the payment to a certifying official for certification.

6.3.3 Servicer Receives Incentive Payment

VALERI posts a notice on the Servicer Web Portal when an incentive payment is certified. The servicer accesses the incentive payment details by viewing the Incentive Payment Status report.[37] Servicers have the option to appeal when VA denies an incentive payment. Refer to Chapter 14, Appeals, for information on managing appeals.

6.4 Manual Incentive Payments

In some cases, you may be required to generate a manual incentive payment to the servicer. For example, if the servicer received a pre-approval to complete a loan modification that did not comply with one or more regulatory requirements, VALERI will not initiate the incentive payment. VALERI will instead initiate the "review suspicious loan modification" process in your workbasket. You review and close out this process if the terms of pre-approval were met and initiate a manual incentive payment to the servicer once you have verified that the servicer has reported the Default Cured/Loan Reinstated event.

You will also need to generate a manual incentive payment if you review a suspicious loan modification and determine that the modification is eligible for an incentive payment because it meets VA regulatory requirements. You should only generate a manual incentive after verifying that the loan modification resulted in loan reinstatement.[38]

To initiate a manual incentive payment, you access the Manual Incentive utility by clicking the NewTrak Tools link on the loan's Loan Information screen. You must ensure that the appropriate incentive amount is being calculated by accessing the VA published regulations on the VALERI website, http://homeloans.va.gov/pdf/2008-02-01_FinalRegulations_VALERI.pdf.[39] All servicers receive Tier 2 incentive payment amounts until VA develops a tier ranking system.

[37] Corrected report name for alternatives to foreclosure Incentive Payment Status Report on 7/2009.

[38] New paragraph for suspicious loan modifications added on 7/2009.

[39] Corrected language on 7/2009. Technician doesn't have to calculate the incentive.

7 Regulatory Infractions

A regulatory infraction occurs when a servicer does not comply with a VA Home Loan Program regulatory requirement. VA records regulatory infractions in VALERI to gather information for servicer performance purposes and prompt technicians to make adjustments to claim payments.[40]

Regulatory infractions are identified by VALERI or a VA technician. A VALERI identified regulatory infraction occurs when VALERI creates the infraction due to information reported by the servicer or entered into VALERI by a technician. A technician identified regulatory infraction occurs when the technician discovers an infraction occurred and adds the infraction details in VALERI. This chapter provides some examples and descriptions of both VALERI identified and technician identified regulatory infractions.

This chapter does not discuss claim adjustments for regulatory infractions. Refer to Chapter 11, Claims, for specific information on claim adjustments.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding regulatory infractions.
- How to manage regulatory infractions.
- Which regulatory infractions are identified automatically by VALERI.
- Which regulatory infractions are identified only by VA technicians.
- Which regulatory infractions may be identified by both VALERI and a VA technician.

7.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding regulatory infractions for you and the servicer.

Your Role	You are responsible for adding, reviewing, and taking action on regulatory infractions in VALERI, when necessary. You also review regulatory infractions when reviewing non-routine claim payments.
Servicer Role	Servicers are required to adhere to VA Home Loan Program regulations unless they receive pre-approval from VA to take an action that does not comply with the regulations.

7.2 Manage Regulatory Infractions

You manage regulatory infractions in VALERI throughout the life of the loan. You can add infractions throughout the life of the loan or when conducting a post-audit. You review existing infractions when reviewing a non-routine claim payment. The following sections describe how you manage regulatory infractions in these different situations:

[40] Deleted “or deny an incentive or acquisition payment when necessary” on 7/2009 and deleted references to reviewing infractions at time of incentive or acquisition throughout the chapter.

- Add a regulatory infraction.
- Review regulatory infractions.

7.2.1 Add a Regulatory Infraction

You are required to add a regulatory infraction in VALERI any time you discover that a servicer did not comply with a regulatory requirement with respect to a particular loan. This can occur at any time throughout the life of the loan, and can also occur when you are conducting a post-audit.

To add an infraction, you access the Manage Regulatory Infractions screen in VALERI. The Manage Regulatory Infractions screen can be accessed by clicking the NewTrak Tools link on the Loan Information screen. Once you are in the screen, you add the infraction and an adjustment amount if an adjustment is necessary. Note that in some instances, VALERI kicks off the “review regulatory infraction” process to prompt you to add a regulatory infraction. In those cases, you add the infraction as part of this process and your SO must approve addition of the regulatory infraction at that time. A dollar adjustment for the infraction is only added at time of claim. The “review regulatory infraction” process is outlined in section 7.2.2, Review Regulatory Infractions.[41]

VALERI can also add infractions at any time due to information reported by the servicer. Before adding an infraction, be sure to check to see whether or not VALERI has already added it.

7.2.2 Review Regulatory Infractions

You are required to review regulatory infractions on a loan any time you are completing a review of a non-routine claim payment. When reviewing a non-routine claim, you should decide whether or not individual infractions caused an additional loss to the government. If they did, you determine the amount of the loss and recommend an adjustment to the claim payment.

When reviewing regulatory infractions at the time of a servicer’s claim, you use the “review regulatory infraction” process to review infractions and determine whether or not to recommend a claim adjustment.

VALERI Process 14: “Review regulatory infraction”

Step 1: Create regulatory infraction – VALERI initiates the “review regulatory infraction” process any time a servicer files a claim and there are regulatory infractions on the loan. In this case, Step 1 is automatically closed because the infractions have already been added at the time the claim comes in. While you are reviewing the claim, you should also access the Regulatory Infractions screen and view the infractions that have been added on the loan to determine if they should be approved or rejected. An infraction should be approved if the infraction is correct. An infraction should be rejected

[41] Added information regarding the “review regulatory infraction” process on 7/2009.

if, for example, a VALERI issue or a transition issue caused the infraction through no fault of the servicer.[42]

If any infractions have caused an additional loss to the government, you recommend an adjustment amount equal to the amount of the additional loss and submit the amount to your Servicing Officer (SO) for approval. If the infractions did not increase the loss to the government, you submit a recommendation for no claim adjustment to your SO. Your recommendation must be submitted outside of the "review regulatory infraction" process. For example, you could create a task in VALERI for your Servicing Officer to review and approve.

Step 2: Approve or deny regulatory infraction – An SO must review and decide whether to approve or deny your recommendation. The SO must also decide to approve or reject each infraction, and decide if an adjustment should be entered for any of the approved infractions. If an adjustment is approved, your SO must access VALERI to enter the adjustment amount in the Regulatory Infractions screen. If there is no adjustment amount, your SO accesses the Regulatory Infractions screen and submits the regulatory infractions without adjustments. VALERI automatically recalculates the claim based on the amount of any adjustments.

7.3 VALERI Identified Regulatory Infractions

A VALERI identified regulatory infraction occurs when VALERI creates the infraction due to information reported by the servicer or entered into VALERI by a technician. Table 4 summarizes the regulatory infractions identified by VALERI, the applicable regulation, and when VALERI identifies the infraction.[43]

Table 4: VALERI Identified Regulatory Infractions

Regulatory Infraction	Regulation	When Is It Identified?
Late or no loan transfer documentation (refund title documents)	38 CFR 36.4820	During the refund process, when the technician enters the date the title documents were received and the date is more than 60 calendar days after the refund approval date
Late loss mitigation letter sent	38 CFR 36.4850(g)(1)(iv)	When the servicer reports the Loss Mitigation Letter Sent event and the date the servicer reports that the letter was sent is after the 45th calendar day of delinquency (for early payment defaults), or after the 75th calendar day of delinquency (for non-early payment defaults)
Transfer of ownership on a delinquent loan	38 CFR 36.4809	When the servicer reports the Transfer of Ownership event on a loan for which an EDN was previously reported and the default has not cured

[42] Updated to say that Step 1 is closed automatically, and included guidance for reviewing infractions and making a recommendation to the SO on 7/2009.

[43] Changed "excessive late charges" from a VALERI to technician identified on 7/2009.

Regulatory Infraction	Regulation	When Is It Identified?
Release of liability on a delinquent loan	38 CFR 36.4809	When the servicer reports the Release of Liability event on a loan for which an EDN was previously reported for the current default and the default has not cured
Failure to order appraisal timely	38 CFR 36.4822(b)	When the servicer reports the Transfer of Custody event and the date the appraisal was ordered (file transfer from The Appraisal System) is less than 30 calendar days prior to the date the deed was recorded or the date of the foreclosure sale
Failure to maintain adequate insurance	38 CFR 36.4829	When the servicer reports the Transfer of Custody event and the servicer reports that the expiration date of any of the current insurance policies is prior to the report date of the event

7.3.1 Late or No Loan Transfer Documentation (Refund Title Documents)

(38 CFR 36.4820)

Servicers are required to mail title documents to VA within 60 days of when VA approves a refund. As part of the refund process, you are required to enter the date the title documents were received in VALERI. VALERI identifies and records a regulatory infraction when the date you enter is more than 60 days after the refund approval date.

In addition to being recorded for servicer performance and making a loan eligible for a claim adjustment, the infraction may cause a suspension of incentive, acquisition, and claim payments to the servicer. For example, if the servicer habitually fails to submit title documentation within the required 60 day timeframe, or habitually fails to submit title documentation altogether, VA is authorized to suspend all payments to the servicer until the servicer resolves the issue.

7.3.2 Late Loss Mitigation Letter Sent

(38 CFR 36.4850(g)(1)(iv))

Servicers are required to send the VA loss mitigation letter to a borrower at a certain stage of delinquency. For early payment defaults, which occur on loans with an origination date 180 days or less from the date the payment was due, the servicer must send the loss mitigation letter by the 45th day from the date the payment was due. For all other defaults, the servicer must send the loss mitigation letter by the 75th day from the date the payment was due.

VALERI identifies and records a regulatory infraction when the servicer reports the Loss Mitigation Letter Sent event and the date they report that the letter was sent is more than 45 days after the date the payment was due (for early payment defaults), or more than 75 days after the date the payment was due (for non-early payment defaults).

7.3.3 Transfer of Ownership on a Delinquent Loan

(38 CFR 36.4809)

A transfer of ownership may not occur on a delinquent loan if the transfer does not cure the borrower's delinquency. VALERI identifies and records a regulatory infraction when the servicer reports the Transfer of Ownership event on a loan for which an EDN was previously reported and the default has not cured.

7.3.4 Release of Liability on a Delinquent Loan

(38 CFR 36.4809)

VA requires servicers to complete a release of liability agreement with a borrower if the loan originated on or after March 1, 1988 and the borrower has or wants to transfer ownership of the property securing the loan. A release of liability may not occur on a delinquent loan if the release does not cure the borrower's delinquency. VALERI identifies and records a regulatory infraction when the servicer reports the Release of Liability event on a loan for which an EDN was previously reported for the current default and the default has not cured.

7.3.5 Failure to Order Appraisal Timely

(38 CFR 36.4822(b))

Servicers must order VA appraisals in The Appraisal System (TAS) at least 30 days prior to:

- **Foreclosure**: The date of the foreclosure sale.
- **DIL**: The date the deed is recorded, or the date the deed is submitted for recording, whichever date the servicer reports on the Deed-in-Lieu Complete event.

VALERI identifies and records a regulatory infraction when the servicer reports the Transfer of Custody event and the date they ordered the appraisal is less than 30 days prior to the date the deed was recorded (or submitted for recording), or the date of the foreclosure sale. VALERI receives information on the date the appraisal was ordered through an automatic file transfer from TAS.

7.3.6 Failure to Maintain Adequate Insurance

(38 CFR 36.4829)

VA requires servicers to ensure that insurance policies are maintained in an amount sufficient to protect the security against risks or hazards and to the extent customary in the locality. This includes homeowner's insurance, as well as any required earthquake, flood, wind, or fire insurance. Force placed insurance must be put into place by the servicer when the homeowner's insurance lapses or is cancelled. Servicers must maintain and pay for insurance up to the date of loan termination (if not transferring custody of the property to VA), or the date VA accepts the transfer of custody of the property.

Servicers must report information on all applicable insurance policies on the security for the loan when transferring custody of the property to VA. VALERI automatically identifies and records a regulatory infraction when the servicer reports the Transfer of Custody event and the servicer reports that the expiration date of any of the current insurance policies is prior to the report date of the event.

7.4 Technician Identified Regulatory Infractions

You may discover a regulatory infraction at any time during the life of a VA home loan. If you discover a regulatory infraction, you must add the infraction in VALERI. All technician identified regulatory infractions are reviewed for approval by an SO.

Before adding an infraction in VALERI, you must review the case file for any pre-approval issues that are open on the loan. If a pre-approval issue exists that provides the servicer with a one-time exception to a regulatory requirement, you must compare the servicer's failure to comply with the regulation to the pre-approval. If a pre-approval was granted, you do not add a regulatory infraction in VALERI.

Table 5 summarizes the regulatory infractions you may record in VALERI, the applicable regulation, and when the infraction is likely to be identified.

Table 5: Technician Identified Regulatory Infractions[44]

Regulatory Infraction	Regulation	When Is It Identified?
Improper partial release of security	38 CFR 36.4827	At any time throughout the life of the loan
Improper return of partial payments	38 CFR 36.4816	When the technician completes the "partial payment returned" process, or at post-audit
No contact attempted	38 CFR 36.4850	When conducting a review of the adequacy of servicing on a loan
Excessive late charges	38 CFR 36.4811	At post-audit
Technician identified "other" regulatory infraction	38 CFR 36.4800 series	At any time throughout the life of the loan

7.4.1 Improper Partial Release of Security

(38 CFR 36.4827)

VA requires servicers to comply with all regulatory requirements for completing a partial release of security. You may discover an improper partial release of security at any time throughout the life of the loan. For example, you may identify the infraction during a conversation with a borrower or servicer, or when conducting a post-audit.

A regulatory infraction for an improper partial release of security occurs when any of the following conditions exist:

[44] Deleted "no supporting documentation (unsubstantiated line items discovered during the post-audit process" on 7/2009 because unsubstantiated line items are addressed within the post-audit.

- Before completing the partial release of security, the holder did not obtain a VA appraisal showing the value of the security prior to the partial release of the lien, and the value of the remaining security.
- The portion of the property still subject to the lien was not fit for dwelling purposes.
- The servicer improperly applied the consideration received for the released portion of the security. The consideration received must be applied to the remaining principal balance if the loan to value (LTV) ratio is 80 percent or higher. The LTV ratio is calculated using the current principal balance of the loan and the value of the security remaining after the release. For example, a borrower is offered $10,000 for a portion of the security on her loan. The consideration is appropriate, and the value of the remaining security will be $190,000 after the release. The principal balance of the loan is $160,000, but the balance must be $152,000 ($190,000 x 0.80) to meet VA's LTV ratio requirement before the consideration can be released to the borrower. In this case, the servicer must apply $8,000 of the consideration to reduce the principal balance and the remaining $2,000 can be released to the borrower.

7.4.2 Improper Return of Partial Payments

(38 CFR 36.4816)

VA requires servicers to comply with regulatory requirements for returning partial payments to a borrower. You may identify an improper return of a partial payment after a borrower calls to report that a partial payment was returned, or when conducting a post-audit. If the borrower calls about a returned partial payment, you transfer in the "partial payment returned" process in VALERI to verify the reason for the return of the partial payment. Refer to Chapter 4, Delinquent Loan Servicing, for guidance on completing the "partial payment returned" process.

An improper return of a partial payment occurs when the servicer fails to comply with one or more of the following acceptable reasons for returning partial payments:

- The property is wholly or partially tenant-occupied and rental payments are not being remitted to the holder for application to the loan account.
- The payment is less than one full monthly installment, including escrows and late charges, if applicable, unless the lesser payment amount has been agreed to under a written repayment plan.
- The payment is less than 50 percent of the total amount then due, unless the lesser payment amount has been agreed to under a written repayment plan.
- The payment is less than the amount agreed to in a written repayment plan.
- The amount tendered is in the form of a personal check and the holder has previously notified the mortgagor in writing that personal checks are not acceptable.
- A delinquency of any amount has continued for at least six months since the account first became delinquent and no written repayment plan has been arranged.
- Foreclosure has been initiated by the taking of the first action required for foreclosure under local law.

- The holder's lien position would be jeopardized by acceptance of the partial payment.

If you determine that the servicer improperly returned the payment after completing the "partial payment returned" process or after completing a post-audit, you add a regulatory infraction in VALERI.

7.4.3 No Contact Attempted

(38 CFR 36.4850)

Servicers are required to attempt to contact the liable obligor when a loan becomes delinquent, except in cases where bankruptcy prohibits contact. The servicer must attempt to contact the borrower by phone. If phone contact is unsuccessful, the servicer must send a 30 day delinquency letter as required by 38 CFR 36.4850(g).

You may identify a failure to contact the borrower when conducting a review of the adequacy of servicing on a loan. During your review, you are required to ask the servicer if they made contact with the borrower when the loan became delinquent. If neither the servicer nor the borrower report that there was contact, and the servicer did not send the 30 day delinquency letter, you add the regulatory infraction in VALERI..

7.4.4 Excessive Late Charges

(38 CFR 36.4811)

Servicers may not charge late charges on delinquent loans in excess of more than four percent of the amount of each monthly installment. If you discover excessive late charges when reviewing documentation at time of post-audit, you add a regulatory infraction for excessive late charges.

7.4.5 Technician Identified "Other" Regulatory Infraction

You may identify any other servicer failure to comply with VA Home Loan Program regulations at any time throughout the life of the loan. You are required to add the infraction in VALERI when this occurs.

If you discover a regulatory infraction during the post-audit process, you must determine if the infraction resulted in an additional loss to the Government, and record the amount of the loss. If VALERI has not made a payment, it documents the finding for servicer performance purposes. If VA has paid a claim, VALERI automatically generates a BOC for the amount of the loss.

7.5 VALERI or Technician Identified Regulatory Infractions

Some regulatory infractions can be identified by either VALERI or a technician. If VALERI identifies the regulatory infraction, it automatically records the infraction. If you discover a regulatory infraction, you must add the infraction in VALERI. All technician identified regulatory infractions are reviewed for approval by an SO.

Before adding the infraction, you must review the case file for any pre-approval issues that are open on the loan. If a pre-approval issue exists that provides the servicer with a one-time exception to a regulatory requirement, you must compare the servicer's failure to comply with the regulation to the pre-approval. If a pre-approval was granted, you do not add a regulatory infraction in VALERI. Table 6 summarizes the regulatory infractions that can be identified by either VALERI or a technician, the applicable regulation, and when the infraction is identified.

Table 6: VALERI or Technician Identified Regulatory Infractions

Regulatory Infraction	Regulation	When Is It Identified?
Late event reporting (electronic event reporting)	38 CFR 36.4817	VALERI: Any time a servicer reports an event electronically to VA after the event's reporting timeframe expires Technician: Any time a servicer reports an event to VA via telephone call, e-mail, fax, or letter after the event's reporting timeframe expires
Unauthorized transfer of ownership	38 CFR 36.4808	VALERI: When the technician enters the Unauthorized Transfer of Ownership event in the Servicer Web Portal, or when the servicer reports the Transfer of Ownership event on a loan with an origination date on or after March 1, 1988, and they do not also report the Release of Liability event at the same time Technician: At post-audit
Failure to send loss mitigation letter	38 CFR 36.4850(g)(1)(iv)	VALERI: When the servicer reports the Default Cured/Loan Reinstated, Compromise Sale Complete, Deed-in-Lieu Complete, or Results of Sale event and the Loss Mitigation Letter Sent event was not previously reported for the current default Technician: When the technician contacts the servicer during the "unreported loss mitigation letter" process and discovers that the servicer did not send the loss mitigation letter within the required timeframe
Improper loan modification	38 CFR 36.4815	VALERI: At receipt of loan modification complete event Technician: At any time after the servicer reports the loan modification complete event
Improper bid amount at foreclosure	38 CFR 36.4822	VALERI: When the servicer files their claim for a terminated loan Technician: At post-audit

7.5.1 Late Event Reporting

(38 CFR 36.4817)

VA requires servicers to report significant events within required timeframes. A regulatory infraction for late reporting occurs when a servicer reports an event to VA after the event's reporting timeframe expires. A regulatory infraction for late event reporting may be identified by VALERI or a VA technician.

7.5.1.1 VALERI Identified Late Event Reporting

VA requires servicers to report events electronically to VA within specific timeframes. VALERI identifies and records a regulatory infraction when a servicer reports an event electronically to VA after the event's required timeframe expires.

7.5.1.2 Technician Identified Late Event Reporting

VA requires servicers to report some events via telephone, e-mail, fax, or letter. For example, servicers must report the Unauthorized Transfer of Ownership and Extenuating Property Circumstances events to you using this method. For some transition loans, you may also receive events from servicers via telephone call, e-mail, fax, or letter. You identify a late reporting regulatory if a servicer reports an event to you via telephone, e-mail, fax or letter after the event's required timeframe expires.

7.5.2 Unauthorized Transfer of Ownership

(38 CFR 36.4809)

An unauthorized transfer is a transfer of ownership made on a loan originated on or after March 1, 1988 without the prior approval of VA or an automatic lender. The unauthorized transfer of ownership regulatory infraction is not recorded for servicer performance purposes because the transfer occurred without the knowledge of the servicer. A regulatory infraction for an unauthorized transfer of ownership may be identified by VALERI or by a VA technician.

7.5.2.1 VALERI Identified Unauthorized Transfer of Ownership

VA requires servicers to report an unauthorized transfer of ownership by telephone, e-mail, fax, or letter by the seventh day of the month following the month in which they discovered that the unauthorized transfer occurred. When a servicer fails to report this event, VALERI can still identify a regulatory infraction by evaluating the business rules of other events. VALERI identifies and records a regulatory infraction if the servicer reports the Transfer of Ownership event on a loan with an origination date on or after March 1, 1988, and they do not also report the Release of Liability event at the same time.

7.5.2.2 Technician Identified Unauthorized Transfer of Ownership

Servicers must report an unauthorized transfer of ownership to you via telephone call, e-mail, fax, or letter. When this occurs, you must open an "unauthorized transfer of ownership" issue in VALERI to record the details of the transfer, and add the unauthorized transfer of ownership regulatory infraction in VALERI.

You may also discover an unauthorized transfer of ownership when conducting a post-audit. In this case, you add the infraction in VALERI and include an adjustment amount for the amount the transfer caused an additional loss to the government, if applicable. VALERI automatically issues a BOC for the adjustment amount when the post-audit results are approved.

7.5.3 Failure to Send Loss Mitigation Letter

(38 CFR 36.4850(g))

VA requires servicers to send a VA loss mitigation letter to a delinquent borrower by the 75th day of delinquency, or the 45th day of delinquency for early payment defaults (EPDs). An EPD occurs when the borrower becomes delinquent within six months of loan origination. A regulatory infraction for a failure to send the VA loss mitigation letter can be identified by VALERI or a VA technician.

7.5.3.1 VALERI Identified Failure to Send Loss Mitigation Letter

VALERI identifies and records a regulatory infraction when the servicer reports the Default Cured/Loan Reinstated, Compromise Sale Complete, Deed-in-Lieu Complete, or Results of Sale event and the Loss Mitigation Letter Sent event was not previously reported for the current default.

7.5.3.2 Technician Identified Failure to Send Loss Mitigation Letter

You may be required to add a regulatory infraction for failure to send the VA loss mitigation letter when completing the “unreported loss mitigation letter” process in VALERI. During the “unreported loss mitigation letter” process, you contact the servicer to determine whether or not they sent the loss mitigation letter to the borrower. If the servicer failed to send the letter, you add the infraction in VALERI.

7.5.4 Improper Loan Modification

(38 CFR 36.4815)

VA requires servicers to adhere to all regulatory requirements for modifying VA guaranteed loans. A regulatory infraction for an improper loan modification may be identified by VALERI or a VA technician.

7.5.4.1 VALERI Identified Improper Loan Modification

VALERI identifies an improper loan modification by evaluating the data the servicer provides in the Loan Modification Complete event. VALERI identifies and records a regulatory infraction if the servicer reports the Loan Modification Complete event and one or more of the following conditions exist:

- The interest rate exceeds the maximum allowable rate. The interest rate applied to the modified loan may not exceed the Government National Mortgage Association (GNMA or Ginnie Mae) current month coupon rate that is closest to par (100) in effect as of the close of business the last business day of the month prior to the approval of the loan modification, plus 50 basis points. A basis point is equal to .01 percent interest. For example, if the current Ginnie Mae production rate is six percent, the corresponding fixed rate for VA-guaranteed loan would be 6.5 percent (the Ginnie Mae production rate plus 50 basis points).
- The term of the loan exceeds the maximum allowable term. The maximum allowable term is the shorter of: (1) 360 months from the due date of the first installment required under the modification, or (2) 120 months after the original maturity date of the loan.

- Fewer than 12 full monthly installments have been paid since the original closing date on the loan.
- The loan has been modified three times prior to the current modification.
- The loan has been modified within three years of the current modification.

7.5.4.2 Technician Identified Improper Loan Modification

You may discover additional regulatory infractions on the loan modification that VALERI was not able to identify when the Loan Modification Complete event was reported. For example, you may discover a regulatory infraction for an improper loan modification:

- At post-audit.
- When completing the “review suspicious loan modification” process in VALERI.
- When completing the “review EPD on modified loan” process in VALERI.

You must add a regulatory infraction for an improper loan modification if the servicer failed to meet any of the requirements for loan modifications listed in 38 CFR 36.4815, and VALERI did not previously record a regulatory infraction for the failure.

7.5.5 Improper Bid Amount at Foreclosure

(38 CFR 36.4822)

VA requires servicers to calculate net value and total eligible indebtedness to determine the appropriate bid type and bid amount for a foreclosure sale. Pursuant to VA guidelines, the servicer must bid the lesser of net value or total eligible indebtedness. If net value is less than total indebtedness, the bid type and bid amount is net value. If the total eligible indebtedness is less than net value, the bid type and bid amount is total debt.

An improper bid amount at foreclosure can be identified by VALERI at the time of a claim, or a VA technician at the time of a post-audit.

7.5.5.1 VALERI Identified Improper Bid Amount at Foreclosure

VALERI may identify and record a regulatory infraction for an improper bid amount when the servicer files a claim for a terminated loan. When the servicer files their claim, VALERI calculates the net value and total eligible indebtedness and compares it to the bid amount the servicer reported with the Results of Sale event. If the bid type was total debt, and the servicer bid the incorrect[45] total eligible indebtedness, VALERI records a regulatory infraction for improper bid amount. VALERI adds a regulatory infraction on a net value bid if the servicer bid the incorrect net value. If the servicer is in a state or locality with statutory bid requirements, VALERI automatically recognizes what the statutory bid should have been, and adds a regulatory infraction if the servicer did not bid the correct amount.

[45] Changed “incurred” to “incorrect” on 7/2009.

7.5.5.2 Technician Identified Improper Bid Amount at Foreclosure

You may discover an improper bid amount when conducting a post-audit on a loan that was terminated and no claim was filed. You are required to add a regulatory infraction when the servicer was the successful bidder and the amount of their bid was incorrect.

8 Refunds

(38 CFR 36.4820)

The loan refund process occurs when VA elects to purchase a loan from the servicer and assume primary servicing responsibilities. This process is VA's final attempt to keep the veteran in his or her home. This chapter describes the VA loan refund process from initiation through submission of the title documents. The refund claim process is explained in detail in Chapter 11, Claims.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding refunds.
- The loan refund process.

8.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding refunds for you and the servicer.

Your Role You initiate the loan refunds process, analyze the case, and make a recommendation on the refund option. A Servicing Officer (SO) approves or denies your recommendation. If approved, you process the refund by entering settlement data if the servicer has not, creating and distributing set-up sheets, processing the title documentation, and processing the modification agreement.

Servicer Role The servicer is responsible for ordering a title search and appraisal, providing refund data and title documentation for the property. Additionally, the servicer must submit the refund claim within the required timeframe.

8.2 The Refund Process

Refunds are rare, but you can consider a refund if you determine that it is in the best interest of the borrower and the Government. You initiate the refund process when any of the following occur:

- You manually transfer in the "review refund" and "get refund settlement data" processes.
- The servicer does not submit a corrected loan modification as requested and you record this into VALERI.
- The servicer refuses to implement a VA recommended loss mitigation option and you record this into VALERI.
- The servicer refuses to postpone foreclosure in spite of substantial equity and you record this in VALERI.
- The loan is a transition loan (i.e., loan migrated from LS&C) and the refund process has already started on the loan.

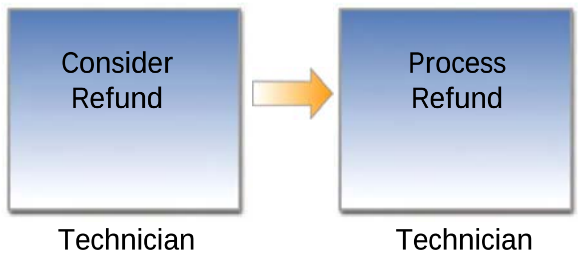
The refund process includes one reporting requirement. When you notify the servicer that VA has approved a refund, they should report the Refunding Settlement event according to 38 CFR 38.4817. The details of this process are listed in the process steps below. If the servicer does not report this event, you are required to gather the information and work with your SLT to report it in the Servicer Web Portal. Table 7 describes the Refunding Settlement event, its means of submission, and its due date.

Table 7: Timeframes for Reporting Refund Events

Refund Event	Means of Submission	Event Due Date
Refunding Settlement	Manually via Servicer Web Portal	Within 60 calendar days of the refund approval date

Figure 43 illustrates the refund process.

Figure 43: Refund Process



The following two steps comprise the refund process:

- Technician considers refund.
- Technician processes refund.

8.2.1 Technician Considers Refund

VALERI kicks off the refund consideration process when you manually transfer in the process or when you choose to consider a refund as a decision stemming from another process. Before you send a refund consideration letter to the borrower and servicer, obtain an updated credit report and do a preliminary analysis of the borrower's financials. You can use the report from the preliminary analysis to verify the actual financial data that you receive from the borrower. If there is any reason to believe that there are credits on the loan, you must confirm the credits with the servicer.

You may only recommend refunding loans for those borrowers that show acceptable credit histories and the ability to make future payments based on reasonable compliance with VA credit standards (38 CFR 36.4840).[46] Such determinations must be clearly documented. As stated in Chapter 4 of the Lender's Handbook, the credit standards are guidelines, which require the use of good judgment and occasional flexibility. This typically means subtracting all reported expenses from net income and comparing the result with published residual income standards. You must then justify any apparent shortcomings in the case notes.

[46] Added regulatory reference on 7/2009.

After this, the preliminary analysis, refund consideration requires that you complete the following processes. Note that you must transfer-in the “get refund settlement data” and “review refund” at the same time:

- Get refund settlement data.
- Review refund.

VALERI Process 15: “Get refund settlement data”

To consider a refund, you must manually transfer in the “get refund settlement data” process and complete the following steps:

Step 1: Contact servicer/taxing authority for refund settlement data – The refund consideration letter that you send to the servicer (see Step 1 of “review refund”) will request that the servicer report the refund settlement information in the Servicer Web Portal. While the regulatory requirement states that the servicer is required to submit the refunding settlement data event within 60 days after the refund approval, in actuality you must have this information before you can complete the refund analysis.

The servicer should submit this information within 3 days of the notification that a refund is being considered. If the servicer does not submit refund settlement data within 3 days of notification that VA is considering a refund, you contact the servicer for the information. If you contact the servicer and they do not provide you the settlement data within the necessary timeframe to complete the process, you can contact the tax authority to get the refund settlement data. You can contact the borrower for insurance information.[47]

Step 2: Enter refund settlement data as an event in SWP – If the servicer reports the refund settlement data event on the Servicer Web Portal, you can complete this step by simply entering the date. However, if you obtain the refund settlement data and the servicer did not report the event, you work with your SLT to report the Refunding Settlement event in the Servicer Web Portal for the servicer. You can re-project this step to allow the servicer more time to report the information.

VALERI Process 16: “Review refund”

Step 1: Send refund consideration letter – The first step is to send a letter to the borrower to inform them that VA is considering a refund and request that they send financial data. You must include the Supplemental Certification for Financial Statement (VA Form 26-6807a)[48] with this letter. You must also send a refund consideration letter to the servicer with a request for them to complete a title search and appraisal and submit the refunding settlement event on the Servicer Web Portal. You will use this information to estimate the new terms of a refunded loan and to ensure that the loan is eligible for a refund. You should complete this step as soon as you begin to consider the refund.

[47] Added new sentence on insurance information on 7/2009.

[48] Added form number on 7/2009.

Step 2: Conduct refund analysis – In analyzing a case for refund, you should ensure that a refund is beneficial to the borrower and the Government. In addition to this general requirement, you should use the following guidance when making a recommendation.

You should only refund a loan when:

- All other efforts to cure the default have failed.
- The servicer is unwilling or unable to extend further forbearance.
- The veteran wants to retain their home and occupy the property.
- The veteran has overcome the reasons for default and regained the ability to resume monthly payments or will have that ability in the very near future.
- The veteran had an acceptable credit history prior to default and is able to verify future income.
- The refund candidate is the title owner of the property.
- All current obligors agree to the modification.
- The Net Value of the property exceeds the unguaranteed portion of the loan.
- The veteran is willing to accept modification of the loan making the loan nontransferable without prior approval of the Secretary. The refunding of the loan will require that the owner sign a modification to the loan documents calling the loan due on sale.
- Requests for transfers of ownership (assumption) of refunded loans will be considered by the VA portfolio contractor on behalf of the Secretary.
- Other liens are willing to subordinate their loans.

The borrower is not eligible for refund consideration unless he/she is a liable veteran or spouse of a veteran. Only an LAO can approve a refund for a borrower other than a liable veteran or the spouse of a veteran. In the following rare circumstances, you may consider refunding a loan for a non-eligible borrower:

- The case meets all VA refunding requirements with the exception of being a liable veteran or their spouse.
- Refunding the loan would be in the best interest of the Government.

Once the above requirements are met, you complete the following analysis:

- Verify borrower financials.
- Complete the refund worksheet.

Verify Borrower Financials – You only consider verified income when considering a loan refund. Verifications are by either a standard written verification of employment form or by a combination of verbal verification, pay stubs, and W-2 forms (as in alternative documentation procedures described in the Lender's Handbook, VA Pamphlet 26-7.) Tax returns are required if the veteran is self-employed or has substantial income from commissions or rental properties. When the refund decision is predicated upon potential ability to pay, verification of that potential (e.g., permanent job offer letter, etc.) is required. Documents to verify income are requested in the letter sent to the borrower in Step 1.

Complete the Refund Worksheet – The refund worksheet allows you to estimate the new loan terms and the borrower's payments. From this information, you will be able to determine if the borrower is capable of making payments on the modified loan. This information is transferred automatically to the loan set-up sheets.

As part of the analysis, you can adjust the borrower's interest rate on the refunded loan to determine an interest rate that is in the interest of the borrower and the Government. When analysis of the veteran's income and obligations indicate that he or she could maintain the mortgage obligation if the outstanding balance was re-amortized at a lower interest rate, the loan instruments may be modified to reduce the interest rate and re-amortize the principal balance. VA uses this procedure when it is necessary to bring the monthly installment amount within the veteran's ability to pay, provided the loan otherwise qualifies for refunding. The minimum interest rate will be 3 percent below the interest rate in effect for new portfolio loans at the time the loan is approved for refunding, but not lower than 4 percent per annum.

Step 3: Enter refund analysis data – Once you have completed the refund worksheet, you must enter any necessary data during this step. The refund data screen in VALERI will show the original loan amount, unpaid principle balance, principle and interest, accrued unpaid interest, and expenses incurred to date. You can enter information on the borrower's down payment on principal, the write-off amount, initial escrow deposit amounts, interim interest, the refund consideration date, estimated expenses and advances, and the estimated settlement date. The data that you enter for this step affects the estimated new loan amount and the estimated claim amount.

Step 4: Make recommendation on refund option – After you complete Step 3 and estimate the new loan amount and determine the terms, you generate a recommendation to approve or deny the refund.

Step 5: Approve or deny recommendation on refund option – After you document your recommendation, VALERI routes it to an SO for approval or denial.

If the SO approves the refund, VALERI generates the refund settlement date and posts it to the Servicer Web Portal to notify the servicer to submit the settlement data, title documentation, and claim. You send the Refund Approval letter to the borrower and servicer. You should send these letters promptly after the approval. When the refund is approved, VALERI automatically initiates the "postpone loan termination action" process. For more information the "postpone loan termination action" process, refer to Chapter 9, Foreclosure, section 9.2.2.2 Review Substantial Equity.

You e-mail electronic copies or fax the refunding approval letters (borrower and servicer) to the contract servicer at the time of approval. The e-mail address for Countrywide is: VARefunded@Countrywide.com. Countrywide loads basic information from these approval letters into their staging system and tracking system. Stations should consider establishing a similar shared "refunding" mail box for use by Countrywide when communicating with stations regarding these loans. In the absence of a separate refunding mail box, Countrywide e-mails the LAO for any necessary communications pertaining to refunded loans.

If the SO denies the refund, VALERI posts the denial to the Servicer Web Portal and you send the Refund Denial letter to the borrower.

8.2.2 Technician Processes Refund

If the SO approves the refund option, the servicer should submit the refund claim and title documents by the settlement date. If they do so, VALERI accepts and processes the refund claim. If they do not submit the refund claim by the settlement date, VA only pays the unpaid principal balance, the accrued unpaid interest, and the cost of one appraisal for the settlement costs. You should contact the servicer to determine if there are credits. You will need to include credits when estimating or processing the claim payment. Refund claims are covered in detail in Chapter 11, Claims.

Once the refund is approved, you complete the following VALERI processes:

- Refund title documentation.
- Prepare set-up sheets.
- Prepare modification agreement.

VALERI Process 17: "Refund title documentation"

Step 1: Enter date title documentation received – The servicer must submit title documentation to the technician assigned to the loan within 60 days after a refund is approved. You can accept the following as title documentation:

- Original mortgage or deed of trust, or a copy certified by a local authority, with all assignments.
- Original mortgage note endorsed to the Secretary of Veterans Affairs.
- Original or copy of origination title policy.
- Recorded assignment to the Secretary of Veterans Affairs.

The servicer should send the title documents directly to you and you must key in the date that the title documents were received. [49]

Step 2: Send title documentation to Regional Counsel – After you have entered the date that title documents were received, you submit the documents to the Regional Counsel for approval. For the address and fax number of the Regional Counsel, refer to Annex 13, Additional VA Contact Information.

Step 3: Enter the date title documentation is approved – Once Regional Counsel approves the title documentation, you enter the date of approval in VALERI.

VALERI Process 18: "Prepare set-up sheets"

Step 1: Prepare set-up sheets – Once the SO has approved the refund, VALERI kicks off the "prepare set-up sheets" process. Set up sheets enable the contract servicer to set up and service a new loan. Information is automatically transferred from the refund

[49] Deleted an incorrect sentence on 7/2009.

worksheet to the set-up sheet. As you use the information from the claim to input any additional information or to change any information, you will need to reproject this process step until the settlement date. If the servicer did not submit a claim, you use the unpaid principal balance, accrued unpaid interest, and cost of one appraisal in the set-up sheets.

Step 2: Send set-up sheets to Finance – Once you have created the set-up sheets, you send them to ALAC, along with the worksheet, in order to establish any required receivables or payables. You must retain a copy of the worksheet and set-up sheets in case ALAC contacts you to ask you questions. Send all refunded/repurchased setups and all change forms to this mailbox: VBA ALAC Loan Portfolio.

Step 3: Send set-up sheet to CHL – Set-up sheets enable the contract servicer to set-up and service the new loan. Once you have submitted the set-up sheets to ALAC, ALAC will send the set-up sheets to CHL. You do not need to send the letter. Enter the same date you entered for Step 2, Send set-up sheets to Finance, to complete this step.

VALERI Process 19: "Prepare loan modification agreement"

Step 1: Request copy of recorded instrument – VALERI initiates this process once the SO approves the refund. If the process fails to initiate, you must transfer it in to complete the steps. The first step is to contact the servicer to request a copy of the recorded mortgage deed of deed of trust. The recorded instrument is part of the title package. If you have already received the title documents, you will already have the required information to complete this step.

Step 2: Prepare modification agreement – You create a modification agreement (or send the information to the Regional Counsel to prepare the modification) for the borrower using the original deed of trust or mortgage or a copy of the instrument showing the recording information. The loan amount and terms in this document must agree with the loan amount and terms on the set-up sheets sent to Countrywide.

Step 3: Send modification agreement – You send a letter to the borrower to notify them of the terms of the refunded loan. Along with this letter, you send the modification agreement. You ask the borrower to sign and return the modification agreement to you within 10 days. If the borrower fails to return the signed agreement within 14 days, attempt to contact the borrower by phone and send another copy of the agreement with a letter warning them that failure to return the modification could lead VA to[50] return the account to its prior delinquent status and initiate immediate foreclosure action.

Step 4: Send modification agreement to Countrywide (or current contract servicer) – After the borrower returns the executed modification agreement, the Loan Guaranty Officer (LGO) signs the agreement. Once it is signed, you send it to Countrywide along with the title documents, any supporting documents, the financial statement and certification that the borrowers sign and submit to you, any pay stubs or income verification used to qualify the borrowers, and any other documentation that is part of the approval package.

[50] Changed "will leave VA no choice but to" to "could lead VA to" on 7/2009.

9 Foreclosure

VA expects all servicer efforts to be directed to helping veterans retain their homes and mitigate any losses. When a delinquent loan cannot be cured through a loss mitigation option, prompt termination of the loan is in the best interest of all parties. VA has delegated the management of the foreclosure process, including all steps of the foreclosure sale, to the servicers, while retaining a supervisory role. This chapter describes the steps of the foreclosure process, with a focus on adequacy of servicing, substantial equity, and pre-foreclosure debt waiver reviews.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding foreclosures.
- The foreclosure process.

9.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding foreclosures for you and the servicer.

Your Role	Your primary responsibility during the foreclosure process is to oversee the servicer's performance by reviewing cases for adequacy of servicing. You review adequacy of servicing for all cases referred for foreclosure as well as loans that are delinquent for 210 days from the last paid installment without being referred to foreclosure.
Servicer Role	Servicers follow VA guidelines to manage the foreclosure process. If foreclosure is the only available option, servicers must schedule the foreclosure sale, order an appraisal, prepare a bid, complete the sale, and report foreclosure sale events to VA. If the servicer participates in the Servicer Appraisal Processing Program (SAPP), they issue the notice of value (NOV) for the property as well.

9.2 The Foreclosure Process

After determining loss mitigation options are not feasible, the servicer can refer a loan to foreclosure. VA has delegated the foreclosure sale process to servicers. VA requires servicers to report foreclosure events within certain timeframes, according to 38 CFR 36.4817.

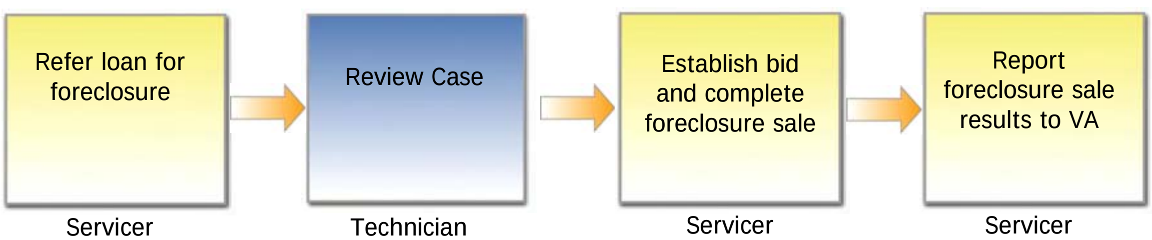
Refer to Table 8: Timeframes for Reporting Foreclosure Events for a list of foreclosure events with their respective means of submission and due dates.

Table 8: Timeframes for Reporting Foreclosure Events

Foreclosure Events	Means of Submission	Event Due Date
Foreclosure Referral	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day after the day the servicer refers the case to foreclosure attorney
Foreclosure Sale Scheduled	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day after the day that the servicer scheduled the sale
Results of Sale	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day after the sale
Confirmed Sale Date with no Transfer of Custody	Automated via service bureau or manually through Servicer Web Portal	By the seventh calendar day after the sale is confirmed if the servicer is not transferring custody of the property to VA. Event is only reported in confirmation/ratification of sale states

Figure 44 illustrates the foreclosure process.

Figure 44: Foreclosure Process



The following four steps are part of the foreclosure process:

- Servicer refers loan for foreclosure.
- Technician reviews case.
- Servicer establishes the bid and completes foreclosure sale.
- Servicer reports foreclosure sale results to VA.

9.2.1 Servicer Refers Loan for Foreclosure

If a default cannot be resolved through loss mitigation options, servicers refer the loan for foreclosure. Servicers may also refer an abandoned property or a property with extenuating circumstances to foreclosure without considering loss mitigation options. Servicers may continue to attempt loss mitigation options even after they have submitted the Foreclosure Referral event.

In the rare case that a servicer must refer a loan to foreclosure prior to the 61st day of delinquency, they must first report the Electronic Default Notification (EDN) event to VA by selecting "property problems" as the reason for default. The servicer must have already reviewed all of the loss mitigation options and determined they were not feasible before taking this step, unless the property is abandoned or there are extenuating property circumstances.

The servicer is responsible for following state foreclosure timeframes when terminating a loan. The foreclosure timeframes are located on the VA VALERI website at http://www.homeloans.va.gov/valeri.htm. The maximum allowable timeframe for which VA will pay interest is 210 days from the due date of the last paid installment plus the state foreclosure timeframe. If foreclosure cannot be completed before the established foreclosure timeframe due to events beyond a servicer's control, they have the option to appeal for a foreclosure timeframe extension after the VA claim is paid.[51]

9.2.2 Technician Reviews Case

You review all cases for adequacy of servicing and regulatory compliance. You review pre-foreclosure debt waivers for certain types of loans. The following sections describe each of the reviews you may be required to perform as part of this step:

- Review adequacy of servicing.
- Review substantial equity.
- Review pre-foreclosure debt waiver.

9.2.2.1 Review Adequacy of Servicing

VA evaluates adequacy of servicing for every loan the servicer refers to foreclosure, as well as loans that are delinquent 210 days past the last paid installment but have not been referred to foreclosure. During this process, you determine whether or not you need to contact the servicer to ask questions regarding the servicing of the loan.[52] VALERI automatically initiates the "review adequacy of servicing" process in your workbasket. While each step in this process has a different timeframe for completion, you can complete steps concurrently.

VALERI Process 20: "Review adequacy of servicing"

Step 1: Review the case file – The first step in determining adequacy of servicing is to review the case by accessing the loan information screen in VALERI. From the loan information screen, you can review case notes, check for business rule failures and regulatory infractions, and determine if any issues need to be resolved. You are also looking for any general inconsistencies. It is important that you are knowledgeable about the case before contacting the servicer.

If during your review you find that the case is in bankruptcy, stop your adequacy of servicing review and close out this process in VALERI. Contact the servicer to inform

[51] Added paragraphs for early foreclosure referrals and foreclosure timeframes on 7/2009.

[52] Added "determine whether or not you need to" contact the servicer, and deleted need to resolve regulatory infractions using input from the servicer on 7/2009.

them of the bankruptcy so that they may stop any foreclosure actions. Do not contact the borrower. You can stop the review process at this point because VALERI re-initiates the "review adequacy of servicing" process for a loan in bankruptcy if it is referred to foreclosure. You will review the case at that time for adequacy of servicing. Once you have completed your review, enter the date you completed this step in VALERI.

Step 2: Contact servicer – If you have enough information from Step 1 to make a determination on adequacy of servicing, you do not need to contact the servicer, but you must enter your reasoning and the date to complete this step. If you need further information to determine adequacy of servicing, you must contact the servicer.

You should ask the servicer the following questions:[53]

- Have you talked to the borrower?
- Have you determined reason for default?
- Are you currently considering a loss mitigation option?
- Why were the loss mitigation options that you considered not completed?
- Any other questions that arose during your review of the case.

Capture the servicer's answers and your analysis in the servicing case notes. Enter the date you complete this step in VALERI. You may complete this step concurrently with the other steps of the process.

Step 3: Contact borrower – If you received sufficient information through Steps 1 and/or 2 to determine adequacy of servicing, you do not need to contact the borrower, but you must still enter your reasoning and enter a date to close the step. If you need further information, you contact the borrower to help you determine if servicing was adequate. Questions you want to ask the borrower include:

- Have you been in contact with your servicer?
- What is the reason for default?
- Has the reason for default changed?
- Has there been any change in your financial situation?
- Are you aware of the options you have to retain your home and the alternatives to foreclosure?
- Any other questions that help you determine if the servicer provided adequate servicing on the loan.

You capture the borrower's answers and your analysis in the case notes. Enter the date you complete this step in VALERI. You work on this step concurrently with the other steps of the process.

If you are a Loan Technician and you make a determination that you want to pursue a loss mitigation option because servicing was inadequate, you can complete Step 4 and then approve your own recommendation in Step 5. VALERI will then automatically

[53] Deleted "were loss mitigation options considered in the required order?" on 7/2009.

initiate the “make loss mitigation recommendation” process so you can follow the steps of the process while on the telephone with the borrower.

Step 4: Determine adequacy of servicing – The fourth step in the process is to determine whether servicing was adequate or inadequate. Based on the case information in VALERI and the information you gathered from the servicer and borrower, you make a determination whether or not the servicer performed adequate servicing on the loan. The criteria for determining adequate servicing include:[54]

- Failure to contact borrower – Servicers are required to send a delinquency letter prior to foreclosure. Servicers are required to notify the original owner and other prior owners of their intention to start foreclosure action by registered mail within 30 days after they initiate foreclosure. Servicers are required to make a good faith effort to contact the borrower prior to foreclosure. A good faith effort means that the servicer: attempted to contact the borrower by telephone if there is a working number, tried to find the current or last known address of the original or subsequent obligors; attempted to identify sufficient information (social security number for example) to perform a routine trace inquiry on all obligors through a major consumer credit bureau; and conducted the trace inquiry using an in-house credit reporting terminal and reviewing the inquiry results. Failure to comply with these requirements is inadequate servicing. If you determine that the servicer did not make a good effort in attempting to contact the borrower, you add the “no contact attempted” regulatory infraction using the regulatory infraction utility.
- Failure to consider a loss mitigation option – Servicers are required to pursue loss mitigation options before referring a loan to foreclosure unless there are extenuating property circumstances or the property is abandoned. Failure to consider all loss mitigation options is inadequate servicing.
- Failure to complete loss mitigation options – Once a loss mitigation option is agreed upon by the servicer and borrower, servicers are required to complete that respective loss mitigation option in a timely manner. If you determine that the servicer was at fault for a failure to complete an approved loss mitigation option, this is inadequate servicing on the loan.

If any of the following criteria were not met, inadequate loan servicing was provided by the servicer and you enter the information in VALERI. This step is the final determination on your part. You have 14 days from the start of the process to complete all steps required and make a final determination.

Step 5: Approve or Deny Adequacy of Servicing Recommendation – Any recommendation made by an Assistant Loan Technician on adequacy of servicing must be approved or denied by a Senior Loan Technician before VALERI records a final determination. Loan Technicians are able to review and approve their own adequacy of servicing recommendations. If an LT or SLT determines that servicing was inadequate, they enter the justification and VALERI automatically initiates the “make loss mitigation

[54] Deleted “failure to consider loss mitigation options in the required order” on 7/2009.

recommendation" process. If they determine that servicing was adequate, VALERI closes the process.[55]

9.2.2.2 Review Substantial Equity

You conduct a substantial equity review anytime VALERI calculates that there may be substantial equity based on an updated NOV from TAS. Substantial equity cases have additional processes that are specific to foreclosure. If you receive a "review substantial equity" process in your workbasket and there is an active loss mitigation option in place, put a hold on the process until the expiration date of the NOV.

The first two processes, "review substantial equity" and "notify veteran of substantial equity" occur whenever there is an updated NOV. The second two processes, "postpone loan termination action" and "notify veteran of postponed loan termination action" are specific to foreclosure.

VALERI Process 21: "Review substantial equity"

Step 1: Review case file – You first access case notes and details of the loan by accessing the loan information screen. You should review potential equity, check if there is a junior lien, check if the servicer has been in contact with borrower, and review any other case details that will assist you in making a determination. If you determine that there is a loss mitigation option in place on the loan, place a hold on the process with a hold end date equal to the date the current liquidation appraisal expires.[56]

Step 2: Contact servicer – You contact the servicer ask if there are liens on the property and if they have contacted the borrower.

Step 3: Determine if there is substantial equity – The final step in the first process is to determine if there is substantial equity. If you determine that there is, you record this in VALERI, and VALERI automatically initiates the "notify veteran of substantial equity" process. If you determine that there is not substantial equity, VALERI closes the process and you do not need to complete the other processes. You have five days to complete this step from the time the "review substantial equity" process is initiated.

VALERI Process 22: "Notify veteran of substantial equity"

Step 1: Notify veteran of substantial equity – If you determine that there is substantial equity in the loan, you contact the borrower by telephone and letter if necessary. The letter should notify them of the equity amount and encourage them to sell the property to avoid foreclosure. A template for this letter is available on the VALERI intranet site.

Step 2: Determine if loan termination action needs to be postponed – If you make a determination that there is substantial equity in the property, you may want to postpone a termination action, such as the foreclosure sale, in order to allow extra time to explore other options. If you determine that the process should be postponed, you

[55] Updated on 5/15/2008

[56] Updated to reflect new policy on 5/15/2008

enter this into the system and VALERI automatically initiates the “postpone loan termination action” process. You have one day to complete this step once it enters your workbasket.

VALERI Process 23: “Postpone loan termination action”

Step 1: Contact servicer – You contact the servicer to ask if they are willing to consider postponing the foreclosure sale. If they agree, you enter “yes” into the system and VALERI initiates the “notify the veteran of postponed loan termination action” process. If they refuse, you enter “no” and VALERI closes the process.

VALERI Process 24: “Notify the veteran of postponed loan termination action”

Step 1: Contact servicer to get confirmation of approval – To complete this step, you contact the servicer to confirm that they will postpone a loan termination action.

Step 2: Notify veteran of postponed loan termination – After you receive confirmation from the servicer, you notify the veteran by telephone and mail if necessary that the termination of the loan is postponed.

9.2.2.3 Review Pre-Foreclosure Debt Waiver

If a type 2 loan or a type 6 loan that has been assumed is referred to foreclosure, VALERI initiates a pre-foreclosure debt waiver review and this process enters your workbasket. A pre-foreclosure debt waiver is a complete release of VA’s right to collect a debt from the obligor under VA regulation 36.4823(e). Any losses incurred by VA as a result of the loan default can still decrease the veteran’s entitlement.

VALERI Process 25: “Pre-foreclosure debt waiver review”

Step 1: Review pre-foreclosure debt waiver – You recommend denial of the pre-foreclosure debt waiver review in cases of fraud, misrepresentation, or bad faith. For example, if the borrower refuses to work with the servicer and VA to pursue a loss mitigation option and is in willful default, this is a case of bad faith. If you discover that there was an unauthorized transfer of ownership, you should review this as a possible reason to establish debt. If the borrower allowed the transfer of ownership to a party that was not qualified, this may also be considered bad faith.

Fraud and/or willful misrepresentation may have occurred when the original lender obtained guaranty as a result of willful and material fraud or misrepresentation (e.g., hiding unacceptable credit by obtaining multiple credit reports and only providing VA with the report which shows an acceptable credit history; submitting materially false information as a result of allowing the veteran to hand-carry employment, deposit or other income or credit verifications instead of mailing them directly to the employer or depository or proper source of information; not reporting a second lien executed in connection with the loan closing to reimburse the seller or a third party for costs of the transaction which are not payable by the veteran or not disclosed in the loan application package). Unwillful misrepresentation of the borrower may also occur. These cases are not necessarily a reason to disallow a pre-foreclosure debt waiver, but they should be carefully reviewed in order to make a determination. You record your recommendation and justification in VALERI.

Step 2: Approve or deny recommendation – If you are a Loan Technician, you choose whether or not to waive a debt and record the justification in VALERI. If you choose to waive the debt, VALERI closes the process. If you choose not to waive the debt, VALERI records this decision for the claim. If you are an Assistant Loan Technician, a Senior Loan Technician must approve or deny all pre-foreclosure debt waivers recommendations. If you are a Loan Technician, you can approve your own recommendations.

9.2.3 Servicer Establishes Bid and Completes Foreclosure Sale

The servicer must establish the correct bid amount and complete a valid foreclosure sale following VA requirements and federal, state, county, and local foreclosure laws. For more information on the calculations used to determine the bid, refer to Chapter 7, Foreclosure, in the Servicer Guide and Annex 8, VALERI Calculation of Total Eligible Indebtedness at Claim, in the Servicer Guide.

You may ask the servicer to cancel or postpone a sale if you determine that a case selected by VALERI has substantial equity or if you determine that another option is preferable to foreclosure.[57]

9.2.4 Servicer Reports Results to VA

Once the foreclosure sale is complete, the servicer must report the results of sale to VA within seven days of the sale as part of the Results of Sale event in order to submit a claim. If sale results are invalid, and the servicer has already transferred custody of the property, VALERI initiates the return of custody process. Refer to Chapter 10, Property Acquisitions, for more information.[58]

If the servicer bids total debt and retains the property or if a third party is the successful bidder, the process ends because the servicer cannot submit a claim. However, if a third party is the successful bidder and it was not a total debt bid, or if the servicer chooses to convey the property to VA, the process moves on to either conveyance or claim. For more information on acquisition of a conveyed property, refer to Chapter 10, Property Acquisitions. For more information on claims, refer to Chapter 11, Claims.

[57] Deleted reference to cancelling Foreclosure Sale Scheduled event on 7/2009. The event does not need to be cancelled if a sale is postponed or cancelled.

[58] Deleted servicer ability to update Results of Sale event when sale details change on 7/2009.

10 Property Acquisitions

(38 CFR 36.4823)

Servicers have the option to transfer custody of a property to VA after a loan is terminated through foreclosure or deed-in-lieu of foreclosure (DIL). A transfer of custody is a transfer of property to VA and is conditional upon VA Regional Counsel's approval of title. If there is an invalid sale or improper transfer of custody, or there are title problems, VA returns custody of the property to the servicer. This chapter describes both property transfers and returns of custody.

By the end of this chapter, you will understand:

- Roles and responsibilities regarding property acquisitions.
- The property acquisition process.
- How to review suspicious notices of value on properties.
- The return of custody process.

10.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding property acquisitions for you and the servicer.

Your Role

You are responsible for reviewing non-routine acquisition payments before they are approved and certified. You also initiate the return of custody process, if necessary. You may also be required to review a suspicious Notice of Value (NOV) to ensure that there are no problems with the acquisition.

Servicer Role

Servicers are responsible for ensuring that custody of the property is transferred to VA within 15 days after loan termination, and submitting complete and acceptable title evidence to VA within the appropriate timeframe. Servicers must also understand the reasons why VA returns custody, and report to VA any time they discover that a return of custody is necessary.

10.2 The Property Acquisition Process

When a loan terminates through foreclosure or DIL, servicers have the option to transfer custody of the property to VA by reporting the Transfer of Custody event. VALERI automatically processes routine acquisitions for payment. You review non-routine acquisitions, which are acquisitions on loans that have certain business rule failures, prior to approval and payment.

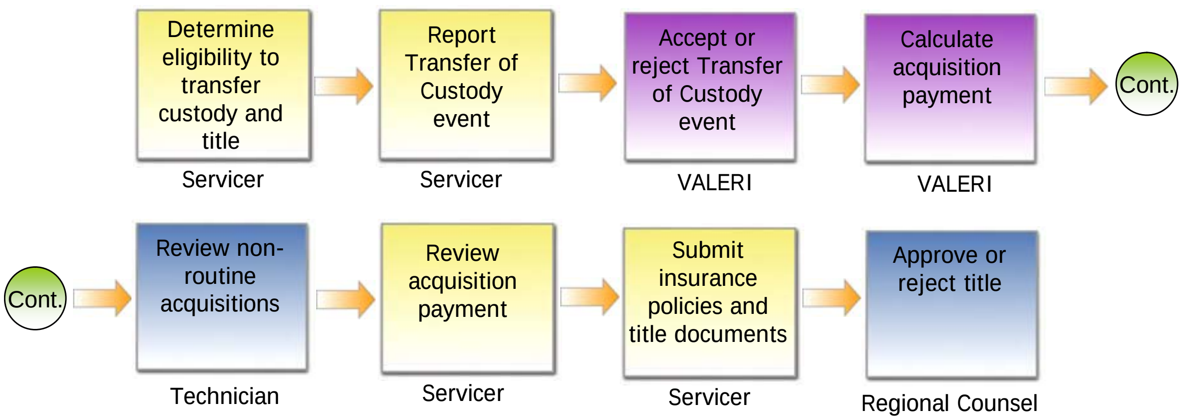
Table 9 describes the Transfer of Custody event, its means of submission, and the event due date.

Table 9: Timeframe for Reporting Transfer of Custody Event

Event Name	Means of Submission	Event Due Date
Transfer of Custody	Automated via service bureau or manually through Servicer Web Portal	By the fifteenth calendar day from the date of loan termination (for foreclosure and deed-in-lieu of foreclosure only)

Figure 45 illustrates the property acquisition process:

Figure 45: Process for Property Acquisitions



There are eight steps in this process:

- Servicer determines eligibility to transfer custody and title.
- Servicer reports Transfer of Custody event.
- VALERI accepts or rejects Transfer of Custody event.
- VALERI calculates acquisition payment.
- Technician reviews non-routine acquisitions.
- Servicer receives acquisition payment.
- Servicer submits insurance policies and title documents.
- VA Regional Counsel approves or rejects title.

10.2.1 Servicer Determines Eligibility to Transfer Custody and Title

Prior to initiating a transfer of custody, servicers must determine eligibility to transfer custody and title. A servicer may initiate a transfer of custody if all of the following conditions are met:

- The loan was terminated through a foreclosure or DIL.
- If the net value of the property is less than the unguaranteed portion of the indebtedness (i.e., the total eligible indebtedness minus VA's maximum claim payable under the guaranty), the servicer must write off all indebtedness not covered by the maximum claim payable and the acquisition payment, and send a deficiency waiver notice to the borrower once the claim is paid.

- The servicer did not rent the property to a new tenant, or extend the term of an existing tenancy, on other than a month-to-month basis during an after-sale redemption period.
- The title of the property is or will be acceptable to prudent lending institutions, informed buyers, title companies, and attorneys, generally, in the community in which the property is situated.
- There has been no breach of any conditions affording a right to the exercise of any reverter.
- If a partial release of security was granted on the property, there was full compliance with the requirements for partial releases of security as described in 38 CFR 36.4827.

10.2.2 Servicer Reports Transfer of Custody Event

If the servicer chooses to transfer custody of the property following a foreclosure sale or DIL, they must report the Transfer of Custody event to VA within 15 days of the loan termination date. VA defines loan termination as:

- **Foreclosure**: The date of legal termination as defined under state law.
- **DIL**: The date the deed is recorded, or the date the deed is submitted for recording, whichever date the servicer reports on the Deed-in-lieu Complete event.

The servicer is responsible for providing all insurance information on the property with the Transfer of Custody event. The servicer must also provide property tax information, including all taxing authority property identification numbers, with the Transfer of Custody event. It is important to note that the holder of the loan must pay any taxes, special assessments or ground rents due within 30 days after the date of transfer of custody to VA.

If the servicer fails to submit the Transfer of Custody event by the 15th day after loan termination, VALERI rejects the event. They may appeal the rejected event on the Servicer Web Portal within 30 days of the rejection. Only a Loan Administration Officer (LAO) can make the decision to allow a late transfer of custody to occur. If you receive an appeal for a late transfer of custody, you must research the issue and obtain all documents from the servicer that support the appeal before making a recommendation to approve or deny the appeal.

10.2.3 VALERI Accepts or Rejects Transfer of Custody Event

VALERI evaluates every Transfer of Custody event against VA business rules. If the event fails certain rules, VALERI rejects the Transfer of Custody event and posts a notice on the Servicer Web Portal to inform the servicer of the rejection. To view this notice, the servicer must access the Servicer Events Report Log report. Custody of the property is accepted on the day the servicer reports the Transfer of Custody event, as long as VALERI does not reject the event.

VALERI rejects the Transfer of Custody event if any of the following conditions apply:

- The loan is not guaranteed.

- The loan is not terminated (i.e., the servicer did not report the appropriate event that identifies a loan termination in VALERI).
- The servicer reports the Transfer of Custody event 16 or more days from the date of loan termination.
- The servicer reports the Transfer of Custody event and the successful bidder reported with the Results of Sale event was "third party."[59]
- There is an indemnification agreement in force and the servicer is the originating lender.
- The servicer reports the Transfer of Custody event and they have not satisfied a BOC for a previous return of custody for the same property.
- The liquidation Notice of Value was not valid on the foreclosure sale date or deed-in-lieu complete date.[60]

10.2.4 VALERI Calculates Acquisition Payment

VALERI calculates acquisition payments based on net value and bid type. If the acquisition is a routine acquisition, VALERI automatically presents the payment amount to a VA certifying official for certification. You review non-routine acquisitions prior to approval and certification. VALERI calculates the following for acquisitions:

- Net value.
- Bid type.
- Acquisition amount.

10.2.4.1 Net Value

VALERI calculates net value by applying the VA cost factor from the Notice of Value (NOV) issued in The Appraisal System (TAS). The VA cost factor is determined by VA and represents the cost to VA of acquiring and disposing of properties. VA publishes the cost factor annually in the Federal Register.

For example, if a servicer forecloses on a property with a NOV of $100,000 and the VA cost factor is 11.87 percent, VALERI calculates the net value as follows:

- NOV: $100,000.
- Application of VA cost factor (11.87 percent of $100,000): $11,870.
- Net value ($100,000 minus $11,870): $88,130.

VALERI compares its calculation of net value to the net value reported with the Results of Sale or Deed-in-lieu Complete event. If there is a discrepancy, VALERI uses its calculation of net value to determine the acquisition payment.

[59] Deleted "or holder retains" on 7/2009.

[60] Added on 7/2009.

10.2.4.2 Bid Type

VALERI determines bid type by comparing the net value to the total eligible indebtedness reported with the Results of Sale or Deed-in-lieu Complete event. The bid type determines the acquisition amount. Bid type scenarios include:

- If the net value is greater than or equal to total eligible indebtedness, the bid type is total debt.
- If the net value is less than total eligible indebtedness, the bid type is net value.

10.2.4.3 Acquisition Amount

VALERI calculates the acquisition amount using the bid type. For routine acquisitions, VALERI automatically approves the payment and presents it for certification. There are two bid types: total debt bid and net value bid.

Total debt bid – If the bid type is total debt, the acquisition amount is the unpaid principal balance (UPB) as reported in the most recent Delinquency Status update.

Net value bid – If the bid type is net value, the acquisition amount is net value.

10.2.5 Technician Reviews Non-Routine Acquisitions

You are required to review any acquisition that VALERI does not automatically approve and present for certification. These acquisitions are non-routine acquisitions.

VALERI initiates the "review non-routine acquisition" process any time an acquisition case does not meet all of the eligibility criteria for automatic approval, an approving official denies your recommendation on the non-routine acquisition, or a certifying official does not concur on payment of the non-routine acquisition. All acquisition payments for transition loans, (i.e., loans for which the servicer reported a default to VA prior to their transition to VALERI) are also non-routine acquisitions.

You must follow the "review non-routine acquisition" process to make a recommendation on allowing or stopping the acquisition payment. It is important to note that this process is due to be completed on the day it enters your workbasket. This is to ensure that VALERI can expeditiously inform VA property management when a property has been acquired.[61]

VALERI Process 26: "Review non-routine acquisition"

Step 1: Evaluate loan problems – To evaluate loan problems, you review all of the business rule failures that caused the non-routine acquisition. Only certain business rule failures on a loan create a non-routine acquisition. You must review all business rule failures that cause a non-routine acquisition and override these business rule failures before recommending the acquisition for payment. Refer to Annex 4, Business Rules for Non-Routine Acquisitions, for a complete list of business rules whose failure causes a non-routine acquisition.

[61] Updated this paragraph on 5/15/2008

When reviewing the business rule failures that cause the non-routine acquisition, you should:

- Identify the business rule failures.
- Override business rule failures that can be resolved (e.g., were due to data entry errors or other problems not causing harm to VA or the veteran).
- Document your findings in your case notes.

You must recommend denying the acquisition payment if you cannot resolve one or more business rule failures for the following events:

- Foreclosure Sale Scheduled.
- Results of Sale.
- Transfer of Custody.
- Improper Transfer of Custody.
- Invalid Sale Results.
- Confirmed Sale Date with No Transfer of Custody.

Step 2: Make recommendation on payment of non-routine acquisition – To make a recommendation on payment of the non-routine acquisition, you access the Acquisitions screen in VALERI. VALERI initiates Step 3 once you enter your recommendation.

Step 3: Approve or deny recommendation – A Senior Loan Technician (SLT) must approve or deny your recommendation. If your recommendation is denied, VALERI initiates a new "review non-routine acquisition" process. If the payment is approved, VALERI presents the payment to a certifying official for certification. If the payment is denied by the certifying official, VALERI initiates a new "review non-routine acquisition" process.

10.2.6 Servicer Receives Acquisition Payment

When VA certifies an acquisition payment, VALERI posts a notice on the Servicer Web Portal with the payment information. To view the acquisition payment information, the servicer must access the Acquisition Payment Status report. If the servicer has not received the acquisition payment within 14 days after the Financial Management System (FMS) issues a payment transaction number, they may contact you to determine the cause of the problem. In this case, you should research the payment problem and work with the SO to determine whether or not the payment needs to be reversed and reissued in VALERI.

Servicers have 30 days to exercise the option to appeal a decision concerning an acquisition payment. For more information on managing appeals, refer to Chapter 14, Appeals.

10.2.7 Servicer Submits Insurance Policies and Title Documents

To complete the property and title transfer process, the servicer must submit insurance policies endorsed to the Secretary of Veterans Affairs or insurance cancellation notices, as well as title documents.

10.2.7.1 Submit Insurance Policies with Endorsements

The servicer must request endorsements on all insurance policies naming the Secretary of Veterans Affairs as an insured and forward them to VA's property management contractor at the time of the transfer of the property to VA, or as soon after that time as feasible. An insurance cancellation notice may also be submitted. If an insurer has cancelled a policy on the property, the servicer must account for any unearned premiums received from the insurer when they file their claim.

10.2.7.2 Submit Title Documents

The servicer must submit title evidence to VA's property management contractor within 60 days of the liquidation sale (or recording of the deed-in-lieu) in most jurisdictions. In some cases, due to redemption periods, confirmation hearings after sales, and/or delays in recorders' offices, other timeframes after the sale apply for submission of title documents. Refer to the VA VALERI web site at http://www.homeloans.va.gov/valeri.htm for a list of required title documents, property management contact information, and allowable timeframes for submitting title documents. Please note that the list of required title documents is located in the VALERI Final Regulations document on the VALERI web site.

10.2.8 VA Regional Counsel Approves or Rejects Title

VA Regional Counsel must approve title documentation submitted by the servicer in conjunction with a transfer of custody of a property. If title is not approved, VA returns custody of the property to the servicer and issues a BOC to recover any acquisition costs, and other appropriate costs. Refer to section 10.4, The Return of Custody Process for guidance on processing a return of custody.

10.3 Suspicious Notices of Value

While not common, The Appraisal System (TAS) may send VALERI a new NOV after an acquisition payment was made on a loan. If this occurs, VALERI initiates the "review suspicious NOV" process for you to determine the reason for the new NOV.

VALERI Process 27: "Review suspicious NOV"

Step 1: Review case file – The first step is to determine why another appraisal was ordered after an acquisition payment was made. You will need to review the case file, servicing notes, and history of payments to make this determination. You may also need to contact the servicer, if you are unable to make your determination based on the case file review.

Step 2: Review NOV/appraisal – You obtain a copy of the NOV and appraisal from your local Valuation Officer and review the NOV and appraisal information. In this step, you want to determine whether or not the property value established on the new NOV is the same as the property value established by the NOV that was issued prior to the acquisition payment.

Step 3: Document reason for new NOV – VALERI prompts you to enter the reason for the new NOV, once you initiate Step 3. You must choose one of the following reasons for the additional NOV:

- Invalid sale, need to return custody.
- Identical value, no action required.
- Different values, need C&V follow-up.
- Corrected NOV, no action necessary.

Invalid sale, need to return custody – In this situation, the servicer has failed to report the invalid sale to VA and they had another appraisal completed for an upcoming foreclosure sale. You should tell them to report the Invalid Sale Results event in the Servicer Web Portal. If you choose “invalid sale, need to return custody” in Step 3, VALERI automatically initiates the “return custody” process. Refer to section 10.4.2 Technician Determines Need to Return Custody for more information on completing the “return custody” process.

Identical value, no action required – If the property value of the NOV issued after the acquisition payment is identical to the property value of the NOV issued prior to the acquisition payment, and the servicer is not preparing to hold another foreclosure sale, no further action is required.

Different values, need C&V follow-up – Follow-up with C&V is necessary whenever there is a difference in the values on the NOVs. Depending on the circumstances of the case, you will:

- If the new NOV was issued in error, either C&V or the servicer (if the servicer participates in the Servicer Appraisal Processing Program) must change the NOV in TAS to what it was when the acquisition and/or claim payment was made. VALERI initiates a new “review suspicious NOV” process for you to complete when the NOV is corrected in TAS. For Step 3 of the new “review suspicious NOV” you will select “Corrected NOV, no action required.”
- When the servicer intends to conduct another foreclosure sale, C&V needs to review both appraisals. C&V will determine the correct value and update TAS. The NOV must be correct for the new bid amount to be calculated. VALERI initiates a new “review suspicious NOV” process for you to complete when the NOV is corrected in TAS. For Step 3 of the new “review suspicious NOV” you select “Invalid sale, need to return custody”.

Corrected NOV, no action required – The “corrected NOV, no action required” option is selected only after you chose “different values, need C&V follow-up” during a previous “review suspicious NOV” process. This option is used to confirm that either C&V or the servicer has corrected the NOV.

10.4 The Return of Custody Process

VA returns custody of a property if there was an invalid sale or improper transfer of custody, or if there are title problems. The return of custody process can occur after the servicer reports an event to VA that requires a return of custody, or after VA determines the need to return custody. VALERI initiates a Bill of Collection (BOC) to recover any acquisition costs, and other appropriate costs, when returning custody of a property. During this process, either VA or VA's property management contractor may be required to prepare a deed back to the servicer.

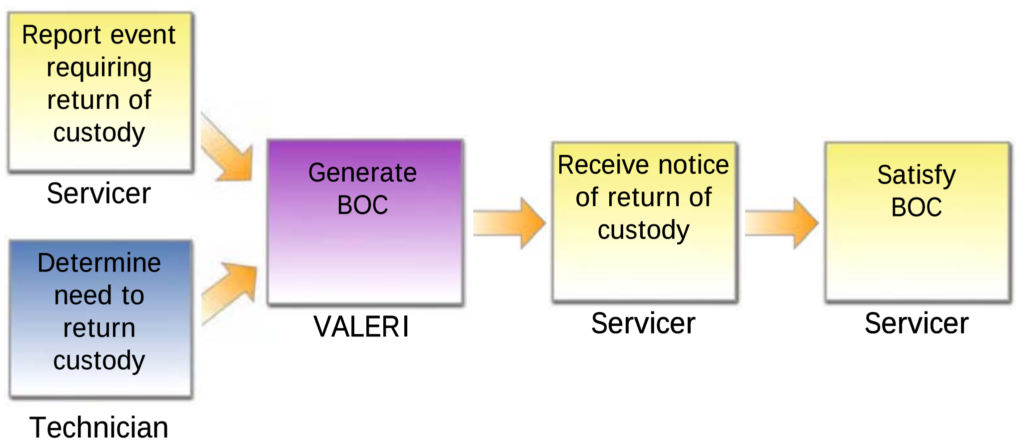
Table 10 describes the events the servicer may report that require a return of custody, their means of submission, and their due dates.

Table 10: Timeframes for Reporting Events Requiring a Return of Custody

Event Requiring Return of Custody	Means of Submission	Event Due Date
Invalid Sale Results	Manually through Servicer Web Portal	By the seventh calendar day after the servicer discovered that the foreclosure sale was invalid
Improper Transfer of Custody	Manually though Servicer Web Portal	By the seventh calendar day after the servicer discovered that the transfer of custody of the property to VA was improper. Note: Event may NOT be reported unless the acquisition payment has been certified by VA

Figure 46 illustrates the return of custody process:

Figure 46: Process for Returns of Custody



The following steps are part of the return of custody process:

- Servicer reports event requiring return of custody, or Technician determines need to return custody.
- VALERI generates bill of collection (BOC).
- Servicer receives notice of return of custody.
- Servicer satisfies BOC.

10.4.1 Servicer Reports Event Requiring Return of Custody

The servicer must report an invalid sale or an improper transfer of custody to VA. An invalid sale occurs when the sale results are invalid due to bankruptcy, procedural errors (including title problems), or the Servicemembers Civil Relief Act (SCRA). An improper transfer of custody occurs when a third party was the successful bidder or the servicer has chosen to retain the property, and the servicer transferred custody to VA in error.

When an invalid sale or improper transfer of custody occurs, the servicer must report the Invalid Sale or Improper Transfer of Custody event in the Servicer Web Portal. In this situation, VALERI initiates a return of custody of the property and generates a BOC automatically. The technician does not take any action.

It is important to note that if the servicer discovers an improper transfer of custody after reporting the Transfer of Custody event, they may not report the Improper Transfer of Custody event until the acquisition payment has been certified by VA.

10.4.2 Technician Determines Need to Return Custody

You may hear of an invalid sale or improper transfer of custody from VA's Property Management Oversight Unit (PMOU), the borrower, or a third party. If you hear of an invalid sale or improper transfer of custody from one of these three sources, and the servicer has not reported a return of custody event, you must transfer in the "return custody" process in VALERI.

VALERI Process 28: "Return custody"

Step 1: Validate need to return custody – To validate the need to return custody, you review the case file and discuss the case with any relevant third party.

Step 2: Contact servicer – Once you have validated the need to return custody, you contact the servicer to request that they report the appropriate event that requires a return of custody (Invalid Sale or Improper Transfer of Custody). If VA Regional Counsel rejects title documentation on a property, and the foreclosure sale is still valid, you should contact the servicer to report the Improper Transfer of Custody event. If the servicer agrees to report the event, you must verify that the event was reported the day after you ask the servicer to report it. If the servicer reports the event and it is accepted by VALERI, you close the process because Steps 3 and 4 are not necessary. If the servicer does not report the event within the required timeframe, you close Step 2 and complete Steps 3 and 4.

Step 3: Approve or deny return of custody – If the servicer does not report the required event, an SO must approve or deny the return of custody.

Step 4: Enter return of custody data in VALERI – If the SO approves the need to return custody, they enter the appropriate event (Invalid Sale Results or Improper Transfer of Custody) in the Servicer Web Portal. Entering the event in the Servicer Web Portal prompts VALERI to initiate a return of custody and a BOC to the servicer.

10.4.3 VALERI Generates Bill of Collection

If the servicer received an acquisition payment for the property, VALERI generates a Bill of Collection (BOC) based on whether the return was due to an invalid sale or improper transfer of custody, and whether or not VA made a claim payment. To view the BOC details, the servicer must access the Bill of Collections Status and Offsets report in the

Servicer Web Portal. The report includes the reason for the BOC, the amount of the BOC, the payment due date, and where payment must be sent.

Invalid Sale – If the reason for the return of custody was an invalid sale, VALERI calculates the BOC to include all amounts previously paid for acquisition of the property plus property management assignment fees. The servicer may receive a second BOC from Property Management (PM) for additional management expenses. If VA paid a claim, VALERI includes the claim amount in the BOC in addition to the acquisition payment and assignment fees.

Improper Transfer of Custody – If the reason for the return of custody was an improper transfer of custody, VALERI calculates the BOC to include the acquisition amount and property management assignment fees. The servicer may receive a second BOC from VA for additional management expenses.

If the bid type was total debt, and VA paid a claim, VALERI includes the claim amount in the BOC. If the bid type was net value, and VA paid a claim, VALERI recalculates the claim amount using a credit to the indebtedness equal to the greater of the net value or proceeds from the foreclosure sale. In addition to this recalculation, VA also includes in the BOC the amount of any advances for taxes and insurance made after the termination date and any fees or expenses the servicer incurred in conjunction with the property transfer to VA.

The servicer may appeal a BOC issued for a return of custody within 30 days of receiving notice of the BOC. Refer to Chapter 14, Appeals, for more information on how to manage appeals.

10.4.4 Servicer Receives Notice of Return of Custody

The return of custody of the property occurs on the date the BOC is certified. When the BOC is certified, VALERI posts a notice to the Servicer Web Portal informing the servicer of the return of custody. To view the notice, the servicer accesses the Reconveyance Status report. The report includes the date VA returned custody of the property, and the reason for the return of custody.

10.4.5 Servicer Satisfies BOC

The servicer must submit payment for the BOC by the payment due date included in the Bill of Collections Status and Offsets report. The timeframe for satisfying a BOC is generally 45 days. VA will not accept an additional transfer of custody following a subsequent valid foreclosure sale unless the BOC for the return of custody is satisfied. You can view the status of a BOC from the Payment History screen. If the BOC has been paid by the servicer, the status will reflect “paid.”[62]

[62] Added reference to Payment History screen on 7/2009.

11 Claims

Servicers have the option of filing a claim for loans terminated through foreclosure, deed-in-lieu of foreclosure (DIL), and compromise sale. They also submit claims for refunded loans and terminated mobile home loans. This chapter discusses how servicers submit a claim, and how VA reviews and pays a claim.

VALERI does not accept claims for loans on which the guaranty was not issued or was withdrawn. VALERI also refuses any claim filed by a servicer who has an indemnification agreement in force and who is also the originating lender.

This chapter does not discuss special procedures for processing claims for transition loans, or Texas Veterans Land Board loans. Refer to Annex 7, Transition Period Annex, and Annex 11, Texas Veterans Land Board Loans, for information on processing claims for these loans.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding claims.
- The claim process for terminated loans.
- The claim process for refunded loans.
- The claim process for mobile homes.
- How to manage claims in VALERI.

11.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding claims for you and the servicer.

Your Role	You are responsible for reviewing non-routine claims in VALERI and recommending claim adjustments when necessary.
Servicer Role	Servicers are responsible for filing claims within required timeframes. They must also provide the required data for calculating the claim amount, and submit supporting documentation if required by VA.

11.2 The Claim Process for Terminated Loans

(38 CFR 36.4824)

The process for submitting and paying claims for loans terminated through foreclosure, DIL, and compromise sales is very similar. Servicers must submit all terminated loan claims to VA electronically through the Servicer Web Portal. VALERI calculates the claim payment and automatically approves routine claims for certification. You are responsible for reviewing claims that fail certain VA business rules, also known as non-routine claims, and making adjustments when necessary.

VALERI automatically files all terminated loan claims electronically when servicers report the Basic Claim event. Table 11 describes the Basic Claim event, how it is submitted, and when it must be reported.

Table 11: Timeframe for Reporting Basic Claim Event for Terminated Loan Claims

Claim Event	Means of Submission	Event Due Date
Basic Claim	Manually through Servicer Web Portal	By the 365th calendar day after loan termination as defined by VA

Figure 47 illustrates the claim process for terminated loans.

Figure 47: Claim Process for Terminated Loans

There are five steps in this process:

- Servicer prepares and submits claim on terminated loan.
- VALERI accepts or rejects claim.
- VALERI calculates claim payment.
- Technician reviews non-routine claims.
- Servicer receives claim payment.

11.2.1 Servicer Prepares and Submits Claim on Terminated Loan

Servicers must file claims for loans terminated through foreclosure, DIL, or compromise sale within the required timeframe and report appropriate data with the Basic Claim event to allow VALERI to calculate the claim payment. Servicers have two options to choose from when filing a claim through the Servicer Web Portal: (1) initial claim or (2) supplemental claim.

Initial claim – An initial claim is the first claim a servicer files on a VA guaranteed loan terminated through foreclosure, DIL, or compromise sale. All refunded loan claims are also initial claims. Servicers must submit foreclosure, DIL, and compromise sale claims by the 365th day from the date of loan termination. VA defines loan termination as:

- **Foreclosure**: The date of legal termination as defined under state law. Note that this does not include an allowance for after-sale redemption periods.
- **DIL**: The date the deed is recorded, or the date the deed was submitted for recording, whichever date the servicer reports on the Deed-in-lieu Complete event.
- **Compromise Sale**: The compromise sale settlement date per the HUD-1.

Supplemental claim – A supplemental claim may be filed on a loan terminated through foreclosure, DIL, or compromise sale for any items omitted from the initial claim or for items paid after the initial claim was submitted. Servicers may only file a supplemental claim for the same type of expense if it occurred on a different date. A supplemental claim may not be filed beyond the 365th day after loan termination.

11.2.2 VALERI Accepts or Rejects Claim

VALERI evaluates initial and supplemental claims against VA business rules. If all business rules are met, the claim continues to be processed in VALERI. If the claim fails these rules, VALERI rejects the claim and posts a notice on the Servicer Web Portal to inform the servicer of the rejection.

Initial claim rejections – VALERI rejects an initial claim automatically if one or more of the following occurs:

- The loan is not guaranteed.
- The servicer submits the claim 366 or more days from the loan termination date.
- The servicer submits a claim for a loan terminated through foreclosure without previously reporting the appropriate loan termination event to VA.
- The servicer submits a claim for a DIL without previously submitting the Deed-in-lieu Complete event update.
- The servicer submits a claim for a loan terminated through a compromise sale without previously submitting the Compromise Sale Complete event update.
- The servicer submits a claim on a terminated loan where the bid type was total debt and they did not transfer custody of the property to VA.
- There is an indemnification agreement in force and the servicer is the originating lender.

Supplemental claim rejections – VALERI rejects a supplemental claim automatically if the servicer does one or more of the following:

- Submits a supplemental claim 366 or more days from the loan termination date.
- Submits a supplemental claim for an item included on the initial claim.

11.2.3 VALERI Calculates Claim Payment

VALERI calculates the payment for foreclosure, DIL, and compromise sale claims based upon total eligible indebtedness, maximum guaranty, and credit to the indebtedness (net value or proceeds from the sale, whichever is greater).

If the claim is a routine claim, VALERI automatically presents the claim payment amount to a VA certifying official for certification. For non-routine claims, you review and possibly adjust the VALERI-calculated claim amount prior to certification of the claim payment.

VALERI calculates the following for foreclosure, DIL, and compromise sale claims:

- Total eligible indebtedness.
- Maximum guaranty.
- Credit to the indebtedness.

- Claim payment.

11.2.3.1 Total Eligible Indebtedness

VALERI calculates total eligible indebtedness as the unpaid principal balance, accrued unpaid interest, allowable paid liquidation expenses, and allowable advances, less any credits. Refer to Annex 8 of the Servicer Guide, VALERI Calculation of Total Eligible Indebtedness at Claim for a detailed explanation of the calculation of total eligible indebtedness. VALERI uses its calculation of total eligible indebtedness, not the servicer's reported total eligible indebtedness at the time of termination, to calculate the claim payment.

There is also a calculation of total indebtedness for determining the guaranty amount. VALERI uses the unpaid principal balance, accrued unpaid interest, allowable advances, and liquidation expenses incurred prior to the termination date (or cutoff date, whichever is sooner) to determine the total indebtedness for purposes of calculating the maximum guaranty. Refer to Section 11.2.3.2, Maximum Guaranty, for information on how this total indebtedness calculation is used for guaranty purposes.

Note that when the servicer reports the Bankruptcy Filed event, VALERI will automatically allow payment of an additional 180 days of interest if a claim is subsequently filed as a result of that default. VALERI allows 180 days regardless of the number of bankruptcies that occur, and whether or not the bankruptcy or bankruptcies were resolved in less than 180 days.[63]

11.2.3.2 Maximum Guaranty

With very limited exception, VA cannot pay a claim amount in excess of the guaranty amount. VA pays the following items in excess of maximum guaranty:

- VA liquidation appraisal fees prior to loan termination.
- Title V septic fees in the State of Massachusetts (only if the servicer transferred custody of the property to VA).
- Incentive payment for a deed-in-lieu of foreclosure or compromise sale.

VALERI calculates maximum guaranty differently on original vs. modified loans:

Original loans – For original loans that have not been modified, VALERI calculates maximum guaranty as the lesser of the original guaranty amount or the original guaranty percentage applied to total indebtedness at time of liquidation.

For example, if VA originally issued a $36,000, 40 percent guaranty on a $90,000 loan and the total indebtedness is $95,000, the guaranty is capped at the original guaranty amount of $36,000. This is because the original guaranty amount of $36,000 is less than the original guaranty percentage applied to the total indebtedness (40% x $95,000 = $38,000). If total indebtedness on the same $90,000 loan is $80,000, the amount of guaranty would be 40 percent of the total indebtedness or $32,000 (40% x $80,000) because this is less than the original guaranty amount.

[63] Added two new paragraphs on 7/2009.

Modified loans – For modified loans, VALERI uses two different calculations to determine the maximum claim payable. First, VALERI calculates the adjusted guaranty amount and guaranty percentage for the modified loan based upon the following scenarios:

- If the loan was modified before the new regulations went into effect, and the modified loan amount is greater than the original loan amount, the dollar amount of guaranty will be equal to the dollar amount of guaranty on the original loan. In this case the original dollar amount of guaranty remains the same and the guaranty percentage is reduced.
- If the loan was modified before the new regulations went into effect, and the modified loan amount is less than or equal to the original loan amount, VALERI determines the guaranty percent to be equal to the original percent of guaranty. In this case the guaranty percentage remains the same and the original dollar amount of guaranty is reduced.
- If the loan was modified on or after the new regulations went into effect, the dollar amount of the guaranty may not exceed the greater of the original guaranty amount of the loan being modified or 25 percent of the loan being modified subject to statutory maximum specified in 38 USC 3703(a)(1)B. When the modified loan amount is greater than the original loan amount, the original dollar amount of guaranty remains the same if greater than 25 percent of the modified loan amount, and the guaranty percentage is reduced. When the modified loan amount is less than or equal to the original loan amount, the guaranty percentage remains the same if greater than 25 percent and the original dollar amount of guaranty is reduced. The guaranty will never drop below 25 percent on loans modified under the new regulations.

Second, VALERI calculates the maximum claim payable as the lesser of the modified loan's guaranty amount or the modified loan's guaranty percentage applied to the total indebtedness at time of liquidation.

11.2.3.3 Credit to the Indebtedness

VA subtracts the credit to indebtedness from total eligible indebtedness to determine the gross claim payment. Unless the property is located in a state or locality with statutory bid requirements, the credit to indebtedness is always the greater of net value or actual proceeds of the sale. For total debt bids, where the servicer transfers custody of the property to VA, the credit to the indebtedness is the unpaid principal balance because VA pays unpaid principal balance at acquisition.

Foreclosure – For foreclosure sales, VALERI recognizes whether the property is located in a state with or without statutory bid requirements. VALERI then calculates the credit to the indebtedness based upon these factors, as well as the bid type and outcome of the sale. Table 12 describes how VALERI calculates the credit to the indebtedness for foreclosure sales in states where there are no statutory bid requirements.

Table 12: Credit to Indebtedness for Foreclosure Sales in States without Statutory Bid Requirements

Bid Type and Outcome	Credit to Indebtedness
Correct net value – holder retains or transfers custody of the property	Net value
Correct net value – third party successful bidder	Greater of net value or actual proceeds of sale
Erroneous net value overbid – holder retains or transfers custody of the property	Actual proceeds of sale
Erroneous net value underbid – holder retains or transfers custody of the property	Net value
Correct total debt bid – holder transfers custody of the property	Unpaid principal balance
Erroneous total debt overbid – holder transfers custody of the property	Unpaid principal balance
Erroneous total debt underbid – holder transfers custody of the property	Unpaid principal balance

Table 13 describes the amount VA credits to the indebtedness for foreclosure sales in states with statutory bid requirements.

Table 13: Credit to Indebtedness for Foreclosure Sales in States with Statutory Bid Requirements

Bid Type and Outcome	Credit to Indebtedness
Statutory net value overbid – holder retains the property	Actual proceeds of sale
Statutory net value overbid – holder transfers custody of the property	Net value
Statutory net value overbid – third party successful bidder	Actual proceeds of sale

A list of states and localities with statutory bid requirements is located in the VALERI Loss Mitigation Tool.

DIL – For a DIL in which net value was less than the borrower's total eligible indebtedness, VA credits net value. For a DIL in which the borrower's total eligible indebtedness was less than net value, and the servicer transferred the property to VA, VA credits the unpaid principal balance.

VALERI rejects a claim on a DIL if the borrower's total eligible indebtedness was less than net value and the servicer did not transfer custody of the property to VA. In these cases, no claim or incentive is paid.

Compromise Sale – For compromise sales, VA credits net value or the actual proceeds of the sale, whichever is higher.

11.2.3.4 Claim Payment

Once VALERI calculates total eligible indebtedness, maximum guaranty, and the credit to the indebtedness, it follows three steps to calculate the claim payment. If VALERI identifies the claim as non-routine, you review the claim after VALERI calculates the payment to determine whether any adjustments are necessary. VALERI calculates the claim payment for loans terminated through foreclosure, DIL, and compromise sale as follows:

Step 1: Determine gross claim amount – The gross claim amount equals the total eligible indebtedness minus the credit to the indebtedness.

A summary of how VALERI calculates total eligible indebtedness and credit to the indebtedness is provided in Table 14.

Table 14: Calculations Used for Determining Gross Claim Amount for Terminated Loan Claims

Name of Calculation	How VALERI Calculates
Total eligible indebtedness	Unpaid principal balance + accrued unpaid interest + allowable paid liquidation expenses + allowable advances – any credits
Credit to the indebtedness (foreclosures)	Refer to Table 12 and Table 13
Credit to the indebtedness (DIL in which total eligible indebtedness was less than net value and holder transferred custody of the property to VA)	Unpaid principal balance
Credit to the indebtedness (DIL in which net value was less than total eligible indebtedness)	Net value
Credit to the indebtedness (compromise sale in which net value was less than total eligible indebtedness)	Net value or actual proceeds of sale, whichever is higher

For example, a servicer holds a foreclosure sale on a property with a net value of $88,130 and total eligible indebtedness of $95,000. According to VA guidelines, the servicer must bid the lower of net value or total eligible indebtedness. In this example, the servicer bids the correct net value of $88,130 and is the successful bidder. They retain the property and file a claim for the remainder of the indebtedness. The gross claim amount would be:

- Total eligible indebtedness: $95,000.
- Credit to the indebtedness: (in this scenario, the net value of the property because the bid type was correct net value): $88,130.
- Gross claim amount: ($95,000 - $88,130): $6,870.

Step 2: Compare gross claim amount to guaranty amount – If the guaranty amount is greater than or equal to the gross claim amount, the claim amount payable is the gross claim amount. If the guaranty amount is less than the gross claim amount, the gross claim amount payable is the guaranty amount plus any VA appraisal fees and/or Title V septic fees (in the State of Massachusetts). Note that VA does not pay Title V septic fees for terminated loans where VA did not acquire the property.

Step 3: Determine total amount payable at claim – The total amount payable at claim may differ from the amount calculated in Step 2 if the loan termination type was compromise sale or DIL. In these cases, the total amount paid at claim is the claim amount payable plus any incentive amount payable. Incentives are paid only when the case is eligible for an incentive payment.

If the claim is a routine claim, VALERI presents the claim amount payable to a certifying VA official for payment certification. For non-routine claims, you review the claim and decide whether to recommend adjusting the claim amount payable.

11.2.4 Technician Reviews Non-Routine Claims

A non-routine claim on a terminated loan requires your review prior to approval and payment. The following claims are non-routine claims:

- Claims for loans that have any failed business rules.
- Claims for loans with open issues.
- Claims for loans where there are open processes with incomplete process steps.
- Claims with unresolved regulatory infractions.
- Claims with amortization issues.
- Claims where the total claim amount payable is a negative value.
- Claims for which a certifying official rejected certification of the claim payment.
- Claims for joint loans.
- Claims for step rate loans.
- Supplemental claims.
- Claims for transition loans (i.e., loans for which the servicer reported a default to VA prior to their transition to VALERI).

VALERI initiates the "review non-routine claim" process any time there is a non-routine initial claim. When there is a supplemental claim, VALERI initiates the "review supplemental claim" process.

11.2.4.1 Non-Routine Initial Claims

VALERI Process 29: "Review non-routine claim"

Step 1: Evaluate loan problems – To evaluate loan problems, you review all of the information on the loan, including business rule failures, regulatory infractions, and open issues. Transition loans also require review and possible adjustment, even if there are no problems on the loan. Refer to Annex 7, Transition Period Annex, for special procedures to follow when reviewing claim payments on transition loans.

Business rule failures – You must review any business rule failures and override all business rule failures prior to closing Step 1. If the loan has any business rule failures that require you to recommend denying an incentive payment, you should adjust the claim amount by the amount of the incentive payment. Refer to Chapter 6 Servicer Incentive Payments, for guidance on recommending denial of an incentive.

If the Basic Claim event has any failed business rules that require you to adjust the claim amount, you must adjust the claim amount before recommending the claim for approval. An example of a business rule failure that would require a claim adjustment is if the servicer claimed a bankruptcy attorney fee but they did not previously report the Bankruptcy Filed event. If this occurs, you adjust the bankruptcy fee line item to zero.

Regulatory infractions – You must review any regulatory infractions on the loan prior to completing Step 1. VALERI initiates the “review regulatory infraction” process for you to allow you to view the regulatory infractions on the loan. You must recommend any adjustments (or recommend a decision not to adjust the claim) to your SO by opening a VALERI task for the SO to complete.[64] If there is a regulatory infraction for an improper loan modification, you must use the Claim Analysis spreadsheet to determine whether or not an adjustment to the claim payment is necessary. The Claim Analysis spreadsheet is located on VA’s VALERI intranet site.

The purpose of a claim adjustment for a regulatory infraction is to limit VA's liability to what it would have been if the holder had complied with VA requirements. It is essential that every regulatory infraction review begin with this question: "What would have been the most likely outcome of the default, under the specific circumstances in the case, if the holder had complied with all applicable regulations?" You should only recommend an adjustment if the infraction increased the amount of VA’s liability on the loan.

To make an adjustment or change an existing adjustment amount, you recommend an adjustment to your SO outside of the “review regulatory infraction” process. For example, you could assign a “task” in VALERI for your SO to review and approve. If your SO agrees with a recommendation to adjust the claim, they associate the amount of the adjustment with the regulatory infraction in the Regulatory Infractions screen in VALERI. Once an adjustment is approved, VALERI automatically adjusts the claim amount. If you do not recommend adjusting the claim, you also make this recommendation to your SO. If approved, the SO will access the Manage Regulatory Infractions screen and approve the infractions without any adjustments.

Open issues – You should review any open issues on the loan to determine whether or not the issue warrants adjustment of the claim. This is particularly important for pre-approval issue types. You may be required to adjust the claim amount for the following pre-approvals:[65]

- Compromise sale in which the servicer accepted an offer of less than net value.

[64] Added reference to opening a task on 7/2009.

[65] Deleted foreclosure timeframe pre-approval on 7/2009.

- Any other pre-approval requiring claim adjustment.

You are required to resolve and close all issues prior to completing Step 1.

Step 2: Make recommendation on payment of non-routine claim – To make a recommendation, you access the Claims screen in VALERI and review the amount of any adjustments to ensure that they match the adjustments you recommended. If you completed the "review pre-foreclosure debt waiver" process and chose to establish debt against the borrower, you must also select the box in the Claims screen to establish debt.

After reviewing the claim, you may submit your recommendation. Once you submit the recommendation in the Claims screen, VALERI initiates an approval process. Depending if the claim has a regulatory infraction or not, VALERI initiates one of two processes:

- "Approve non-routine claim."
- "Approve non-routine claim with regulatory infraction."

VALERI Process 30: "Approve non-routine claim"

An SLT, or other designated approving official, must approve or deny claim recommendations on loans without regulatory infractions. Any disapproved recommendation initiates a new "review non-routine claim" process for you to complete.

VALERI Process 31: "Approve non-routine claim with regulatory infraction"

An SO must approve or deny claim recommendations on loans with[66] regulatory infractions. Any disapproved recommendation initiates a new "review non-routine claim" process for you to complete.

VALERI submits all approved recommendations to a certifying official for certification. For any recommendation that is not certified, VALERI initiates a new "review non-routine claim" process for you to complete.

11.2.4.2 Supplemental Claims

VALERI initiates the "review supplemental claim" process when you are required to evaluate a supplemental claim. VALERI will not allow you to recommend a supplemental claim for approval until the initial claim and any previous supplemental claims on the loan have been certified.

VALERI Process 32: "Review supplemental claim"

Step 1: Review case file – You must review the case file, including all events submitted on the loan, issues, case notes, initial and any other supplemental claims, the loan payment history, and any other loan details. It is important that you become familiar with the case file including all claims in order to make an educated recommendation on the supplemental claim.

[66] Changed from "without" to "with" on 5/15/2008

Step 2: Obtain documentation from the servicer – Servicers are required to submit documents to substantiate the items reported on the supplemental claim. Servicers submit these documents via the Servicer Web Portal. You review these documents to ensure that they support the amount of the claimed items. If the servicer has not submitted documentation by the time this step opens, contact them to ask that they upload the supplemental claim documents on the Servicer Web Portal.[67]

Step 3: Make recommendation to approve or deny supplemental claim – To make a recommendation on the supplemental claim, VALERI routes you to the Review Supplemental Claim screen in VALERI. You must adjust the claim by any amount that was not substantiated by the supporting documentation.

Step 4: Approve or deny recommendation – An SO must approve or deny your recommendation. Approved recommendations are submitted to a certifying official for certification and payment. If your recommendation is denied, VALERI initiates the process again.

11.2.5 Servicer Receives Claim Payment

When VA certifies a claim payment, VALERI notifies the servicer via the Claim Payment Status report on the Servicer Web Portal. The Claim Payment Status report includes information on how VA calculated the claim payment, including any information on items that were allowed or disallowed. The reason for disallowing an item is also on the report.

If the servicer has not received the claim payment within 14 days after the Financial Management System (FMS) issues a payment transaction number, they may contact you to determine the cause of the problem. In this case, you should research the payment problem and work with the SO to determine whether the payment needs to be reversed and reissued in VALERI.

The servicer has the option to appeal a claim payment or claim rejection within 30 days after notification of the decision. For more information on processing appeals, refer to Chapter 14, Appeals.

11.3 The Claim Process for Refunded Loans

(38 CFR 36.4824)

Servicers are required to file a claim within 60 days after VA approves a loan for refunding. The claim process for refunded loans differs from the process for terminated loan claims. For example, all claims are filed electronically through the Servicer Web Portal by reporting the Basic Claim event, but VA technicians review all refund claims prior to payment, and no supplemental claims may be filed for refunded loans. A refund claim cannot be submitted for approval until you enter into VALERI the date the title was approved by Regional Counsel. Table 15 describes the Basic Claim event, how it is submitted, and when it must be reported for a refund claim.

[67] Added guidance to contact the servicer on 7/2009.

Table 15: Timeframe for Reporting Basic Claim Event for Refunded Loan Claims

Claim Event	Means of Submission	Event Due Date
Basic Claim	Manually through Servicer Web Portal	By the refund settlement date established by VA. The refund settlement date is 60 calendar days after the refund approval date.

Figure 48 illustrates the refund claim process.

Figure 48: Process for Refund Claims

There are five steps in this process:

- Servicer prepares and submits claim and title package.
- VALERI accepts or rejects claim.
- Technician reviews refund claim.
- Technician enters the title approval date in VALERI.
- Servicer receives claim payment.

Note that a refund claim is only one part of the loan refunding process. Refer to Chapter 8, Refunds, for additional information on the refund process.

11.3.1 Servicer Prepares and Submits Refund Claim and Title Package

Refunded loan claims are initial claims filed through the Servicer Web Portal and must be submitted within 60 days of the refund approval date. The servicer must also submit appropriate title documents to you, as well as upload any necessary documents to the Servicer Web Portal to support expenses they claim. If the servicer does not submit a refund claim within 60 days of the refund approval date, VA pays only the unpaid principal balance, accrued unpaid interest, and the cost of one appraisal, less any credits.

VA does not pay a refund claim until the servicer submits the necessary title documents and VA Regional Counsel approves the title. The servicer must send the following title documents to you by mail:

- Original mortgage or deed of trust, or a copy certified by a local authority, with all assignments.
- Original mortgage note endorsed to the Secretary of Veterans Affairs.

- Original or copy of origination title policy.
- Recorded assignment to the Secretary of Veterans Affairs.

You must send the title documents to the VA Regional Counsel of jurisdiction. Refer to Annex 13, Additional VA Contact Information, for a list of VA Regional Counsel contact information.

11.3.2 VALERI Accepts or Rejects Refund Claim

VALERI evaluates refund claim submissions against certain VA business rules. If the claim fails any of these rules, VALERI rejects the claim and posts a notice on the Servicer Web Portal to inform the servicer of the rejection. For claims that pass these business rules, VALERI initiates the "review non-routine claim" process in your workbasket.

VALERI rejects refund claims automatically if the servicer submits the refund claim after the refunding settlement date.

11.3.3 Technician Reviews Refund Claim

You are required to review all refund claims prior to payment. The review process is different based upon whether or not the servicer submits the refund claim by the refund settlement date. The refund settlement date is 60 days after VA approves the refund. You review refund claims based upon the following situations:

- Claim submitted by settlement date.
- Claim not submitted by settlement date.

11.3.3.1 Claim Submitted by Settlement Date

When a servicer submits a claim by the refund settlement date, VALERI calculates the borrower's total eligible indebtedness as the claim amount. All refund claims submitted by the settlement date are non-routine claims requiring technician review, so VALERI automatically initiates the "review non-routine claim" process after it calculates the claim amount. For more information on VALERI Process 29: "Review non-routine claim" refer to section 11.2.4 Technician Reviews Non-Routine Claims.

It is important to note that refund claims may not be adjusted due to regulatory infractions, business rule failures, or open issues on the loan. However, all business rule failures must be overridden, open issues closed, and regulatory infractions reviewed prior to submitting the claim for approval

Before you submit a recommendation in VALERI, you review all supporting documents the servicer submitted with the claim to determine whether or not they support the items claimed. For example, if the servicer claimed $100 for snow removal on February 1, 2007, they must submit the itemized invoice of work completed. You must verify that the servicer paid $100 and that the work was performed on February 1, 2007. You must adjust the claim by the amount of expenses not substantiated by supporting documentation prior to making a recommendation on payment of the claim.

After you make your recommendation in VALERI Process 29, VALERI initiates one of two processes, depending if the claim has a regulatory infraction or not.

- “Approve non-routine claim.”
- “Approve non-routine claim with regulatory infraction.”

For more information on VALERI Process 30: “Approve non-routine claim” and VALERI Process 31: “Approve non-routine claim with regulatory infraction” refer to section 11.2.4 Technician Reviews Non-Routine Claims.

VALERI submits all approved recommendations to a certifying official for certification. A certifying official cannot certify a refund claim payment until you enter the date Regional Counsel approved the title documentation in the “approved title documentation” field in VALERI. Any recommendation that is not certified initiates a new “review non-routine claim” process for you to complete.

11.3.3.2 Claim Not Submitted by Settlement Date

If a servicer fails to submit the claim by the refund settlement date, VALERI initiates the “complete loan refund” process. VALERI rejects any refund claim a servicer submits after the refund settlement date. When the claim is not submitted by the settlement date, the claim payment is limited to the unpaid principal balance, the accrued unpaid interest, and the cost of one appraisal.

VALERI Process 33: “Complete loan refund”

Step 1: Determine estimated refund claim – An estimated refund claim includes the Unpaid Principal Balance reported with the most recent Delinquency Status update; the accrued unpaid interest based upon the interest rate, unpaid principal balance, and number of days up to the refund settlement date; and the cost of one appraisal in the state in which the property is located. For this step, VALERI has already determined the amount to pay for the UPB and accrued unpaid interest. You are responsible for determining the appropriate appraisal fee for the property.

Step 2: Make recommendation on refund claim – To make a recommendation on the refund claim, you access VALERI to enter the appraisal fee amount.

Step 3: Go to SWP and submit refund claim event – Once you have determined the appropriate appraisal fee and entered it into VALERI, you contact your SLT to have them access the Servicer Web Portal and enter the Basic Claim event on behalf of the servicer. The claim will consist of the one appraisal fee and any credits you verify on the loan during the refund process. Once the claim is submitted, VALERI initiates the “review non-routine claim” process for you to complete. Follow the steps of the “review non-routine claim” process to complete the claim analysis and submit the claim for approval.

11.3.4 Technician Enters the Title Approval Date in VALERI

A refund claim cannot be certified until you enter the date the title documents were approved by VA Regional Counsel. You enter the title approval date in VALERI as part of the “refund title documentation” process. This process consists of receiving the title documents from the servicer, entering the date the title documents were received, and entering the date the title documents were approved. Refer to Chapter 8, Refunds, for complete guidance for completing the “refund title documentation” process.

11.3.5 Servicer Receives Claim Payment

When title documentation is approved and VA certifies a refund claim payment, VALERI posts a notice on the Servicer Web Portal with the claim payment information via the Claim Payment Status report. Refer to section 11.2.5 Servicer Receives Claim Payment for more information about the Claim Payment Status report.

If the servicer has not received the claim payment within 14 days after the Financial Management System (FMS) issues a payment transaction number, they may contact you to determine the cause of the problem. In this case, you should research the payment problem and work with the SO to determine whether or not the payment needs to be reversed and reissued in VALERI.

11.4 The Claim Process for Mobile Homes

(38 CFR 36.4824)

Servicers file claims for manufactured (mobile) homes not affixed to a permanent foundation by submitting the appropriate paper forms to the St. Paul Regional Loan Center. Mobile home claims differ from terminated loan claims and refund claims because they require manual claim computation by a technician outside of VALERI.

It is important to note that any claim filed for a manufactured home permanently affixed to a foundation must be filed in VALERI using the process described in 11.2 The Claim Process for Terminated Loans.

Figure 49 illustrates the mobile home claim process.

Figure 49: Process for Mobile Home Claims

There are three steps in this process:

- Servicer submits mobile home claim with supporting documents.
- Technician processes mobile home claim.
- Servicer receives claim payment.

11.4.1 Servicer Submits Mobile Home Claim with Supporting Documents

Servicers are required to submit the appropriate paper form after the ultimate sale or other liquidation of the security for the loan. The appropriate form is one of the following:

- VA Form 26-8629, Manufactured Home Loan Claim Under Loan Guaranty (Manufactured Home Unit Only).

- VA Form 26-8630, Manufactured Home Loan Claim Under Loan Guaranty-Combination Loan-Manufactured Home Unit and Lot or Lot Only.

The servicer must submit the appropriate form to the St. Paul Regional Loan Center. The required supporting documents are listed on each form. Servicers do not upload these forms in the Servicer Web Portal.

11.4.2 Technician Processes Mobile Home Claim

When you are required to process a mobile home claim, you must work outside of VALERI to calculate and pay the claim. To compute the claim, you follow the procedures outlined in the claims for guaranteed mobile home loans document on the VA VALERI intranet site. Be sure to work with your local Construction & Valuation (C&V) representatives to view the NOV and determine the net value of the property.

To pay the claim, take the appropriate steps to work with the Administrative and Loan Accounting Center to enter the payment information into the Financial Management System (FMS). The payment will not be displayed in the Claim Payment Status Report because the mobile home loan does not exist in VALERI.

11.4.3 Servicer Receives Claim Payment

Once the claim payment information is properly entered into FMS, the servicer should receive their claim payment within a reasonable amount of time.

11.5 Claims in VALERI

Non-routine claims require your review for possible adjustments or corrections prior to approval and payment. When you are required to review a non-routine claim, the "review non-routine claim" process appears in your workbasket as a series of steps, each with their own due date. This section will explain how to use the "review non-routine claim" process to:

- Evaluate loan problems.
- Review claim payment details.
- Adjust a claim payment.
- Resolve loan problems.
- Submit a claim for approval.

11.5.1 Evaluate Loan Problems

Evaluate Loan Problems is the first step of the "review non-routine claim" process. It is important to note that you should review all loan problems to determine if a claim adjustment is necessary, however, you will not necessarily know the amount of the adjustment until you review the claim details. This is why evaluating and resolving loan problems do not occur at the same time.

To evaluate loan problems, you review all of the loans:

- Business rule issues.
- Open issues.

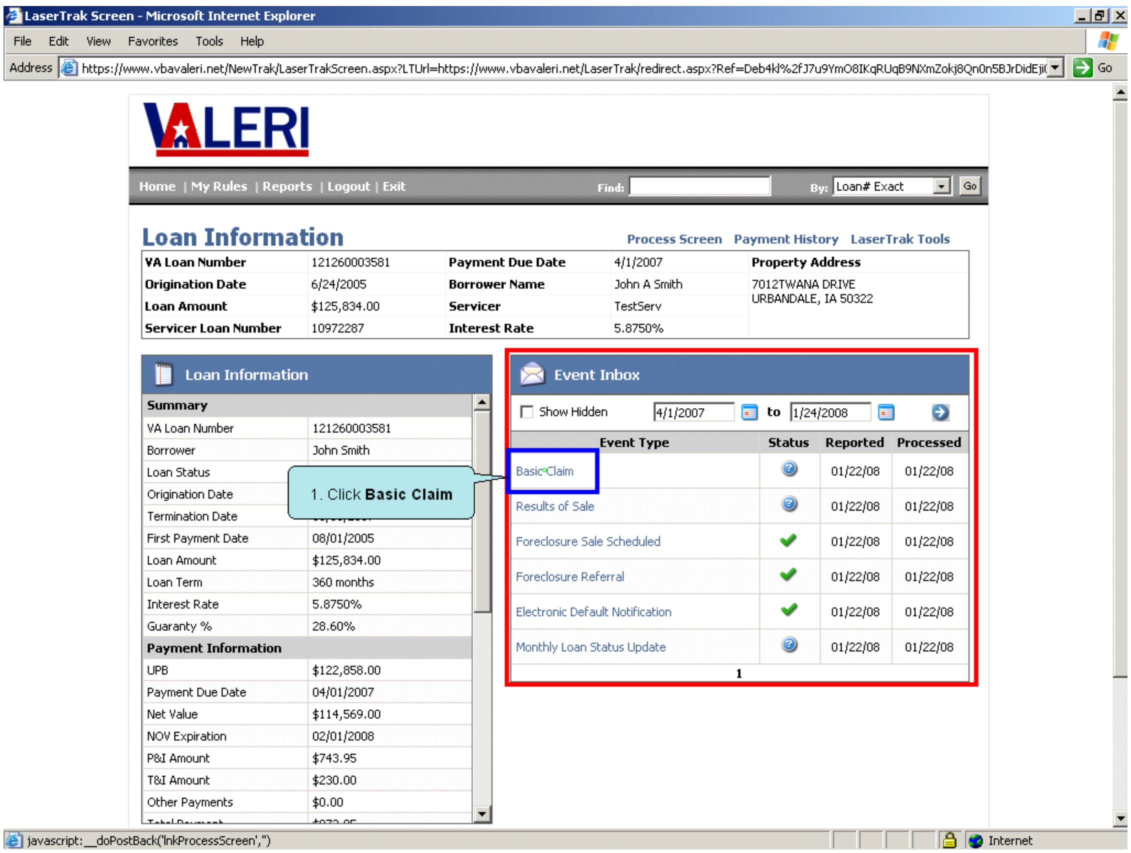
- Regulatory infractions.

11.5.1.1 Business Rule Issues

The first loan problem to evaluate is business rule issues. Business rules are available for viewing on the Loan Information screen.

When you have accessed the Loan Information screen, view the events that have been submitted on the loan. These events are displayed in the Event Inbox panel on the right side of the screen, as shown in Figure 50. A blue question mark icon indicates that an event has one or more business rule issues. When evaluating loan problems, you must view all events and their business rules to get a full picture of activity on the loan. For this document, we will simply explain how to access the Basic Claim event.

Figure 50: Access Business Rule Results for an Event



Instructions:

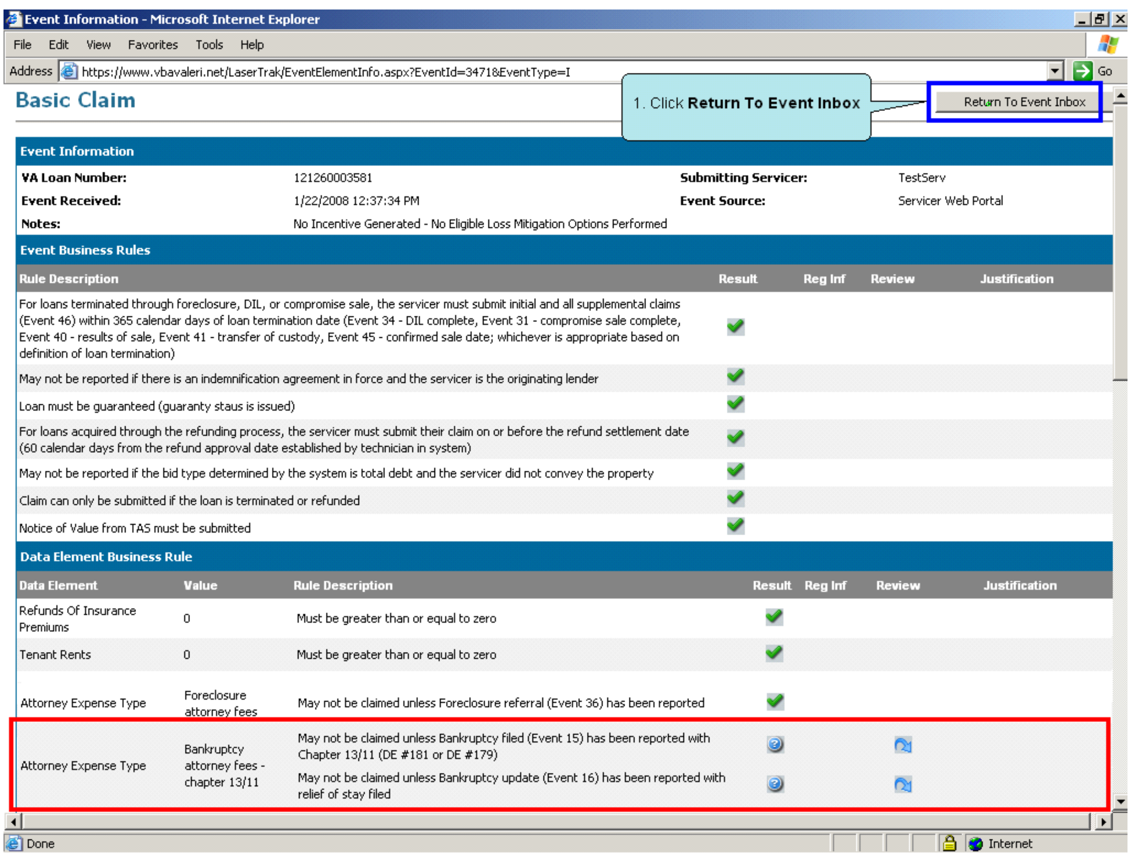
1. Click the **Basic Claim** link to view the event information for the Basic Claim event.

When you click on the name of an event in the Event Inbox, VALERI navigates to the Event Information window, which displays the event you have selected to view. The Event Information window for each event includes a description of each event business rule and data element business rule, and the result of VALERI's evaluation of each business rule. VALERI displays the result of the business rule evaluation in the Result column. A green check mark next to a business rule indicates that the event passed these business rules. Red check mark and blue question mark business rule results require your review and they must be overridden prior to submitting a claim for approval.

As highlighted in Figure 51, two business rules for this event had potential problems. VALERI has displayed a blue question mark icon next to these rules indicating that you need to research the issue to determine if a claim adjustment is required. For example, if a business rule states that a servicer must report the Bankruptcy Filed event to be eligible for a bankruptcy attorney fee on a claim, you would verify that the Bankruptcy Filed event was reported. If not, the claim would have to be adjusted to disallow the fee.

When you see a business rule failure that requires a claim adjustment, you must write down the details of the rule failure, including the reason why the claim should be adjusted. You will use this information later on when making adjustments to the claim. When reviewing a non-routine claim, you must review all business rule issues for all events before proceeding to the next step. Once you have reviewed all business rule issues, you return to the Loan Information screen, which allows you to navigate to other informational screens to continue evaluating loan problems.

Figure 51: Review Issues with Business Rules

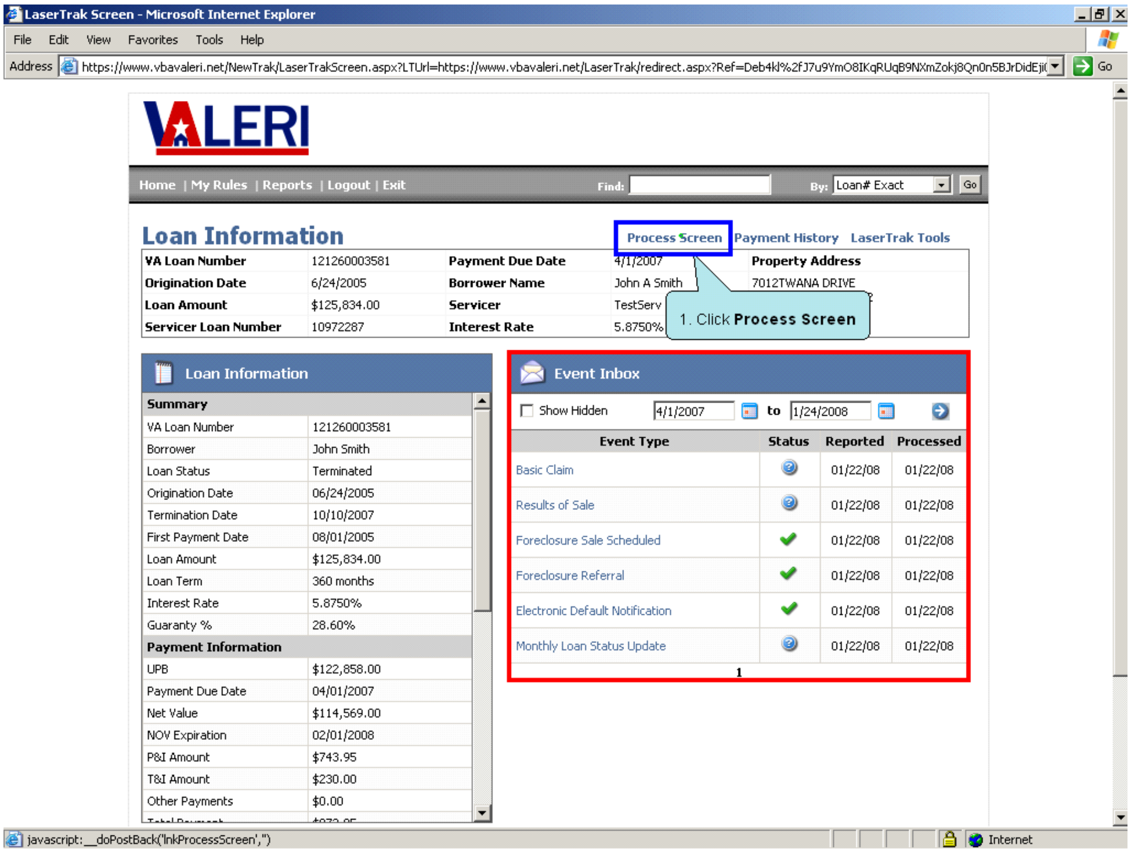


Instructions:

1. Click the **Return to Event Inbox** link to access the Loan Information screen.

After reviewing all the events, the next step is to evaluate open issues. From the Loan Information screen, you can access the Process screen to view open issues as shown in Figure 52.

Figure 52: Access Process Screen from Loan Information Screen



Instructions:

1. Click the **Process Screen** link to access the process screen.

11.5.1.2 Open Issues

After reviewing the business rules for all the events, you review the open issues on the loan. An open issue only exists on the loan if the Issues icon on the Process screen is red.

An open issue may warrant a claim adjustment.[68] You access open issues from the Process screen using the link shown in Figure 53.

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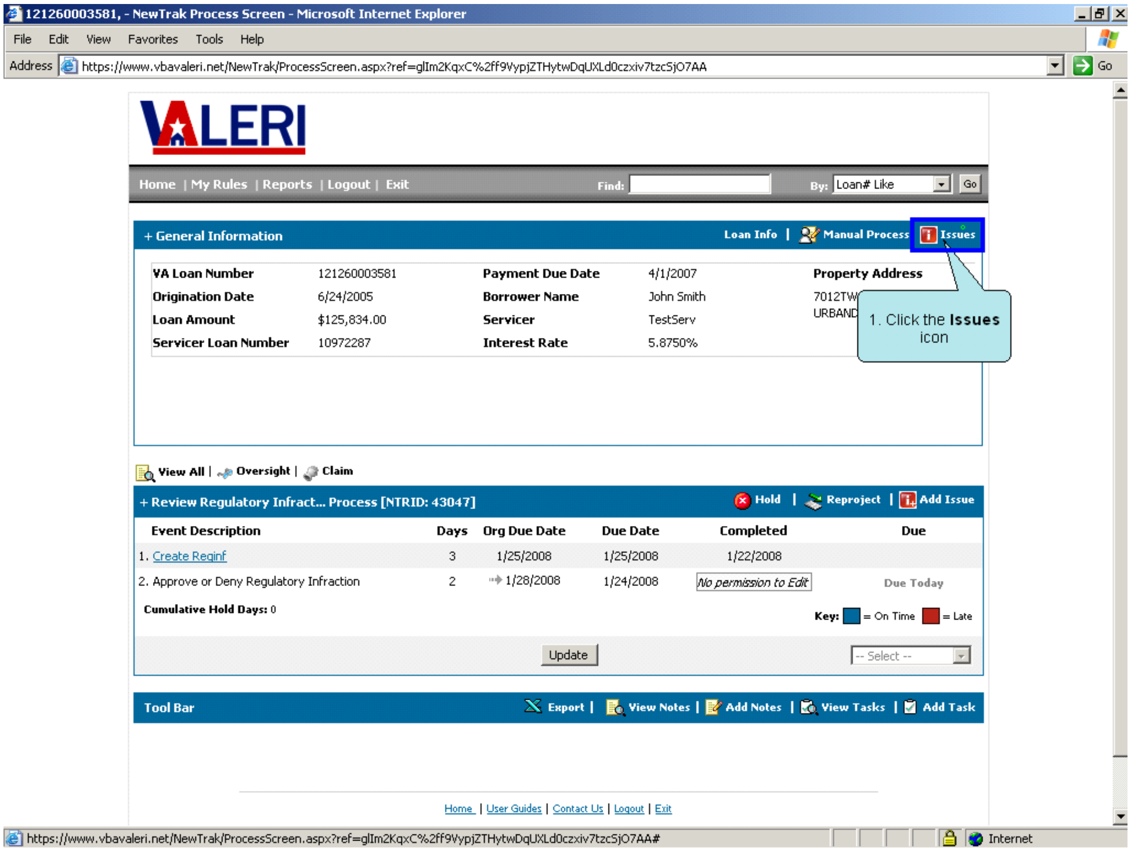
[68] Deleted reference to foreclosure timeframe pre-approval on 7/2009.

Figure 53: Access Open Issues for a Loan

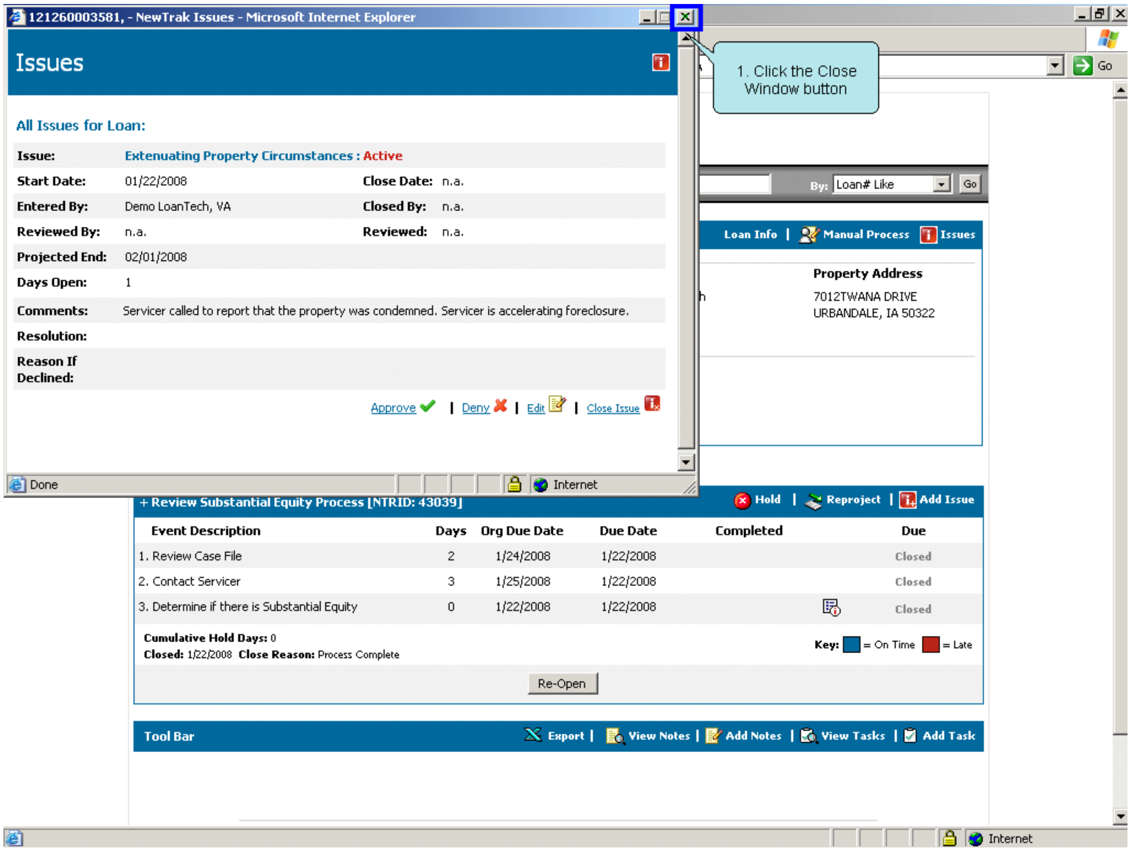


Instructions:

1. Click the red **Issues** icon to access the details of the loan's open issues.

When you click on the red Issues icon, the Issues window opens. Review the details of all of the open issues in the Issues window to determine if one or more issues may require a claim adjustment. When you have reviewed all issues, you return to the Process screen, as shown in Figure 54.

Figure 54: View Details of Open Issues



Instructions:

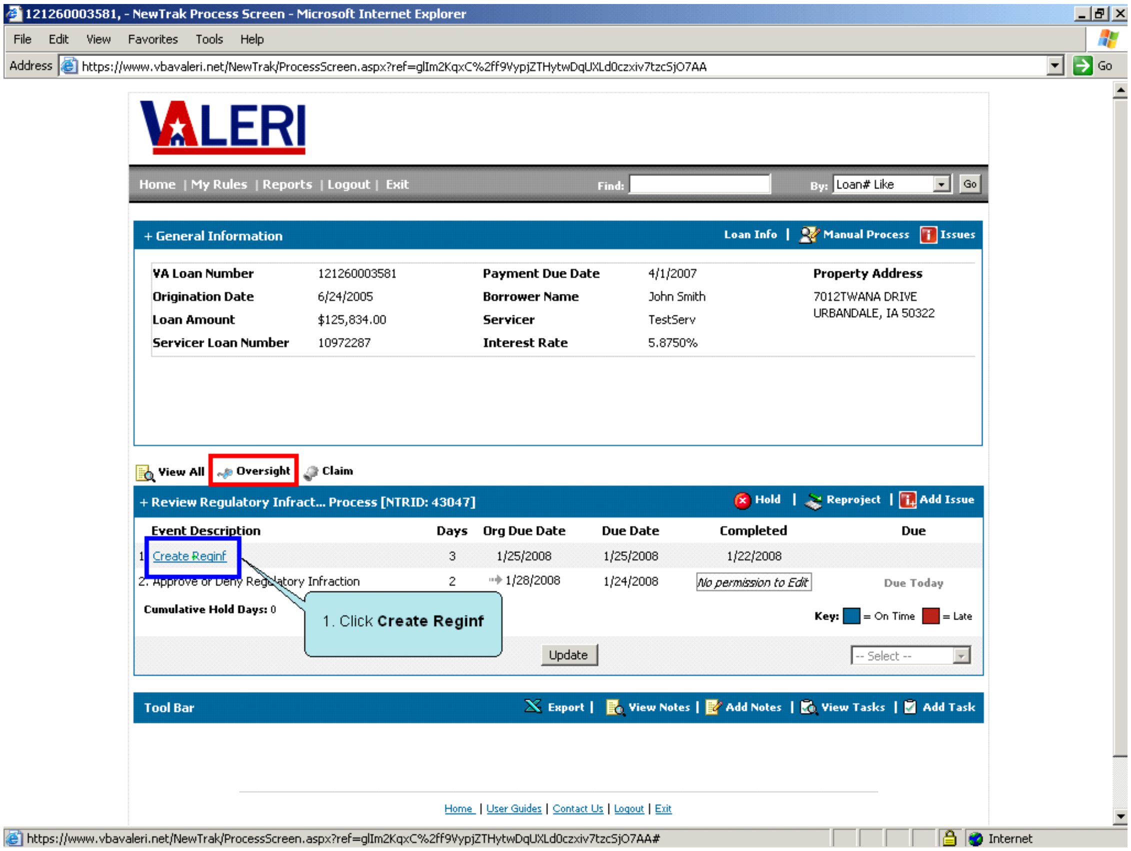
1. Click the window close button to close the Issues window.

11.5.1.3 Regulatory Infractions

After reviewing the open issues, the last loan problem to evaluate is regulatory infractions. VALERI initiates the "review regulatory infraction" process to allow you to review the regulatory infractions on the loan. If this process is not open for the loan, then there are no regulatory infractions for you to review.

The "review regulatory infraction" process can be accessed by hovering over the Oversight icon on the Process screen, as highlighted in Figure 55. Once you select the "review regulatory infraction" process from the Oversight process list, you will see the process on the Process screen. Step 1 of this process has been completed for you because VALERI has already added the regulatory infractions for this loan. To review regulatory infractions on the loan, you click the Create Reginf link.

Figure 55: Access Regulatory Infractions for a Loan

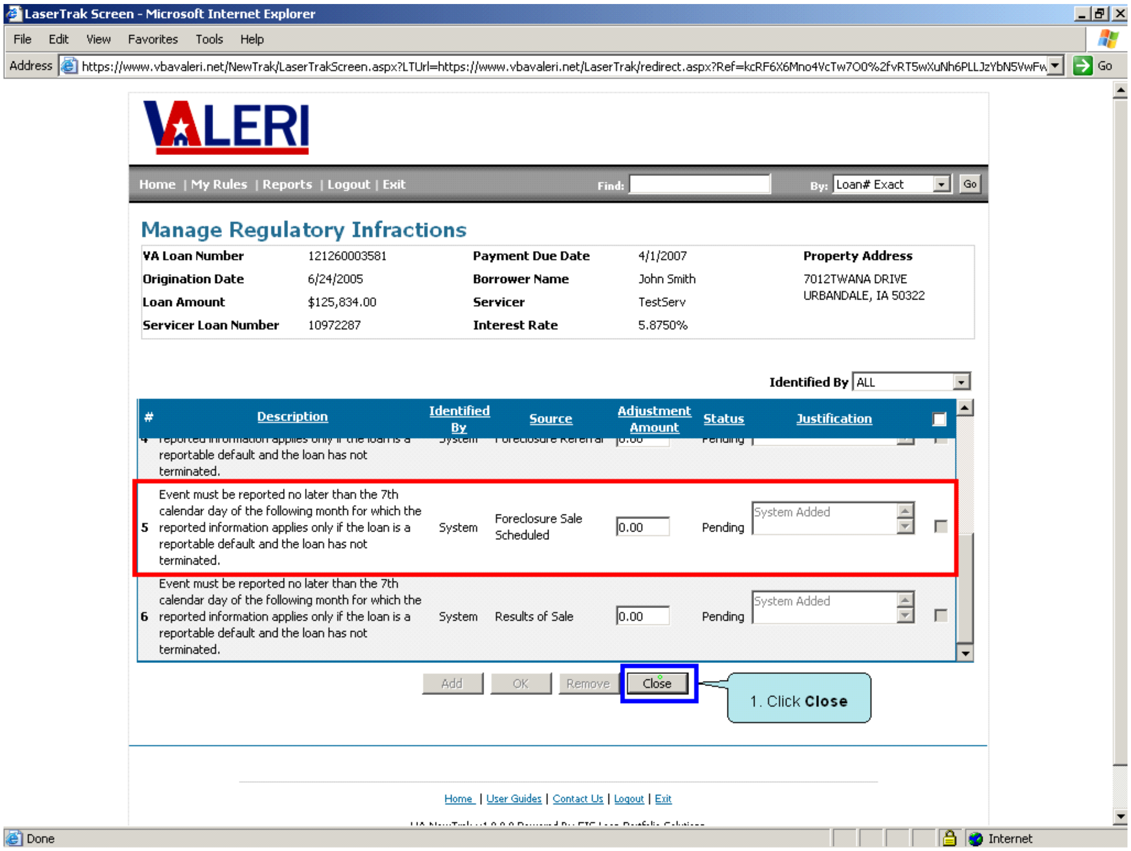


Instructions:

1. Click the **Create Reginf** link to view the loan's regulatory infractions.

You must review each regulatory infraction to determine if any of the infractions may have caused an additional loss to the government. Each infraction has a description, how it was identified, the source of the infraction, the infraction's status, and any justification for adding the infraction. Once you have reviewed all regulatory infractions, you return to the Process screen to begin reviewing the claim details, as shown in Figure 56.

Figure 56: View Details of Regulatory Infractions



Instructions:

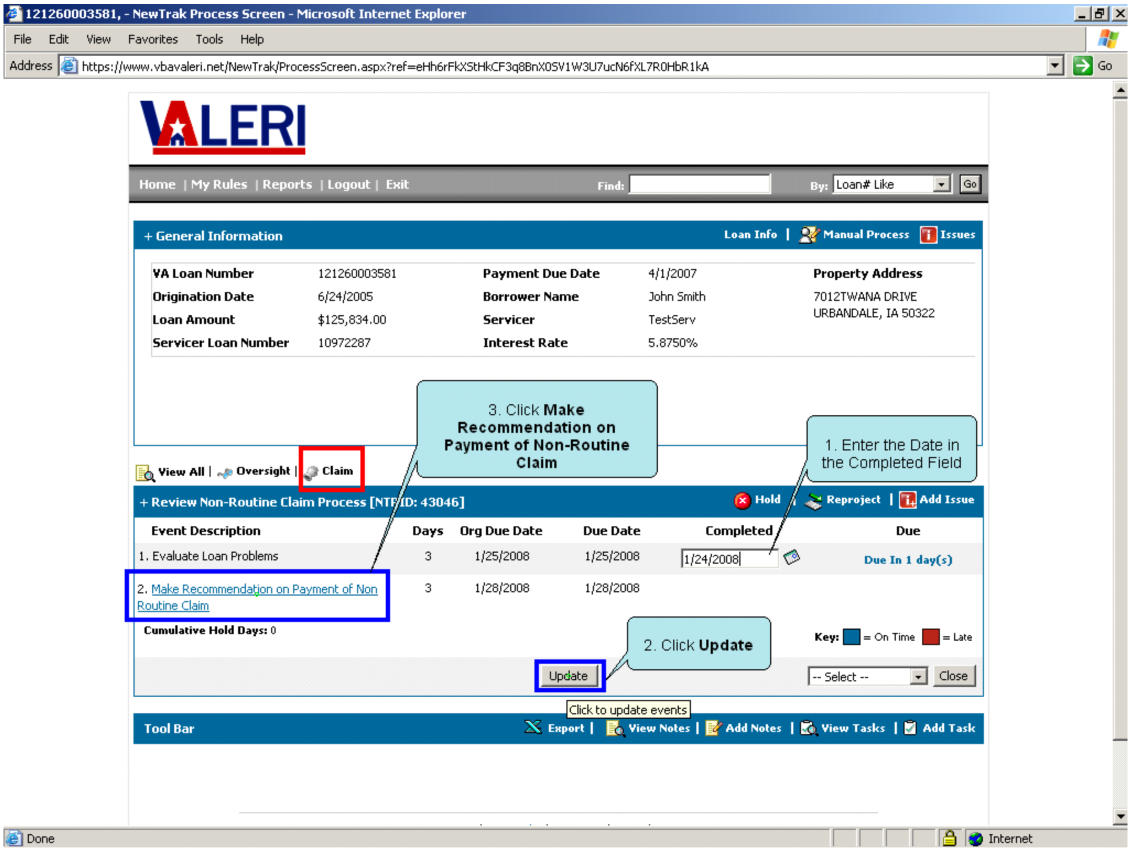
1. Click the **Close** button to return to the Process screen.

11.5.2 Review Claim Payment Details

When you return to the Process screen after reviewing regulatory infractions, you access the non-routine claim process to review the claim payment details. The “review non-routine claim” process can be accessed by hovering over the Claim business area, as highlighted in Figure 8, and selecting the process from the available list.

Once you access the “review non-routine claim” process, you must enter a completion date for Step 1 because you have completed your evaluation of the loan problems. When you enter a completed date for Step 1, VALERI activates the second step. To access the claim payment details, you click on the hyperlink in the second step, Make Recommendation on Payment of Non-Routine Claim, as shown in Figure 57.

Figure 57: Access Claims Screen

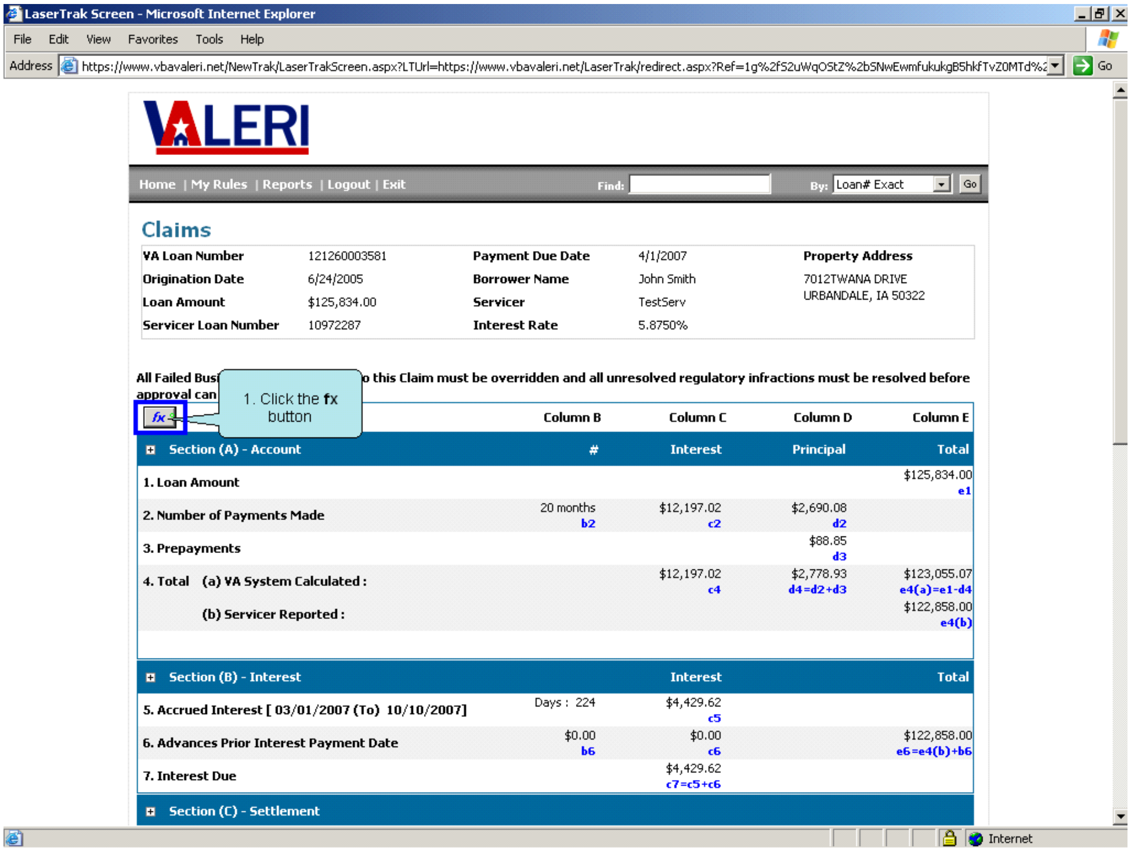


Instructions:

1. Enter a date in the **Completed** field of Step 1, Evaluate Loan Problems.
2. Click the **Update** button to complete the first step.
3. Click the **Make Recommendation on Payment of Non-Routine Claim** link in Step 2 to access the claim payment details.

When you click the link in Step 2, VALERI navigates to the Claims screen which provides a breakdown of VALERI's calculation of the claim payment, as depicted in Figure 58. Click the fx button to reveal the formulas VALERI used to calculate the claim. Once you click the fx button, the text in blue displays.

Figure 58: View Claims Screen and Reveal Claim Calculation Formulas



Instructions:

1. Click the **fx** button to reveal the formulas VALERI used to calculate the claim.

The Claims screen contains several components. You must review each component of the Claims screen, including the:

- Section (A) – Account panel.
- Section (B) – Interest panel.
- Section (C) – Settlement panel.
- Details button.
- Analysis button.
- ARM Adjustments button.
- Prepayments button.

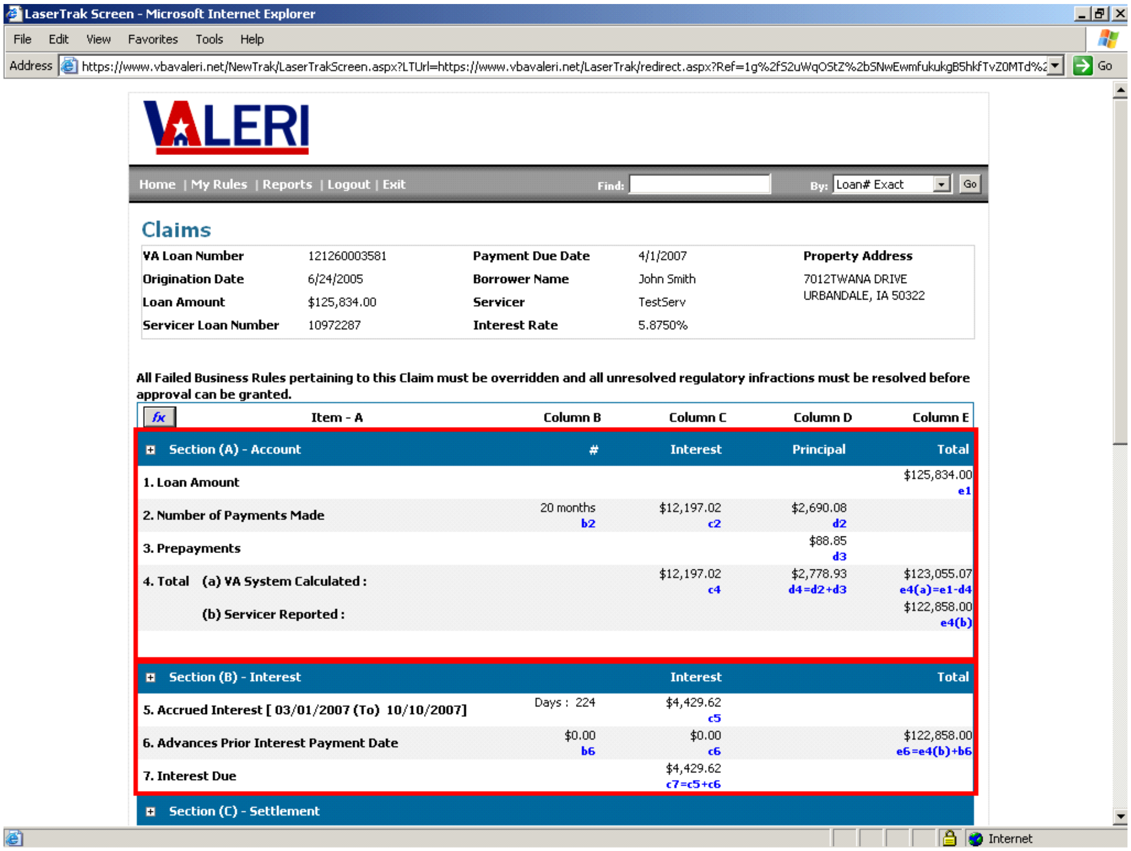
11.5.2.1 Section (A) – Account Panel

The Section (A) - Account panel of the Claims screen summarizes the status of the account, including the loan's payment information. The final calculation in the Section (A) - Account panel is the unpaid principal balance. VALERI compares its calculation of the unpaid principal balance to the servicer reported unpaid principal balance, and uses the lesser number to continue the claim calculation.

11.5.2.2 Section (B) – Interest Panel

The Section (B) - Interest panel of the screen displays the loan's interest information, including the number of days of interest allowed on the claim, the updated principal balance including advances, and the amount of interest due on the claim. Figure 59 displays the Section (A) and Section (B) panels of the Claims screen.

Figure 59: Section (A) and Section (B) of the Claims Screen



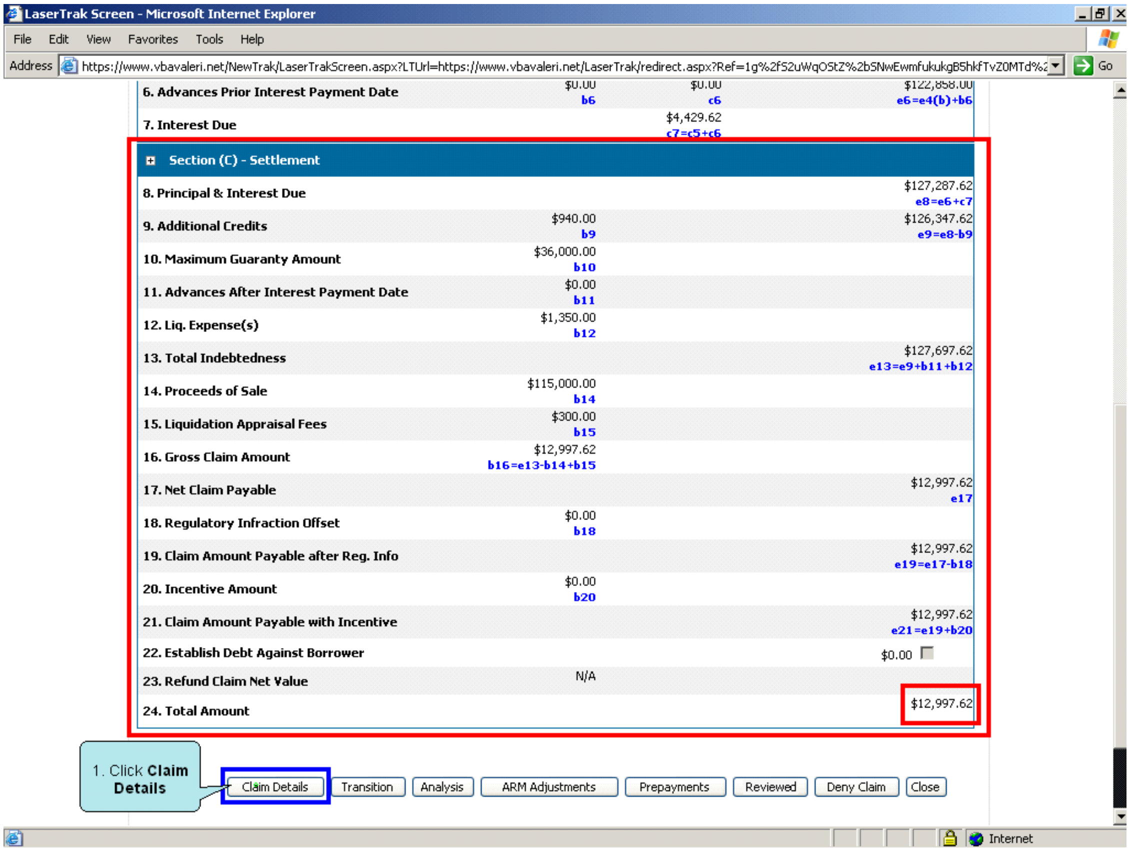
11.5.2.3 Section (C) – Settlement Panel

The Section (C) - Settlement panel of the screen includes the final claim calculation. It displays VALERI's calculation of total eligible indebtedness, the credit to indebtedness, maximum guaranty, and the claim payment amount. The claim payment amount is highlighted in Figure 60. When you review Section (C), make note of the current claim payment amount in case you make any adjustments to the claim. You will want to verify that the appropriate adjustments were reflected in the total payment amount before you submit the claim for approval.

The Section (C) - Settlement panel also includes a line in which you can establish debt against the borrower. This function is only enabled for loans on which you did not waive debt during the "review pre-foreclosure debt waiver" process.

When you have reviewed all of the details of VALERI's claim calculation, you may begin reviewing additional information on the claim, starting with the Details button.

Figure 60: Section (C) – Settlement Panel of the Claims Screen



Instructions:

1. Click the **Claims Details** button to begin reviewing additional claim information.

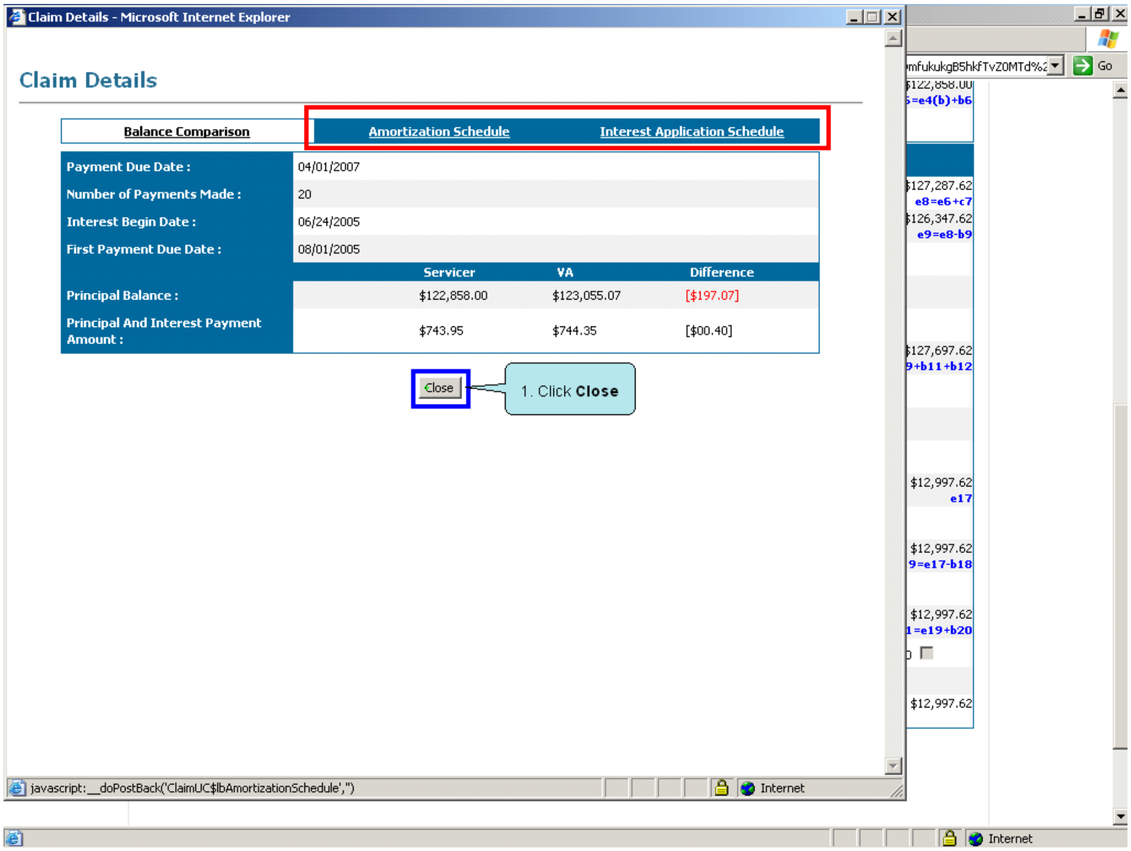
11.5.2.4 Details Button

When you click on the Details button, VALERI opens a new window as shown in Figure 12. The new window includes the following three tabs:

- **Balance Comparison**: The Balance Comparison tab shows any difference between the VALERI-calculated and the servicer-reported unpaid principal balance.
- **Amortization Schedule**: The Amortization Schedule tab displays the loan's amortization schedule. VALERI includes prepayments reported by the servicer in its amortization calculation
- **Interest Application Schedule**: The Interest Application Schedule tab displays any advances made prior to the termination date and the amount of interest allowed on each advance.

The window opens with the Balance Comparison tab revealed, but you can navigate to the other tabs by clicking on the name of the tab, as shown in Figure 61. After viewing the required details, you return to the Claims window by closing the Details window.

Figure 61: Details Window



Instructions:

1. Click the **Close** button to close the claim details window.

11.5.2.5 Analysis Button

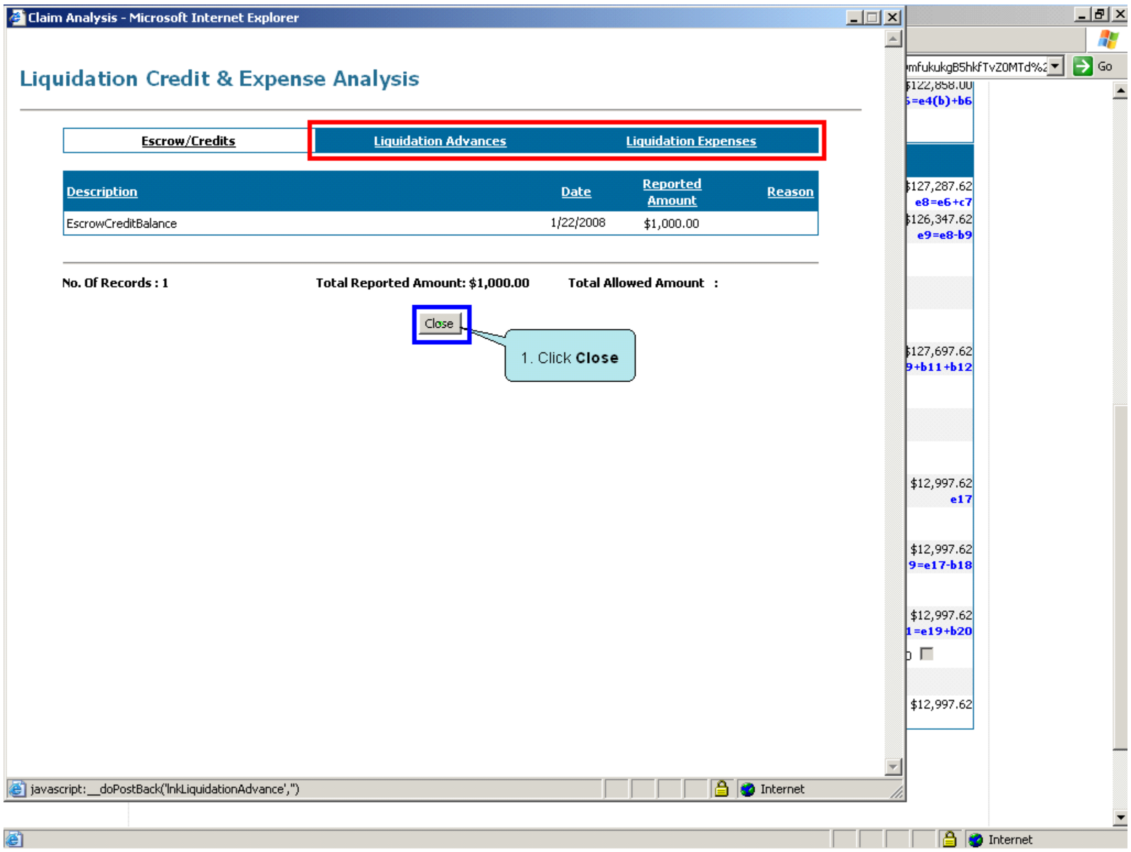
When you have reviewed the information in the Details window and returned to the Claims screen, click on the Analysis button. When you click on the Analysis button, VALERI opens the Liquidation Credit and Expense Analysis window which includes the following three tabs:

- **Escrow/Credits**: The Escrow/Credits tab displays the details of any credits reported by the servicer on the claim.
- **Liquidation Advances**: The Liquidation Advances tab displays the details of any advances reported by the servicer on the claim, including the reported amount, the maximum allowable amount, and the amount allowed on the claim.
- **Liquidation Expenses**: The Liquidation Expenses tab displays the details of any liquidation expenses reported by the servicer on the claim, including the reported amount, the maximum allowable amount, and the amount allowed on the claim.

The Liquidation Credit and Expense Analysis window opens with the Escrow/Credits tab revealed, but you can navigate to the other tabs by clicking on the name of the tab, much like you can navigate to the other tabs in the Claim Details window, as shown in

Figure 61. After viewing the required details, you return to the Claims window by closing the Liquidation Credit and Expense Analysis window, as shown in Figure 62.

Figure 62: Liquidation Credit and Expenses Analysis Window



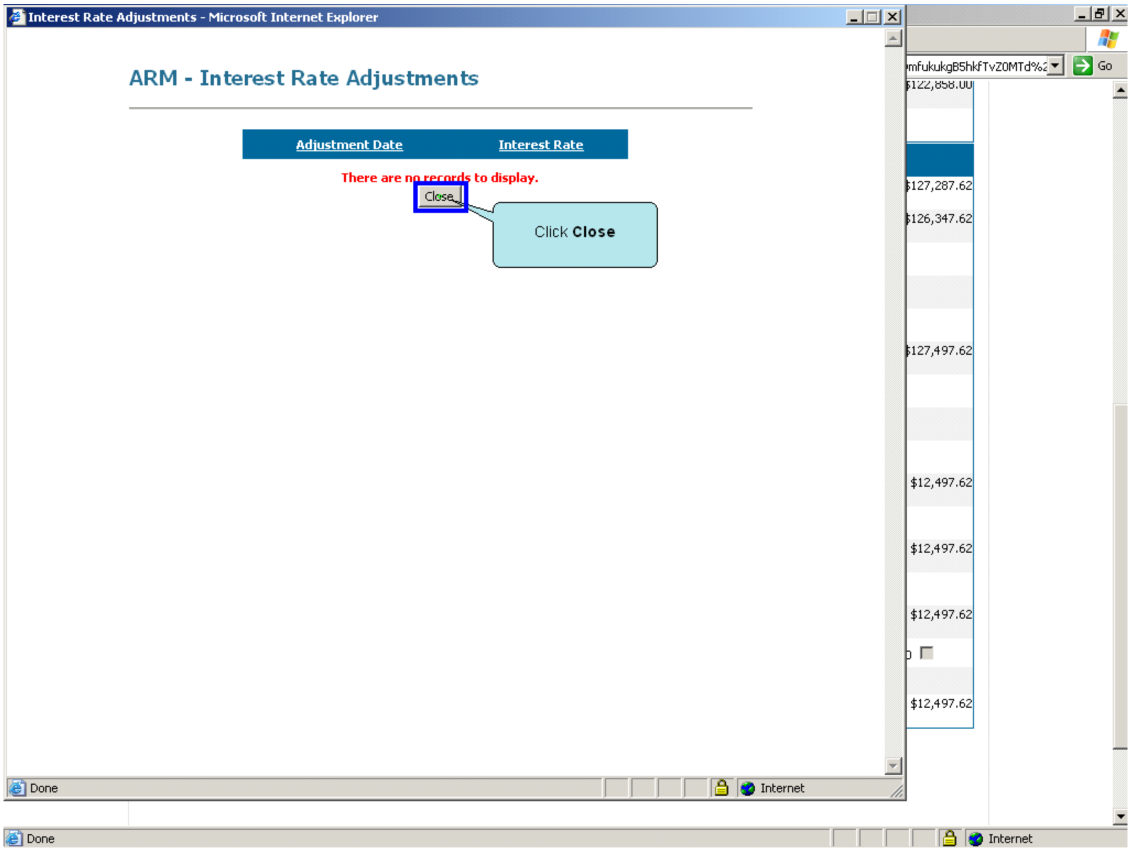
Instructions:

1. Click the **Close** button to close the Liquidation Credit & Expense Analysis window.

11.5.2.6 ARM Adjustments Button

When you have reviewed the information in the Liquidation Credits and Expense Analysis window and returned to the Claims screen, click the ARM Adjustments button. When you click on the ARM Adjustments button, VALERI opens the Interest Rate Adjustments window displaying the details of the loan's interest rate adjustments. Not all loans will have interest rate adjustments. After viewing the required details, you return to the Claims screen by closing the Interest Rate Adjustments window, as shown in Figure 63.

Figure 63: ARM Interest Rate Adjustments Window



Instructions:

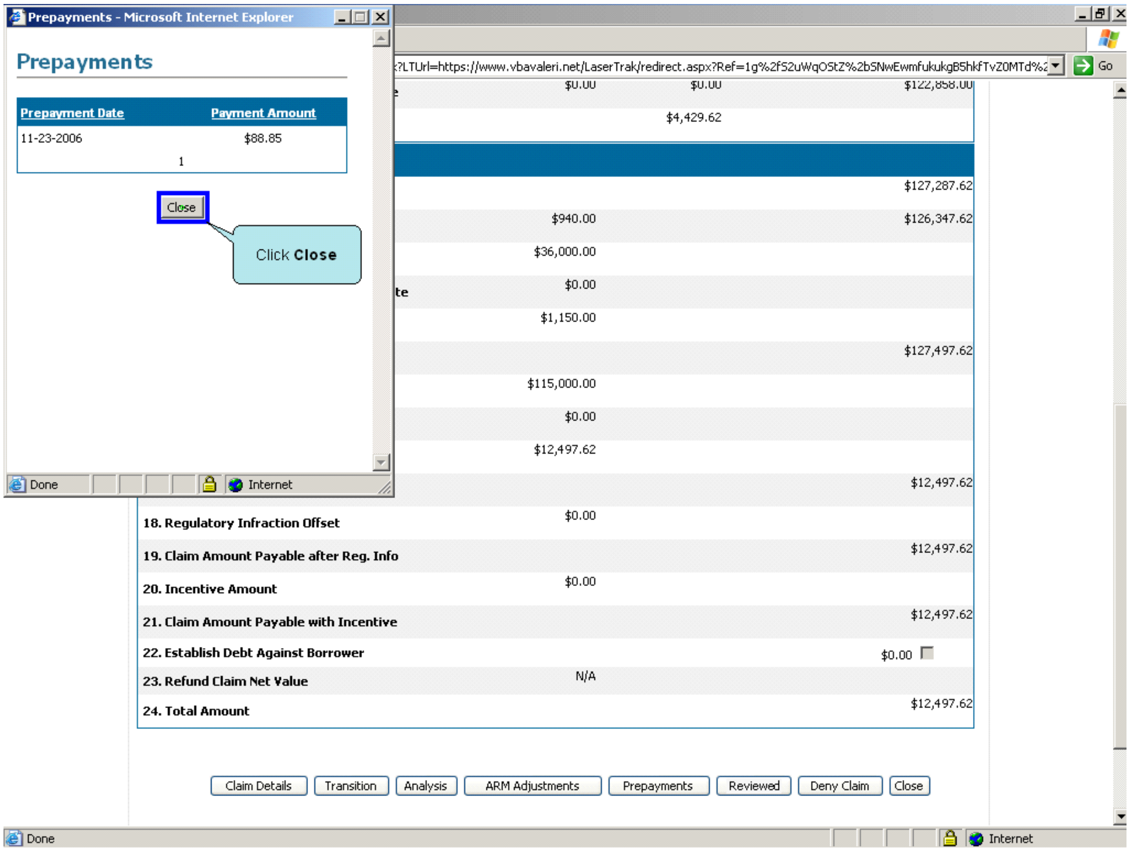
1. Click the **Close** button to close the ARM Interest Rate Adjustments window.

11.5.2.7 Prepayments Button

When you have reviewed the information in the ARM Interest Rate Adjustments window and returned to the Claims screen, click the Prepayments button. Once you click the Prepayments button, the Prepayment window opens, displaying the amount and date of all prepayments made by the borrower on the loan. After reviewing the required details, you return to the Claims screen by closing the Prepayments window.

From the Claims screen, you can return to the Process screen at any time by clicking the Close button, as shown in Figure 64.

Figure 64: Prepayments Window



Instructions:

1. Click the **Close** button to close the prepayments window.

11.5.3 Adjust a Claim

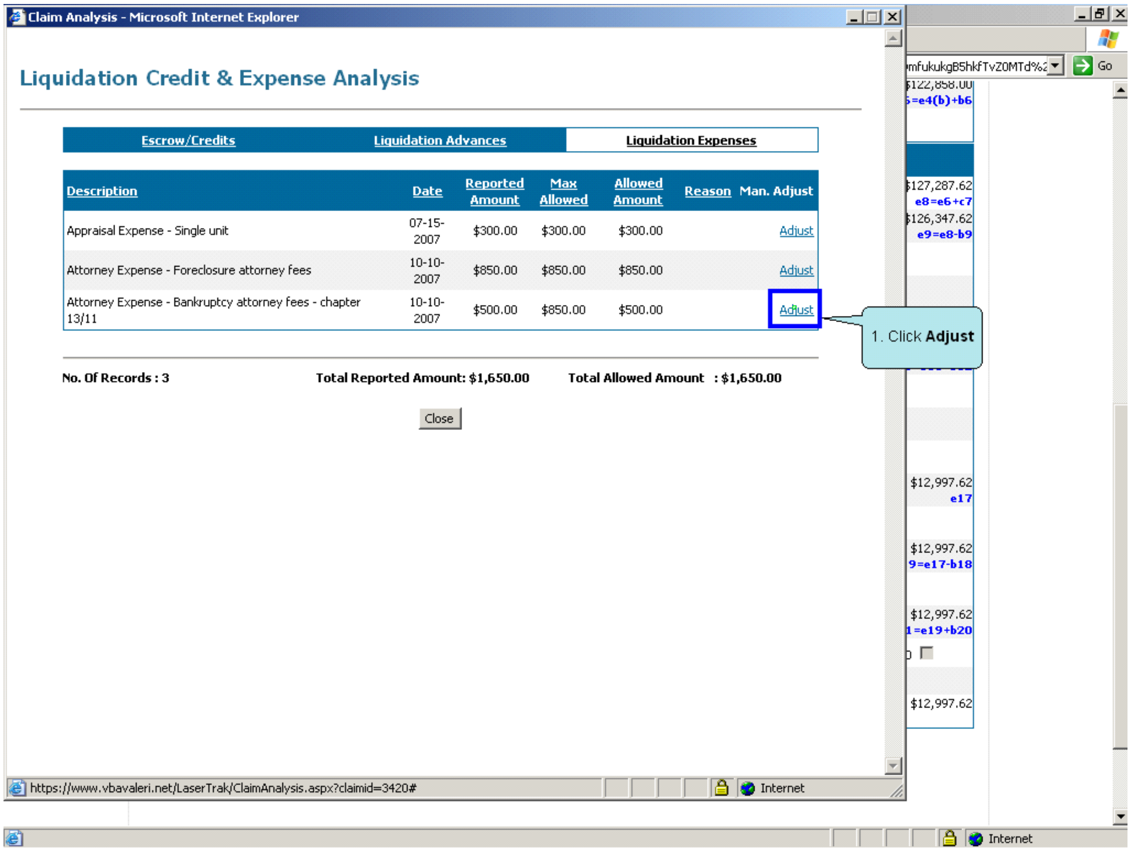
One of your primary roles in reviewing a non-routine claim is to make any necessary adjustments to the claim payment amount. This section describes how you can use VALERI to make:

- Line item adjustments.
- Recommendations for regulatory infraction adjustments.
- Other adjustments.

11.5.3.1 Line Item Adjustments

You may adjust claim line items such as liquidation advances and expenses. For example, if a servicer reported a bankruptcy attorney fee but they were not entitled to the fee due to a failed business rule, you would need to adjust the fee line item. You may adjust these types of line items by clicking the Adjust link in the Liquidation Expenses or Liquidation Advances tabs of the Liquidation Credit and Expenses Analysis window, as shown in Figure 65.

Figure 65: Access Adjustment Feature for Liquidation Expenses or Advances Line Items

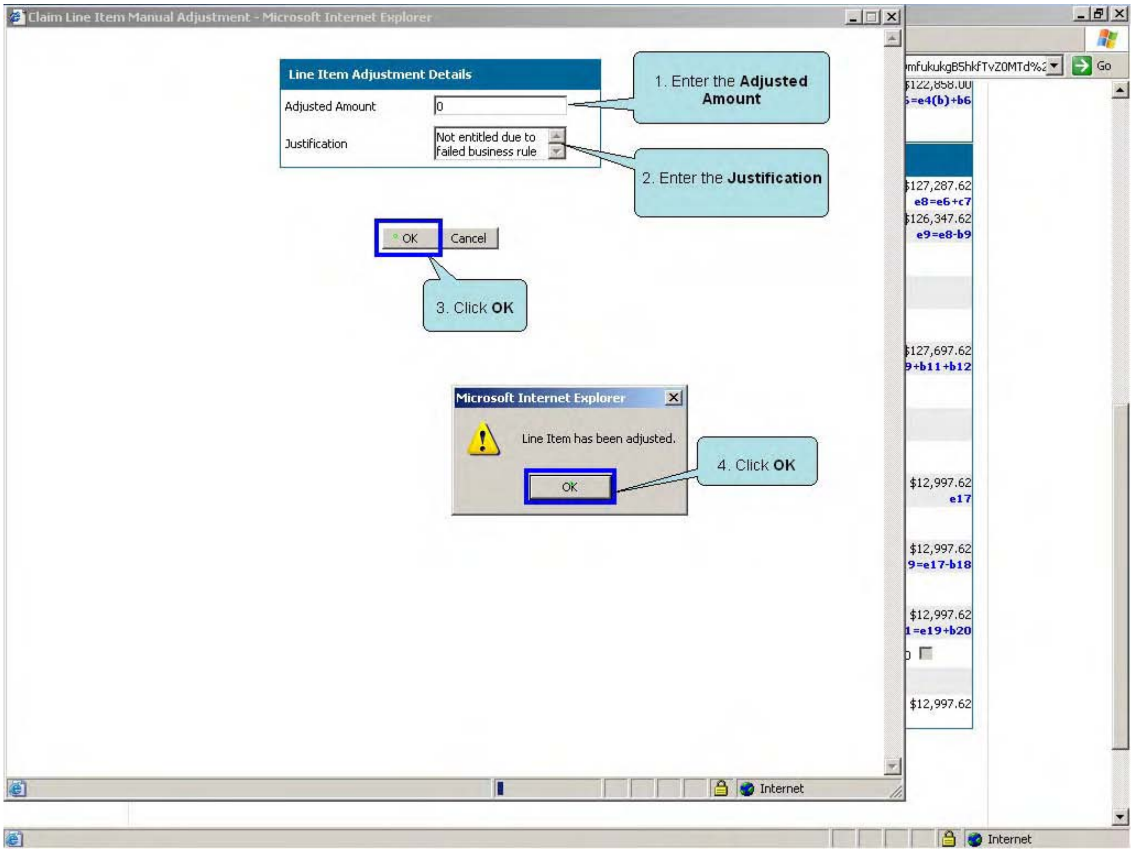


Instructions:

1. Click the **Adjust** button to adjust the expense or advance amount.

Once you click the Adjust link, the Manual Adjustment window appears, as shown in Figure 66. You may adjust the line item to a lower value or to a value of zero, depending on what is appropriate for the situation. You are required to enter a justification for your adjustment.

Figure 66: Manually Adjust an Expense or Advance Line Item



Instructions:

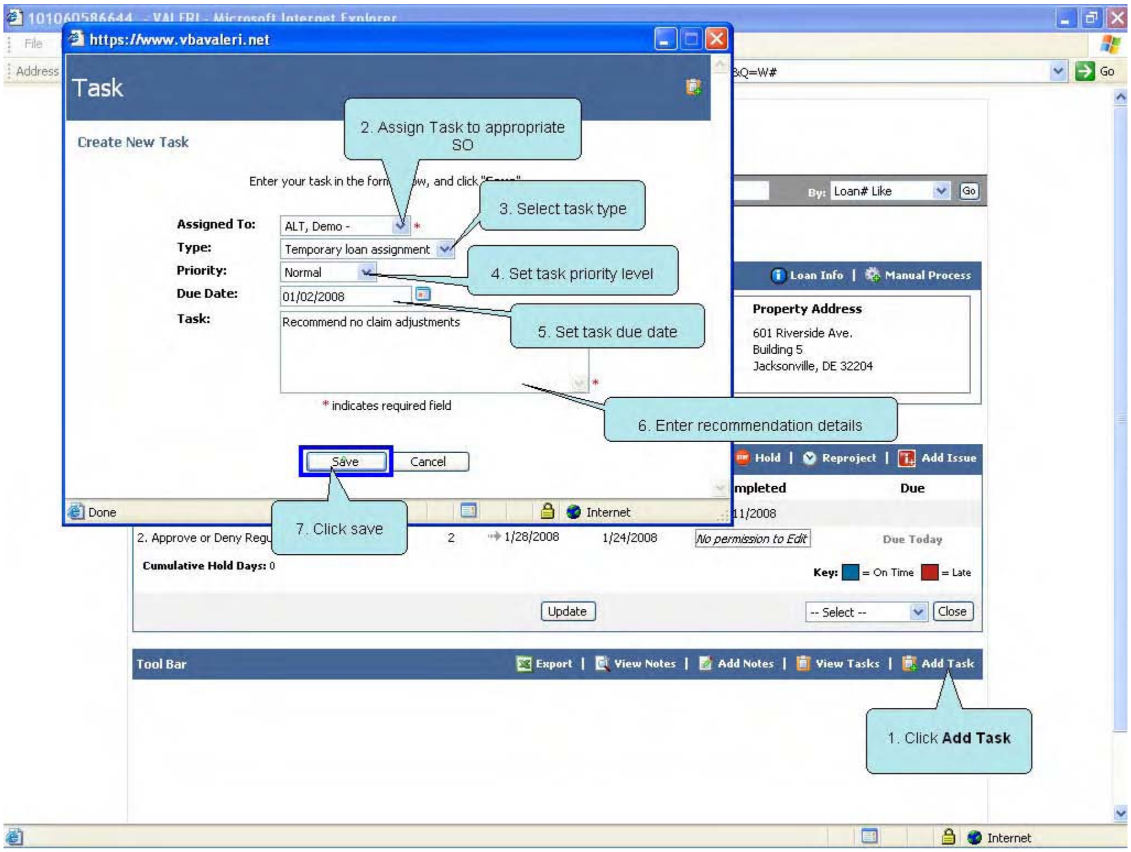
1. Enter the adjusted amount for the line item.
2. Enter the justification.
3. Click **OK** to update the adjusted amount.
4. Click **OK** to close the confirmation window.

11.5.3.2 Recommendations for Regulatory Infraction Adjustments

As a Loan Technician, you do not have authority to enter a claim adjustment in VALERI for a regulatory infraction. However, you are required to evaluate regulatory infractions once you have reviewed the claim details to determine if an adjustment to the claim is necessary and if so, calculate the amount of the adjustment.

If the loan has regulatory infractions, you must make a recommendation to your Servicing Officer on whether or not to make an adjustment to a claim based upon the loan's regulatory infractions. You make a recommendation to adjust or not adjust a claim for a regulatory infraction by using VALERI's Task feature, as shown in Figure 67.

Figure 67: Use the Task Feature to Manage Regulatory Infraction Adjustment Recommendations



Instructions:

1. Click **Add Task** on the Process screen.
2. Assign the task to the appropriate Servicing Officer.
3. Select the task type.
4. Set the priority level of the task.
5. Set a due date for the task.
6. Enter the details of the recommendation.
7. Click **Save** to save the task and assign it to the Servicing Officer.

11.5.3.3 Other Adjustments

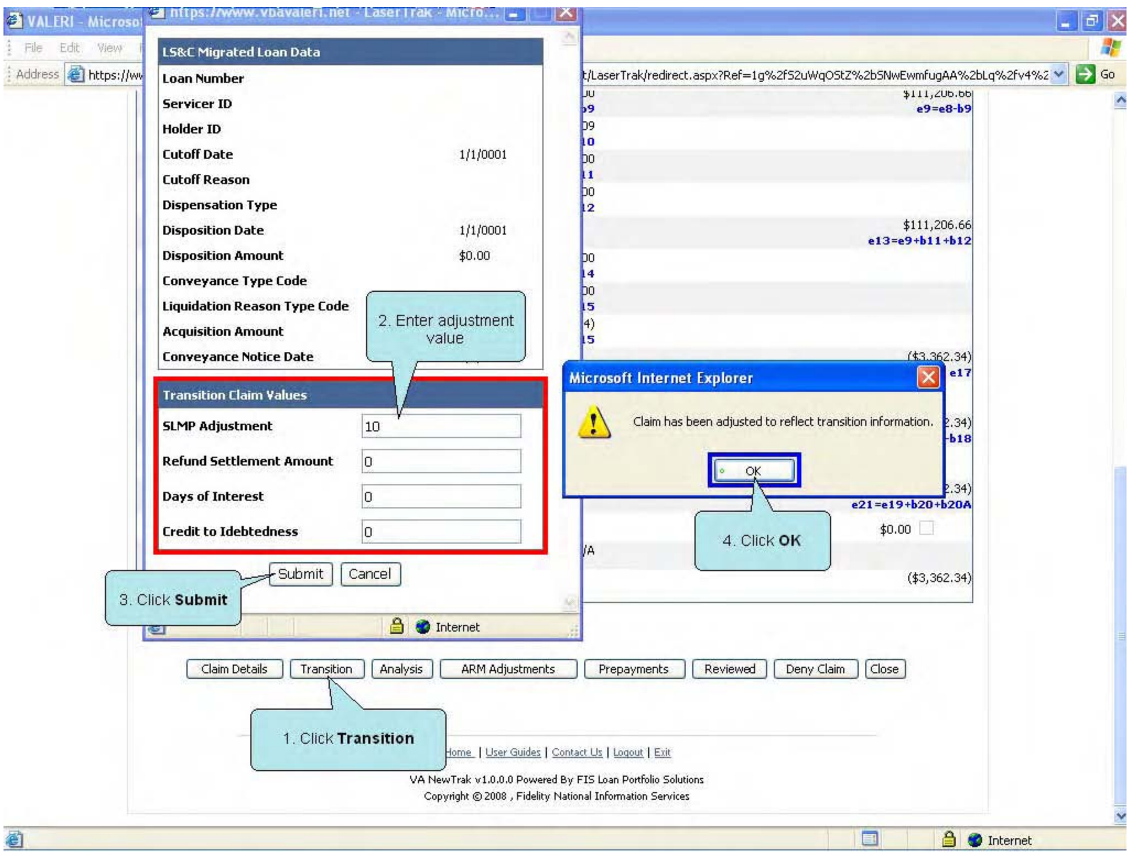
You have the ability to make other adjustments to the claim payment. You access this utility by using a button at the bottom of the Claims screen called the Transition button, as shown in Figure 68.

The transition button allows you to make adjustments for:

- **SLMP Adjustment:** For transition loans, you can adjust the SLMP amount payable using this feature.

- **Refund Settlement Amount:** You can adjust the refund settlement amount using this feature.
- **Days of Interest:** You can allow additional days of interest on the claim using this feature.
- **Credit to Indebtedness:** You can adjust the credit to indebtedness on the claim using this feature.

Figure 68: Use the Other Adjustments Function



Instructions:

1. Click the **Transition** button on the Claims screen to open the adjustments window.
2. Enter the appropriate adjustment value.
3. Click the **Submit** button to submit the adjustment.
4. Click **OK** to close the adjustment confirmation window.

11.5.4 Resolve Loan Problems

VALERI reminds you on the Claims screen that you must resolve all loan problems prior to submitting the claim for approval. To resolve loan problems, you must:

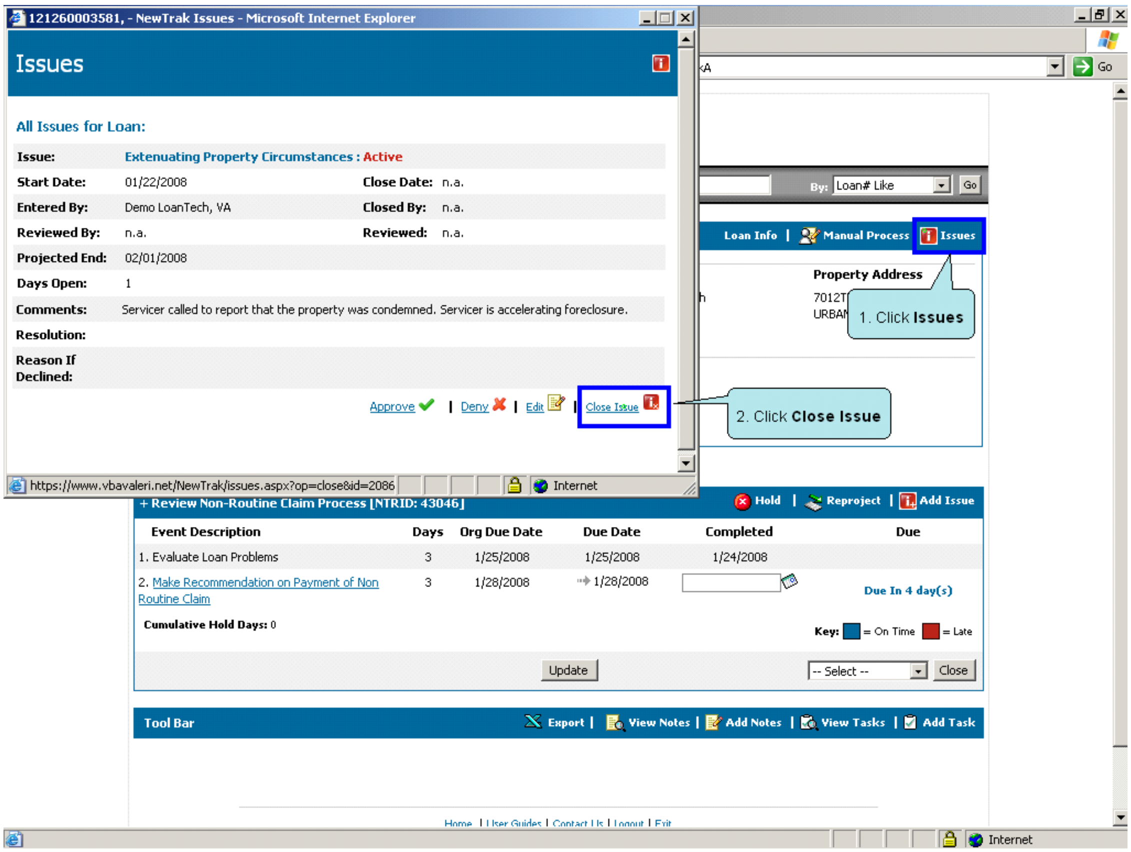
- Resolve open issues.
- Override all business rule issues.

- Resolve regulatory infractions.

11.5.4.1 Resolve Open Issues

To resolve open issues, you return to the Process screen and click on the red Issues icon. VALERI will open the Issues window which allows you to close the issue with a resolution comment, as shown in Figure 69.

Figure 69: Resolve Issues



Instructions:

1. Click the **Issues** icon to view the issues for the loan.
2. Click the **Close Issue** link to add the resolution comment for the issue.

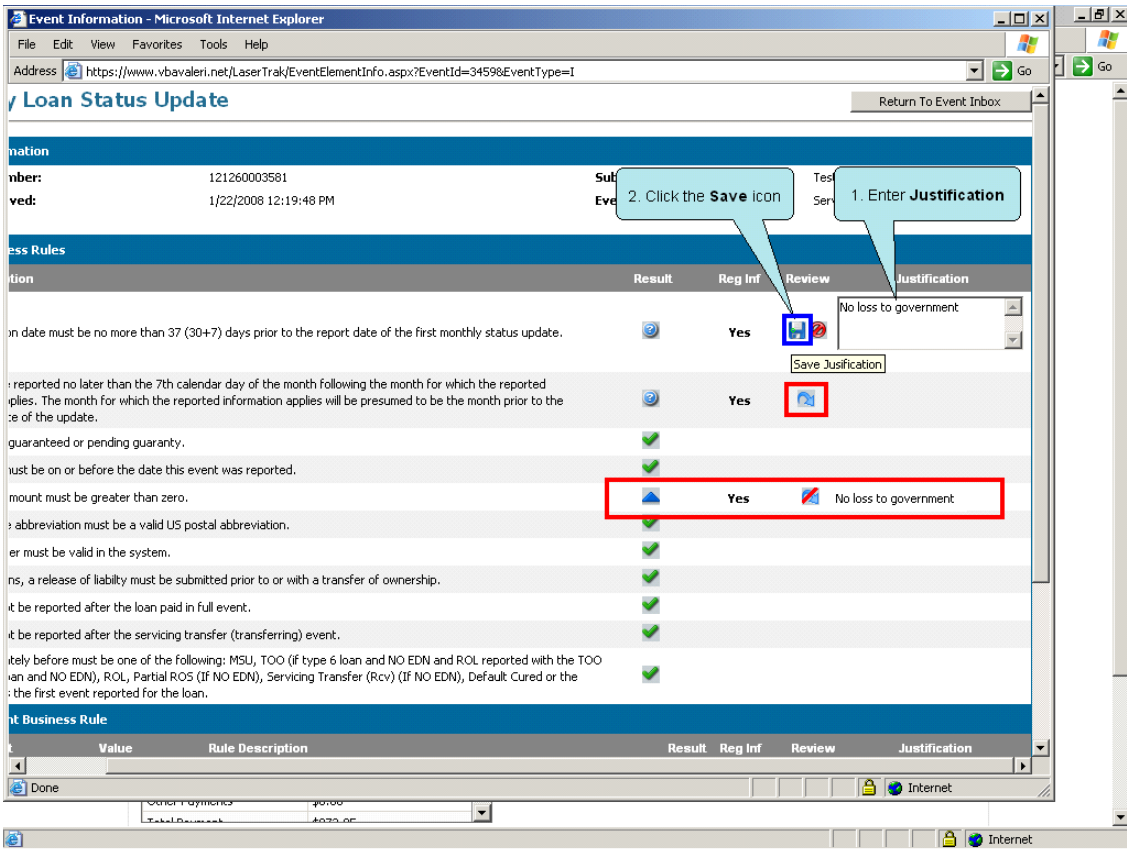
When you have closed the issue, the Issues icon becomes green on the Process screen. VALERI will not allow a claim to be paid unless all issues are resolved and the Issues icon is green.

11.5.4.2 Override All Business Rule Issues

When you have closed all open issues, you override business rules. VALERI will not allow a claim to be paid until all business rule issues for all events have been overridden. You access the business rules for each event by following the same steps as previously shown in section 11.5.1.1, Business Rule Issues.

A business rule requires an override if an arrow icon appears next to the rule, as highlighted on the second business rule of Figure 70. Figure 70 also describes how to override a business rule once you access an event's Event Information window. Once you override a business rule, a blue triangle icon appears, also highlighted in Figure 70.

Figure 70: Override Business Rules



Instructions:

1. Once you click on the arrow icon in the **Review** column, enter a justification for the override in the **Justification** field.
2. Click the **Save** icon to save the override.

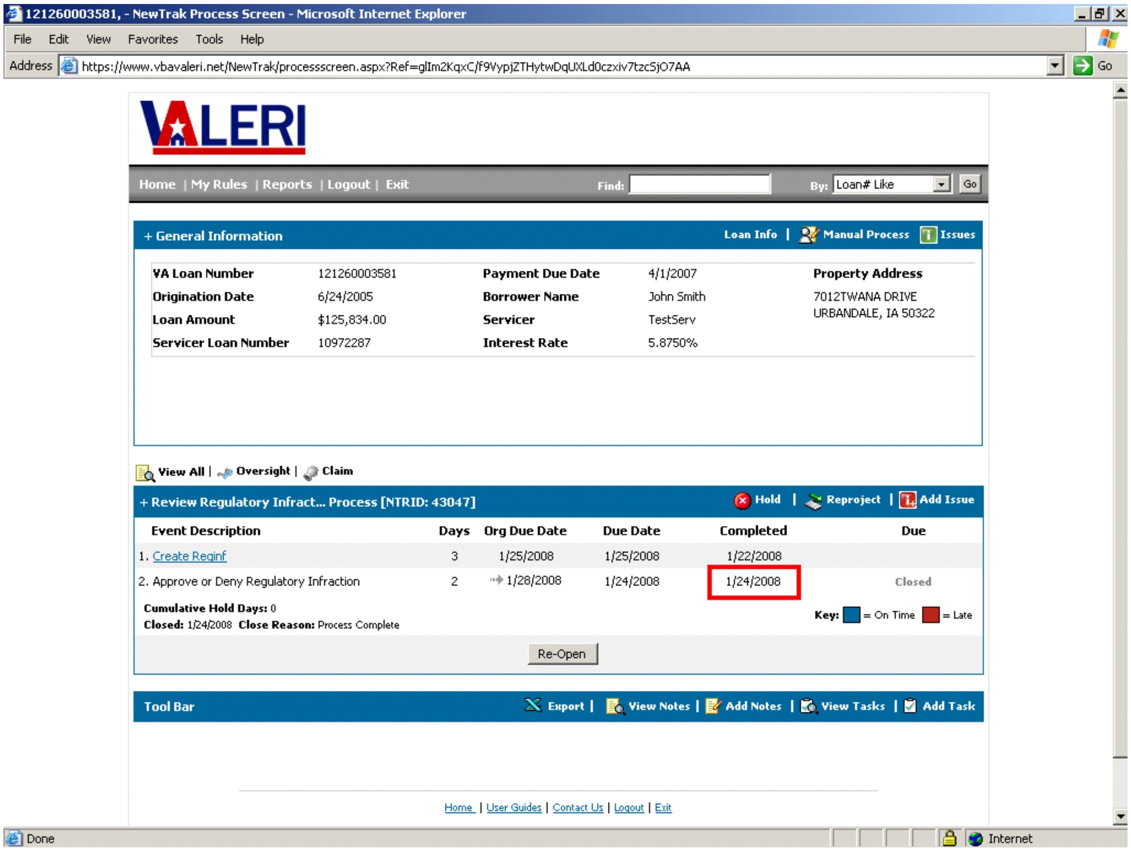
If you want to cancel the override, you can click the blue arrow with a red strike icon in the Review column again.

11.5.4.3 Resolve Regulatory Infractions

The last loan problem to resolve is regulatory infractions. If you haven't already assigned a task to your SO to recommend an adjustment or non-adjustment to the claim, you must do so prior to submitting the claim for approval. The SO is responsible for entering any adjustment amounts in VALERI's Manage Regulatory Infractions screen, as previously shown in Figure 56. Once the SO approves the Regulatory Infractions on the Manage Regulatory Infractions screen, the regulatory infractions for the loan are resolved.

You verify that the regulatory infractions are resolved by accessing the "review regulatory infraction" process on the Process screen. The regulatory infractions are resolved if Step 2 of the process is complete, as shown in Figure 71.

Figure 71: Confirm Resolution of Regulatory Infractions

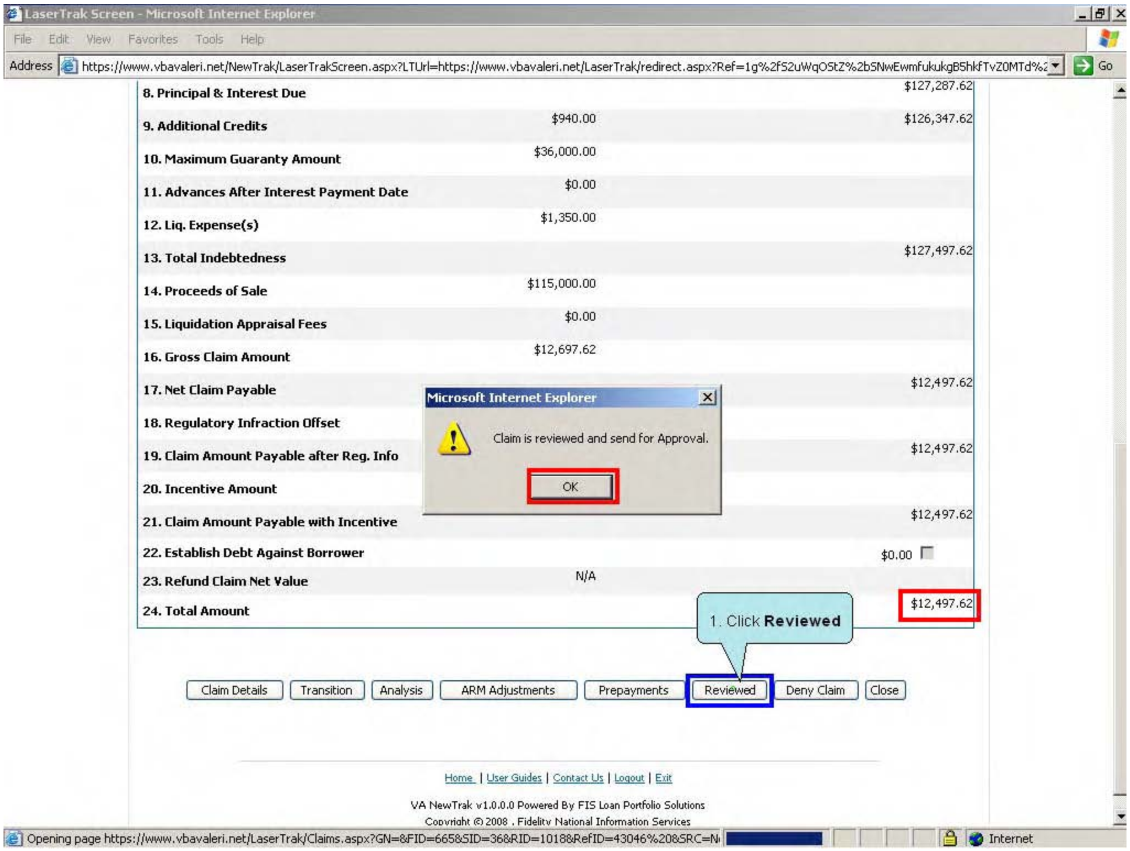


11.5.5 Submit a Claim for Approval

When you are done resolving loan problems, you are ready to make a recommendation on payment of the claim. To make your recommendation, you access the link in Step 2 of the “review non-routine claim” process, as previously shown in Step 3 of Figure 57. This link takes you back to the Claims screen.

Once you are in the Claims screen, you verify that the claim payment was adjusted by the amount of any adjustments that were made to the claim payment. When you verify the final claim payment amount, you submit the claim payment for approval, as shown in Figure 72.

Figure 72: Submit Claim for Approval



Instructions:

1. Click the **Reviewed** button to submit the claim for approval.

12 Post-Audit

The post-audit is one of the core processes that you perform. It enables VA to monitor servicer and technician[69] performance and adherence to VA policies and regulations. VA post-audits a random selection of cases with repayment plans, special forbearances, loan modifications, deeds-in-lieu, compromise sales, terminated/foreclosed loans, partial releases of security.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding post-audits.
- VA's post-audit program.
- The post-audit process.
- How to manage post-audits in VALERI.

12.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding the post-audit for you and the servicer.

Your Role Your role is to review loans selected for post-audit and decide whether or not any payments to the servicer of the loan are proper and fully supported. If the claim is not properly or fully supported, you may issue a bill of collection (BOC). You also adjust payments to pay additional amounts to the servicer if you determine that the original payment was incorrect.[70]

Servicer Role The servicer is responsible for complying with the post-audit process by submitting appropriate documentation within 30 days of being notified of a post-audit selection. They are responsible for complying with post-audit results including BOC payments, additional training, or on-site audits if necessary. They are also expected to retain post-audit documentation for three years in accordance with 38 CFR 4833.

12.2 Post-Audit Overview

The post-audit process protects the interests of both the veteran and the Government. The primary objectives of the post-audit are to confirm the appropriateness of any payments, account for any regulatory infractions, and to make any adjustments as necessary. This overview describes the following details of the post-audit:

- Eligibility for post-audit.

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[69] Added "and technician" on 7/2009.

[70] Added new language to technician role on 7/2009 to account for positive payment adjustments.

- Quarterly post-audit reports.

12.2.1 Eligibility for Post-Audit

VALERI randomly selects eligible cases for post-audit at the end of every month. Any case with the following associated events is eligible for post-audit:

- Repayment plan.
- Special forbearance.
- Loan modification.
- Deed-in-lieu.
- Compromise sale.
- Terminated loan/foreclosure.
- Partial release of security.

12.2.1.1 Repayment Plan

A repayment plan is eligible for post-audit 30 days after VA pays the incentive. VA only post-audits repayment plan cases for which an incentive was paid.

12.2.1.2 Special Forbearance

A special forbearance is eligible for post-audit 30 days after VA pays the incentive. VA only post-audits special forbearance cases for which an incentive was paid.

12.2.1.3 Loan Modification

Loan modifications for which an incentive was paid are eligible for post-audit 30 days after VA pays the incentive. Loan modifications for which an incentive is not paid become eligible for post-audit 90 days[71] after VALERI receives the Default Cured event update.

12.2.1.4 Deed-in-Lieu

A deed-in-lieu for which a claim is filed is eligible for post-audit 60 days after VA makes the payment. If the servicer does not file a claim, the deed-in-lieu becomes eligible for post-audit 425 days after the loan termination date.

12.2.1.5 Compromise Sale

A compromise sale for which a claim is filed is eligible for post-audit 60 days after VA makes the payment. If the servicer does not file a claim, the compromise sale becomes eligible for post-audit 425 days after the loan termination date.

[71] Updated from 30 to 90 days on 7/2009.

12.2.1.6 Terminated Loan/Foreclosure

A terminated loan/foreclosure for which a claim is filed is eligible for post-audit 60 days after VA makes the payment. If the servicer does not file a claim, the case becomes eligible for post-audit 425 days after the loan termination date. A debt-plus-cost case that was either holder-retained or a third-party bid becomes eligible for post-audit 120 days after the loan termination date.

12.2.1.7 Partial Release of Security

This type of case becomes eligible for post-audit 60 days after VALERI receives the Partial Release of Security event.

12.2.2 Quarterly Post-Audit Reports

Every quarter, Central Office (CO) examines and analyzes system-generated error reports to identify patterns or trends. CO reviews errors to determine if they are servicer-specific issues or if they are common mistakes made by multiple servicers. VA sets parameters of how many and what types of errors may merit a larger sample size during the post-audit.

During the quarterly review, CO may determine that an error trend is isolated to a particular servicer. If the error trend continues into the next quarter, CO may decide to increase the number of cases post-audited for that servicer. Possible consequences of continued negative post-audit results include:

- The servicer tier ranking is adversely affected.
- Mandatory training.
- Full on-site audit.
- Referral to Office of the Inspector General (OIG).

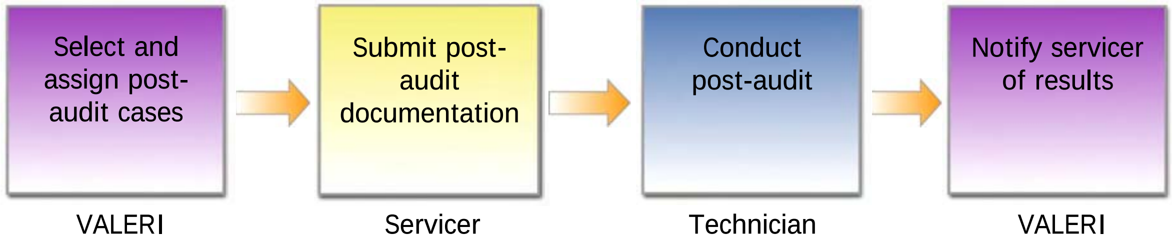
VALERI maintains running totals of errors by issue and servicer. The threshold for fraud is zero. Loan Administration (LA) refers fraud cases to the OIG.

During its quarterly review, CO may determine that VA guidance is unclear and will clarify VA guidelines as needed. VA then posts revised guidance on the VALERI website and will determine whether additional servicer training is needed.

12.3 The Post-Audit Process

Once a month, VALERI initiates the post-audit process by selecting cases for review and assigning them to VA technicians. Figure 73 illustrates the post-audit process.

Figure 73: Post-Audit Process



The four steps that make up the post-audit process are:

- VALERI selects and assigns post-audit cases.
- Servicer submits post-audit documentation.
- Technician conducts post-audit.
- VALERI notifies servicer of results.

12.3.1 VALERI Selects and Assigns Cases

VALERI runs a sampling program every month to select cases for post-audit. VALERI determines all eligible loan cases for post-audit and identifies a sample size based on the number of eligible loans.[72] VALERI also enables the Central Office Servicer Liaison (COSL) to identify an additional pool of cases for post-audit out of the remaining eligible cases.

VALERI automatically assigns all cases selected for post-audit to VA technicians for review. VA distributes cases nationwide equally across all available technicians. If you are assigned to a post-audit, you receive notification in your workbasket. VALERI does not assign post-audit cases to the same technician who had originally processed the loan.

12.3.2 Servicer Submits Post-Audit Documentation

VALERI notifies servicers when their loans are selected for a post-audit via the Post-Audit Selections and Results Report on the Servicer Web Portal. VA requires servicers to submit supporting documentation within 30 days after VALERI posts this notification. Required post-audit documentation for each event is summarized in the Servicer Guide, Annex 4, Event Reporting Requirements and Post-Audit Documents.

12.3.3 Technician Conducts Post-Audit

The post-audit review consists of these VALERI processes:

- Perform post-audit.
- Approve post-audit.
- Approve post-audit with regulatory infraction.
- Rework post-audit.

VALERI Process 34: "Perform post-audit"

Step 1: Receive documents – Servicers have 30 days to submit all required post-audit documentation in the Servicer Web Portal.

Step 2: Authenticate documents (38 CFR 36.4833) – Once the 30 days for document submission has passed, the next step is to authenticate the supporting documentation to confirm that the documents submitted by the servicer are valid and

[72] Deleted incorrect case selection information on 7/2009.

can be used to substantiate reported items. To authenticate the documents sent by the servicer, you access the Post-Audit function in VALERI to view each document that the servicer uploaded and validate that they are complete and accurate. You should check the document against the list of post-audit documentation requirements definitions in Annex 4, Event Reporting Requirements and Post-Audit Documents in the Servicer Guide. If the uploaded documents are valid and can be used to substantiate a reported data and/or payments, you authenticate the document in VALERI.

Once you have authenticated all relevant documents by checking the boxes next to the all of the authentic documents, VALERI asks you if you have received the proper post-audit documentation to continue the review. If the servicer has not submitted any documentation by the 30 day deadline, you should contact the servicer and encourage them to submit documents. If they agree to submit the documents, you can reproject this step to allow for additional time. If the servicer will not submit any documents, you close the process and issue a BOC for amount of the payment. Note that a BOC should only be issued in cases where the servicer does not submit any documents at all (rather than failing to submit one or a few documents).[73]

Step 3: Validate events and data – The third step in the post-audit analysis is to validate events and data elements and match them to a submitted document. During this validation, you ensure that each line item that has been reported has supporting documentation to validate the amount reported. You enter a corrected value if there is a discrepancy between the amount claimed and the amount on the associated document. You must validate each data element with an associated document. A document may be associated to more than one data element. In this step, you should also check the accuracy of the original payment and make any positive adjustments that are necessary to pay additional funds due to the servicer.[74]

As states have different laws and regulations governing the foreclosure process, Annex 8, Post-Audit Annex provides additional guidance for you to use when you evaluate cases during Step 3. You should also review any pre-approvals and the servicing case notes in VALERI to ensure that your review is thorough and accurate.

Step 4: Complete post-audit survey – If you have received proper documentation to complete Step 3, you move to Step 4, Complete Post-Audit Survey. The Post-Audit Survey is a series of survey questions to be answered before you submit the post-audit results for supervisory approval. If necessary, you can contact the servicer for additional information to answer the questions. By concluding the post-audit review with the Post-Audit Survey, you and the supervisor know that all potential issues, including those stemming from unreported information, have been resolved. A copy of the Post-Audit Survey is available in Annex 8, Post-Audit Annex.

Step 5: Recommend post-audit results – Before making your recommendation, you record any regulatory infractions that you identified during the post-audit process that are not already listed. To record a regulatory infraction, ask your RLC point of contact (POC) to contact LPS Powercell to have the “review regulatory infraction” process

[73] Clarified when a BOC should be issued on 7/2009.

[74] Added guidance on checking accuracy of previous payments on 7/2009.

opened on the case. Use step 1 of the “review regulatory infraction” process to add the infraction. Include an adjustment amount with the infraction only on claim post-audit cases, and only if the infraction resulted in an additional loss to the government.

Once the regulatory infraction is added, assign a task to your SO to ask them to use the “review regulatory infraction” process to approve or deny the infraction. If there are other pending infractions on the loan, the SO does not need to approve them.

When the infraction is approved, VALERI recalculates the post-audit claim is an adjustment amount was associated to the infraction. You then review the post-audit summary screen in order to verify the post-audit results before making your recommendation on the post-audit.[75]

Step 6: Approve or deny post-audit results – Your recommendation is routed to a Senior Loan Technician (SLT) for approval or denial. If the SLT approves your recommendation, VALERI closes the process. If the SLT denies your recommendation, VALERI re-opens the post-audit for you to complete.[76]

VALERI Process 35: “Rework post-audit”

Step 1: Rework post-audit – If the SO or SLT denies your post-audit recommendation, you must rework the post-audit. To complete this step, you must address all of your SLT or SO’s comments. You also go back through the post-audit to ensure that all amounts were entered correctly, all events and data elements are associated with the proper documents, and that you have identified all regulatory infractions and un-reported events. After you rework the post-audit, you re-submit your recommendation for approval.

12.3.4 VALERI Notifies Servicer of Results

VALERI notifies servicers of post-audit results via the Post-Audit Results report on the Servicer Web Portal. As part of the post-audit results, VALERI notifies the servicer of any errors including any dollar amount and any claim adjustments.

12.4 Post-Audits in VALERI

To perform a post-audit, you access the Process screen for the “perform post-audit” process. To complete this process you:

- Receive documents.
- Authenticate documents.
- Validate events and data.
- Complete post-audit survey.
- Recommend post-audit results.

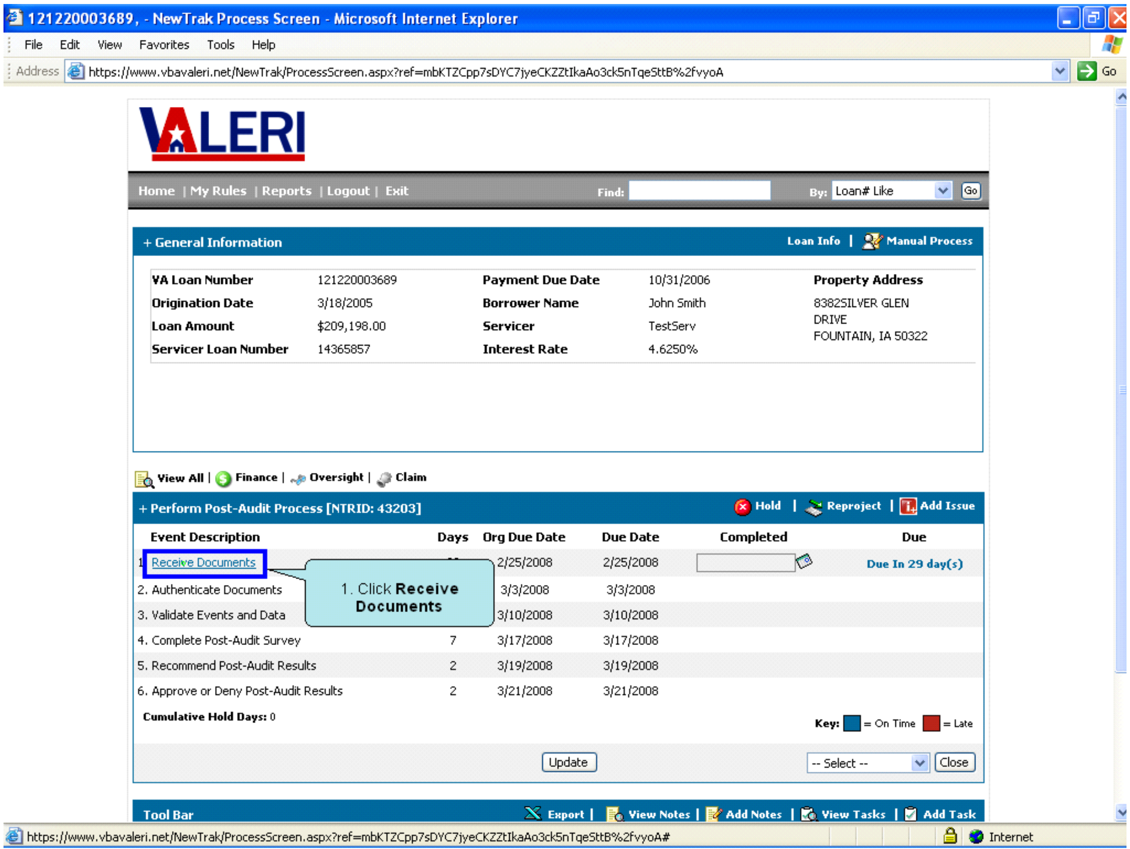
[75] Corrected regulatory infraction procedure on 7/2009.

[76] Updated guidance for step 6 on 7/2009.

12.4.1 Receive Documents

Before you can begin the post-audit, servicers must submit supporting documentation. To view the documents received from the servicer, you access the first step of the Perform Post-Audit process, Receive Documents, as shown in Figure 74.

Figure 74: Access Step 1 of Perform Post-Audit Process



Instructions:

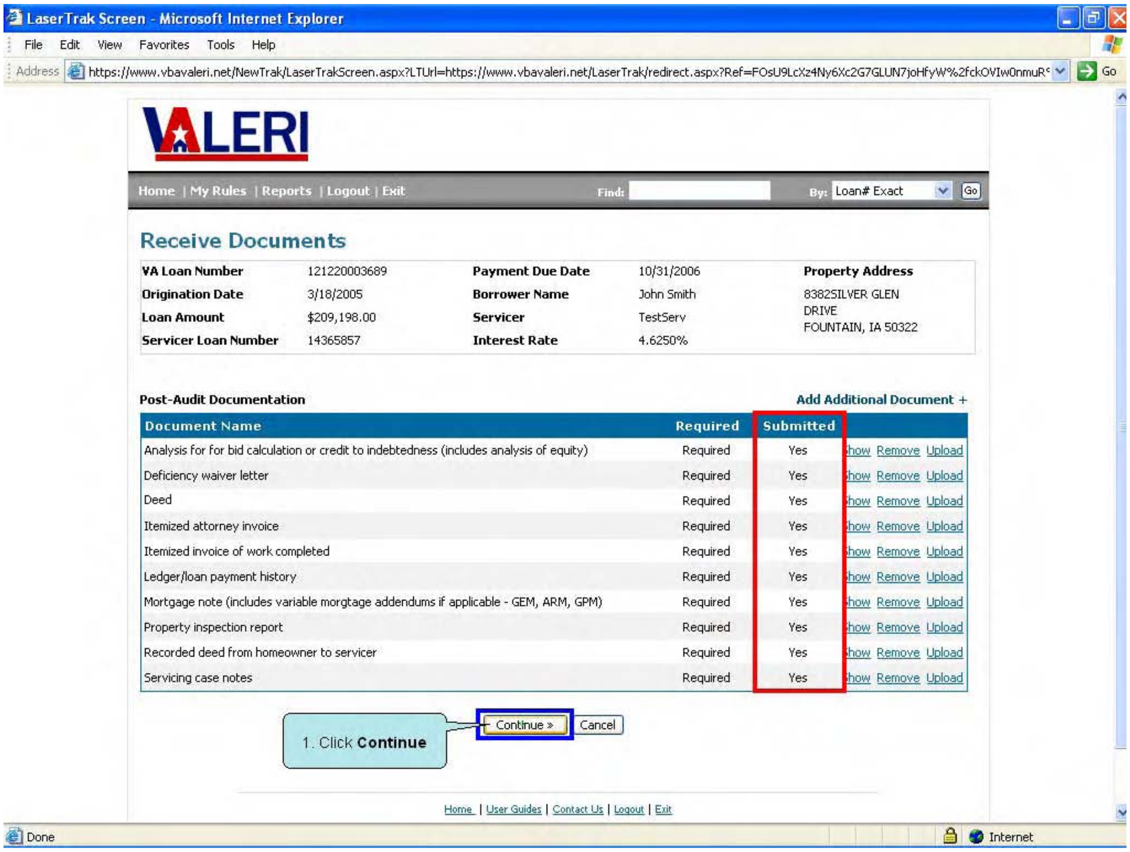
1. Click the **Receive Documents** link to view the documents received from Servicer.

The Receive Documents screen displays the post-audit documents associated with the loan. To complete this step, verify that the servicer has submitted all required documentation for post-audit. You verify documentation is submitted by checking the Submitted column, as highlighted in Figure 75.

If the servicer does not submit supporting documentation by the 30 day deadline, you should contact the servicer and encourage them to submit supporting documentation immediately. If the servicer agrees to send the documentation after the 30 days have passed, you may re-project this step to allow more time for the servicer to submit the documentation. If the servicer does not submit any supporting documents, issue a BOC for the total amount of all payments to the servicer.

Click Continue as shown in Figure 75 to return to the Process screen.

Figure 75: Verify Received Documents



Instructions:

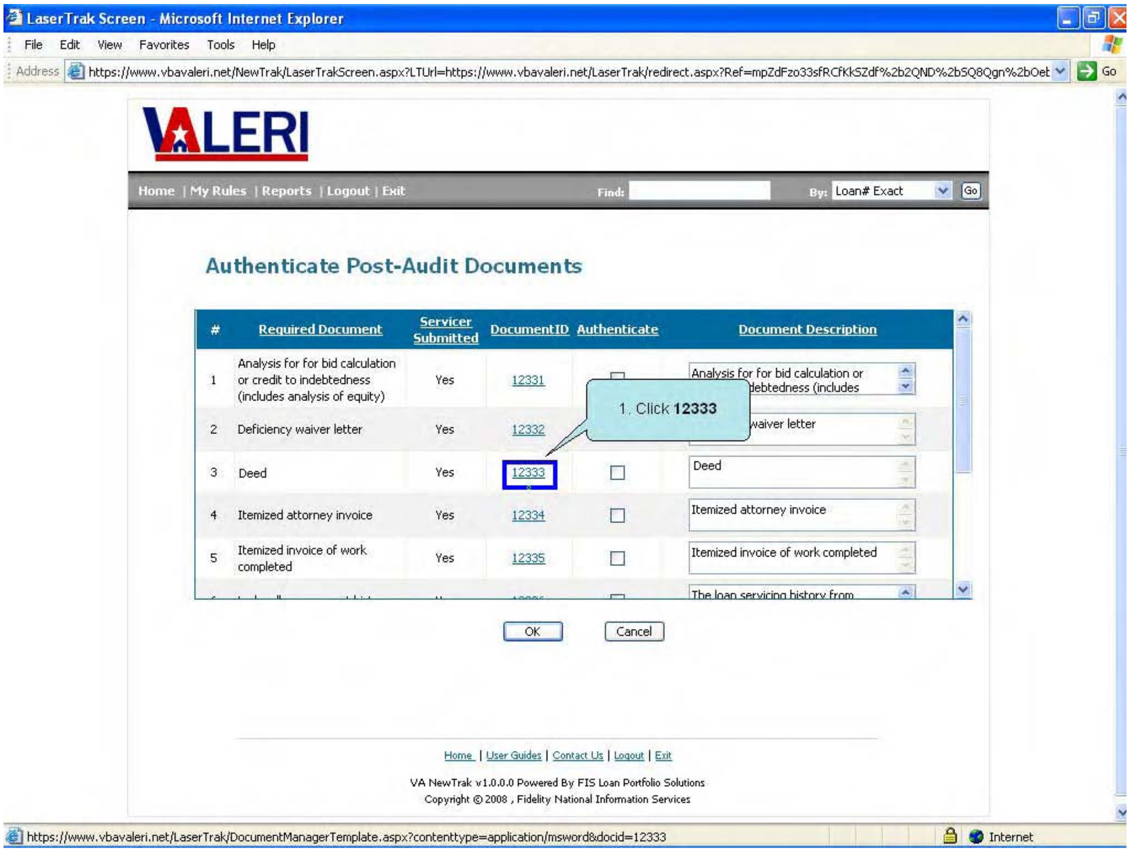
1. Click the **Continue** button to complete Step 1 and proceed to the next step.

After you verify the documents, VALERI auto-fills the Completed date for Step 1.

12.4.2 Authenticate Documents

Next you authenticate all the submitted documents by accessing Step 2, Authenticate Documents. Once you access Step 2, the Document Manager displays the documents servicer submitted for your review. You must authenticate all of these documents to confirm that they are valid and can be used to substantiate reported items. Figure 76 demonstrates how you access a document for authentication.

Figure 76: View Post-Audit Document

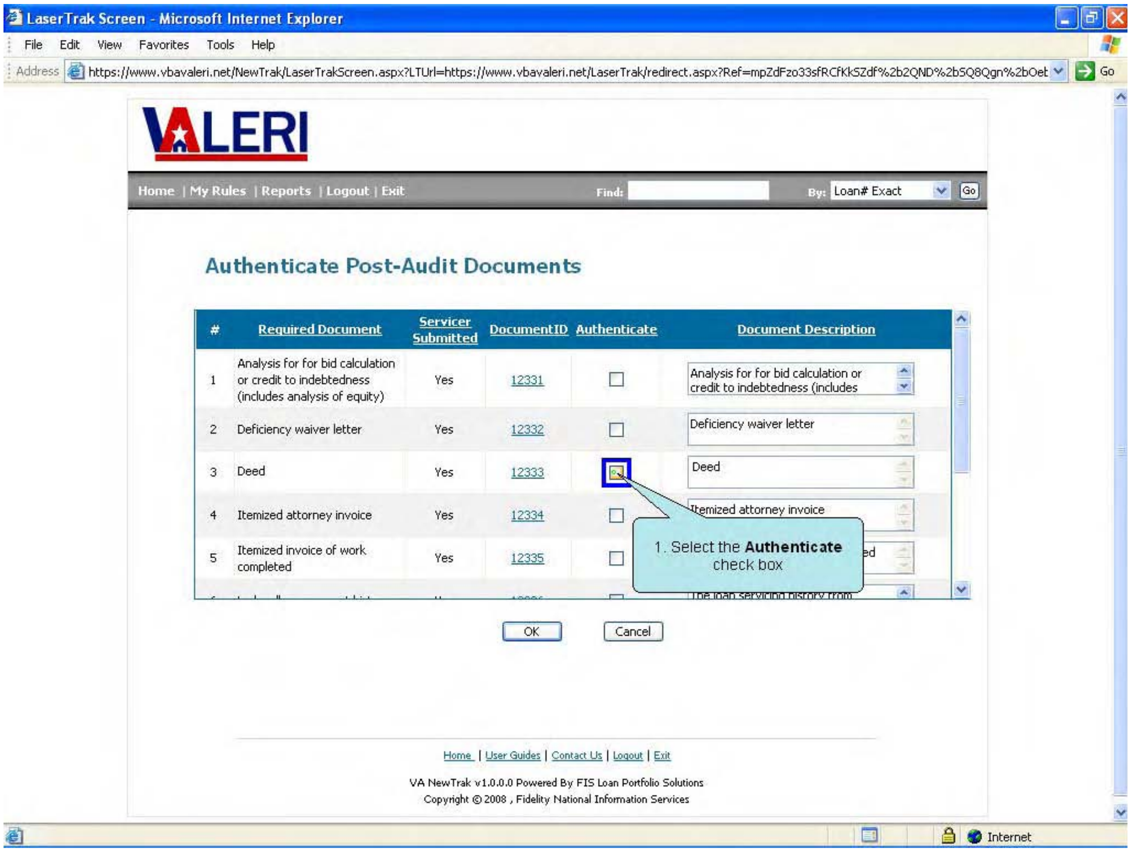


Instructions:

1. Click on the **Document ID** to view the post-audit document.

The document opens in a separate window. Click the Open button to view the document. Once the document opens, you review it to ensure that it fits the document description in Document Manager. If the document matches the description in the Required Document column, you authenticate this document by selecting the check box for that document as depicted in Figure 77

Figure 77: Authenticate Document

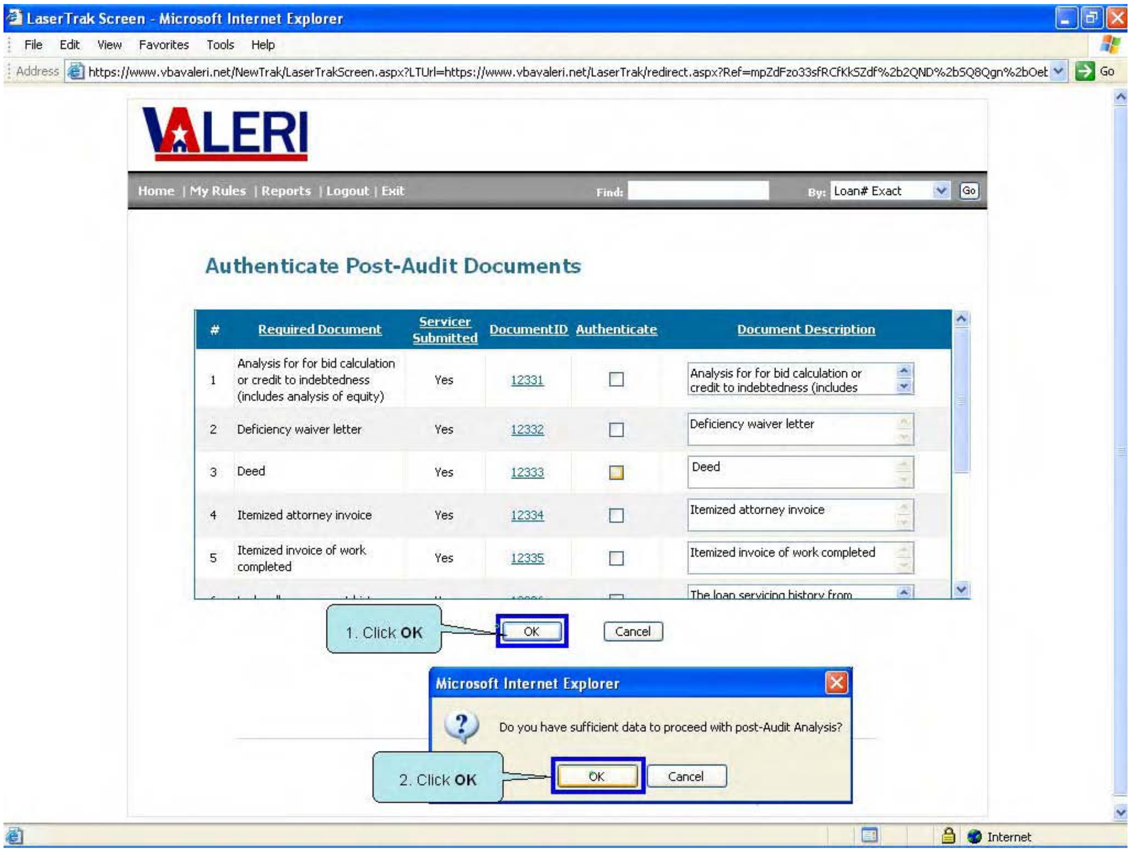


Instructions:

1. Select the **Authenticate** check box to authenticate the document.

You review all the documents submitted by the servicer and authenticate only the documents that match the required document description. After you have completed your authentication review of all of the documents, you click the OK button. Once you click the OK button, VALERI asks if you have sufficient data to proceed with the post-audit analysis as depicted in Figure 78.

Figure 78: Complete Authentication of Documents



Instructions:

1. Click the **OK** button to save your authentication review.
2. Click the **OK** button to confirm your authentication review and complete this step.

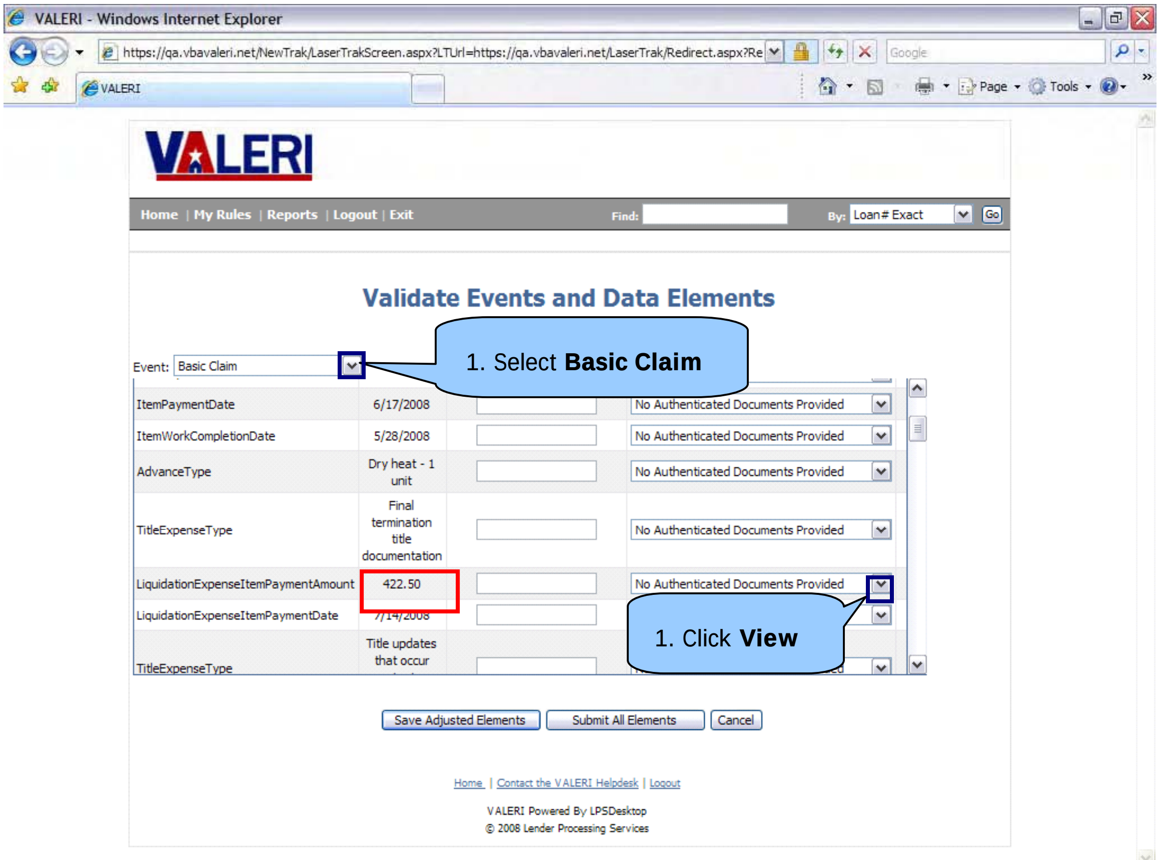
Once you confirm your authentication, VALERI auto-fills the Completed date to close Step 2.

12.4.3 Validate Events and Data

Now you validate the Events and Data submitted for this loan. You validate these by accessing Step 3, Validate Events and Data. The Validate Events and Data Elements screen enables you to validate events and data elements and to match them to a submitted document. During your validation, you must ensure that each line item matches the value on the supporting document. If there is a discrepancy between the amount claimed and the amount on the associated document, you must enter a corrected value from the document. Figure 79 provides an example for how to validate one data element for the Basic Claim event.

Note: This example demonstrates how to review one data element, however to complete this step, you must review each data element for which the servicer submitted a value and a supporting document.

Figure 79: Validate Events and Data for the Basic Claim Event

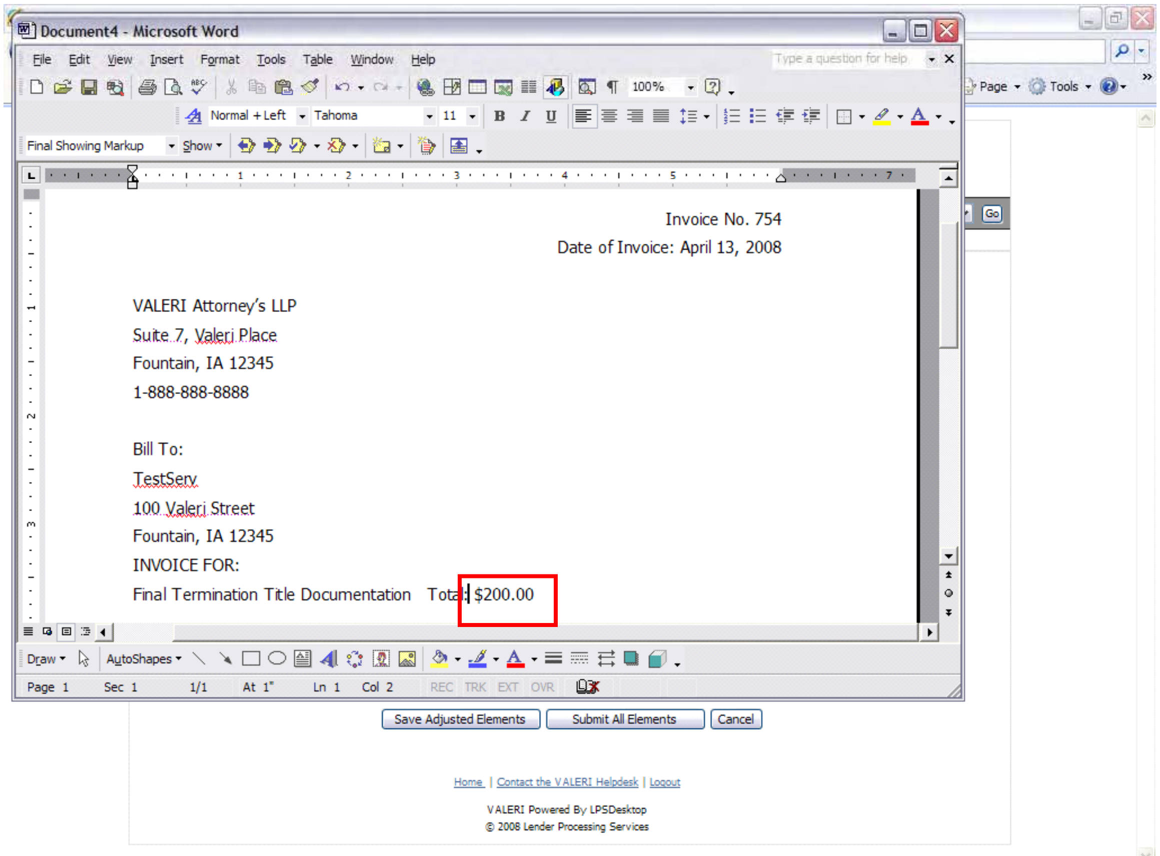


Instructions:

1. Select the **Basic Claim** event to view the event and data elements.
2. Click the **View** link to view the Itemized Attorney Invoice document.

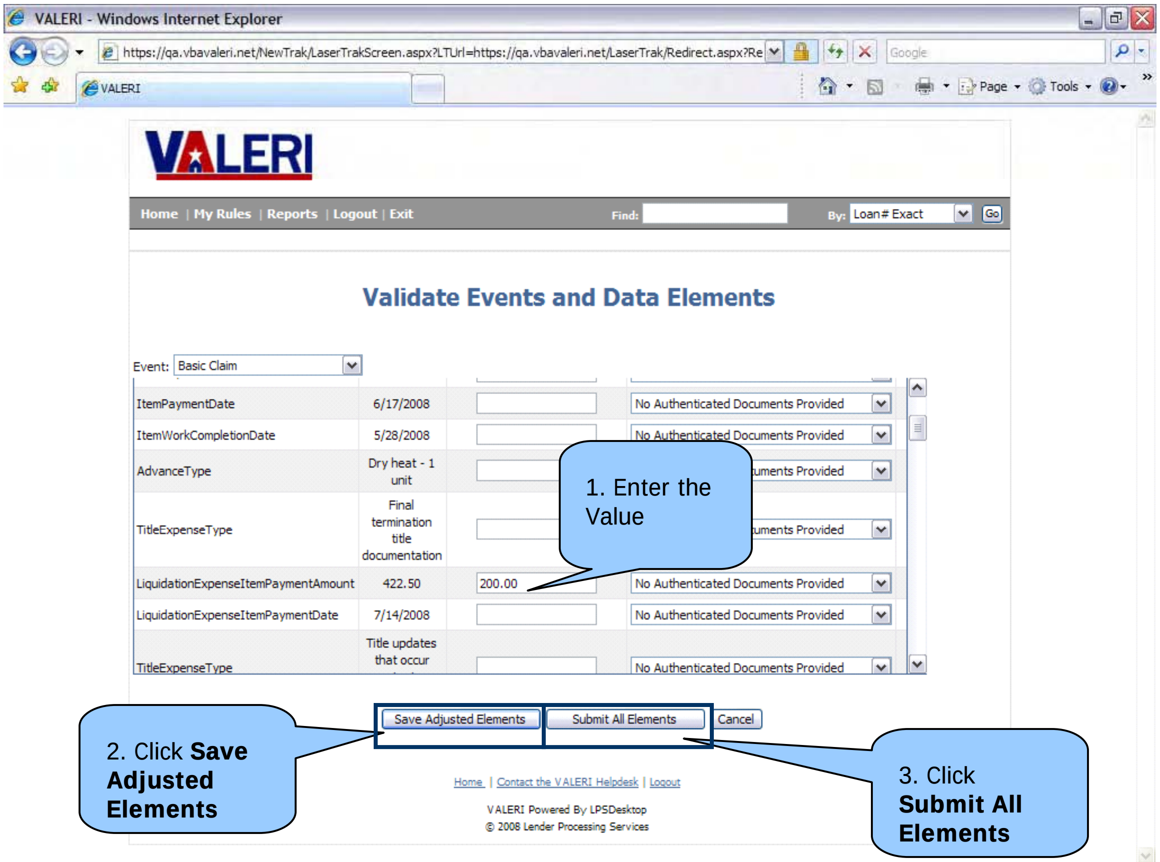
To complete your review of this data element, you must verify that the documentation supports the $422.50 liquidation expense. Figure 80 displays the itemized attorney invoice document.

Figure 80: View Itemized Attorney Invoice document



The amount $200.00 listed on the document differs from the amount of $422.50 listed on the Validate Events and Data Elements screen in Figure 79. Exit the document window and return to the Validate Events and Data Elements screen. Figure 81 demonstrates how to make an adjustment to the Basic Claim event based on your review.

Figure 81: Adjust Basic Claim Event and Data Elements



Instructions:

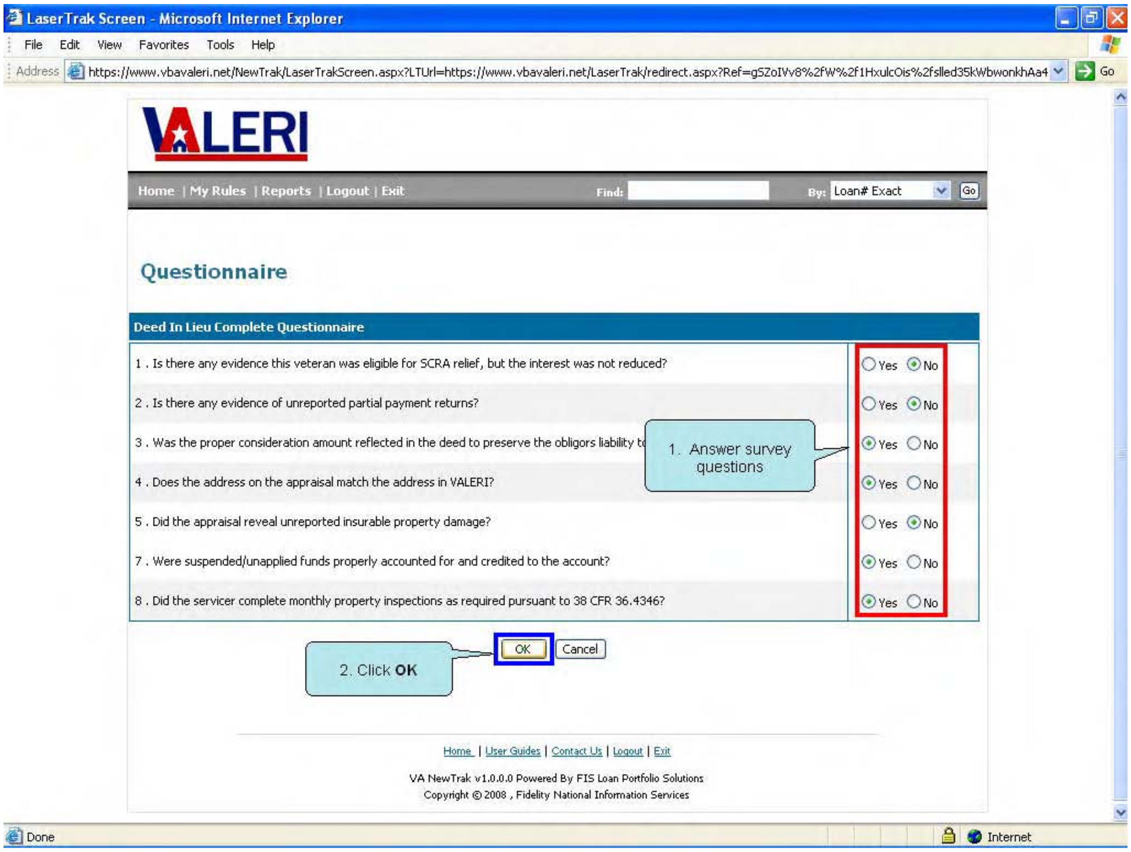
1. Enter the value in the **Corrected Value** field.
2. Click the **Save Adjusted Elements** button to save the updated corrected information. This button allows you to save your work without completing the step.
3. Click the **Submit All Elements** button to complete the step. [77]

12.4.4 Complete Post-Audit Survey

Once you save the adjusted elements, VALERI takes you back to the Process Screen. You are now ready to complete the Step 4, Complete Post-Audit Survey. The questions that VALERI displays are different depending on the history of the loan that you are working on. The question answers automatically default to No. You are required to read through each question and research the case for the data if necessary. Figure 82 provides instructions for completing the Post-Audit Survey.

[77] Updated screen shots to add new buttons to the Post-Audit screen on 7/2009.

Figure 82: Complete Post-Audit Survey



Instructions:

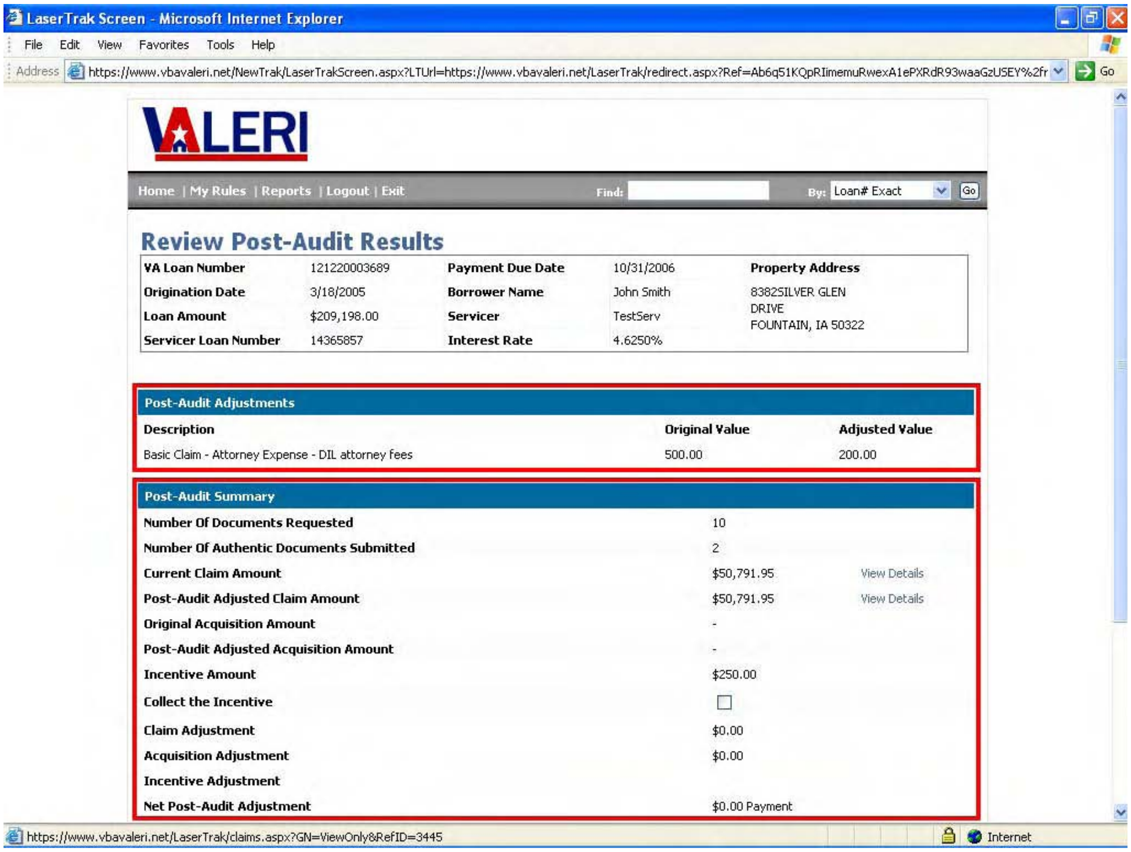
1. Answer survey questions based on your post-audit review of the loan.
2. Click the **OK** button to save your response and return to Process screen.

Once you click the OK button, VALERI auto-fills the date to complete Step 4.

12.4.5 Recommend Post-Audit Results

Now you are ready to go to Step 5, Recommend Post-Audit Results. After clicking on Recommend Post-Audit Results link, VALERI routes you to the Review Post-Audit Results screen, as shown in Figure 83.

Figure 83: Review Post-Audit Results Screen

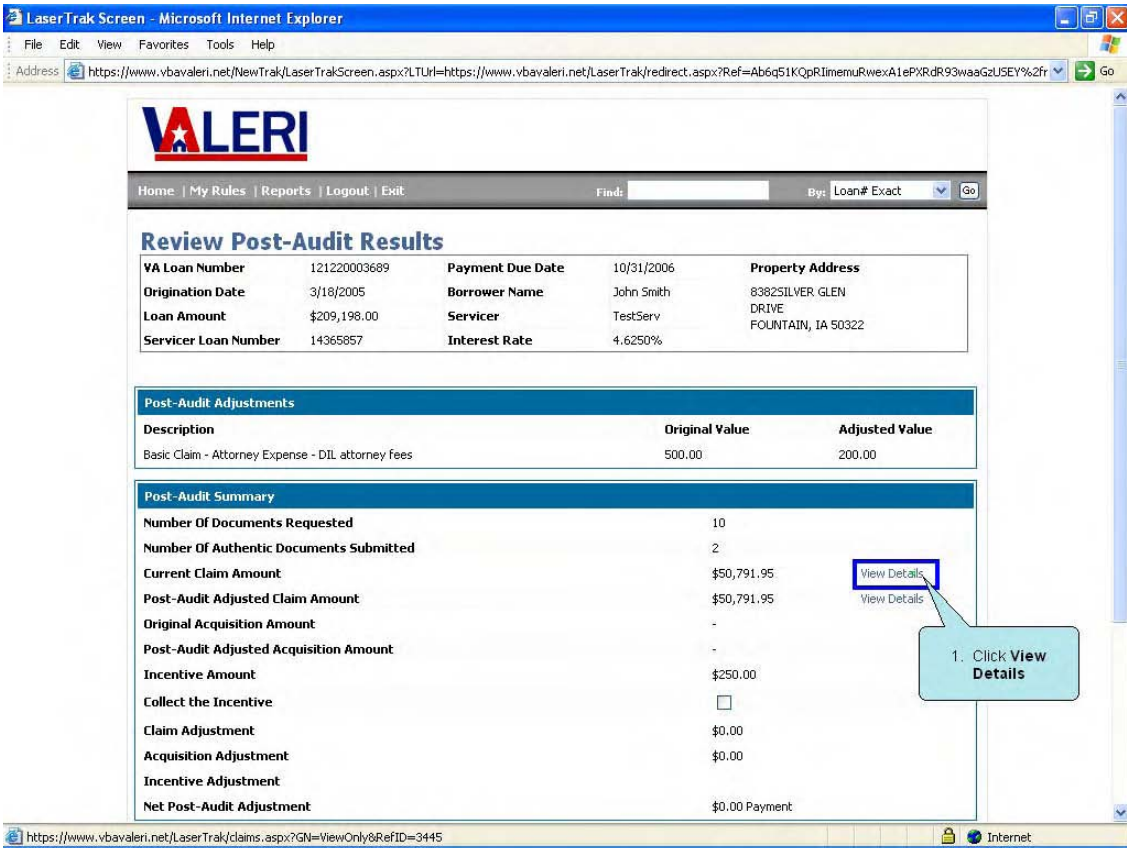


The Post-Audit Summary screen displays information in two panels: Post-Audit Adjustments panel and Post-Audit summary panel.

- The Post-Audit Adjustments panel displays the adjustments made to the claim during the post-audit. Notice the Adjusted Value for the DIL attorney fees as highlighted in Figure 83. This adjusted value is reflective of the adjustments you made as part of Step 3.
- The Post-Audit Summary panel displays information on document submission, claim adjustments, incentive payments, acquisition payments, and bills of collection.

To review the details of any adjustments to the claim, you must click on View Details for the Current Claim Amount and the Post-Audit Adjusted Claim Amount. First you view the details of Current Claim Amount by clicking the View Details link as shown in Figure 84.

Figure 84: View Details of Current Claim Amount

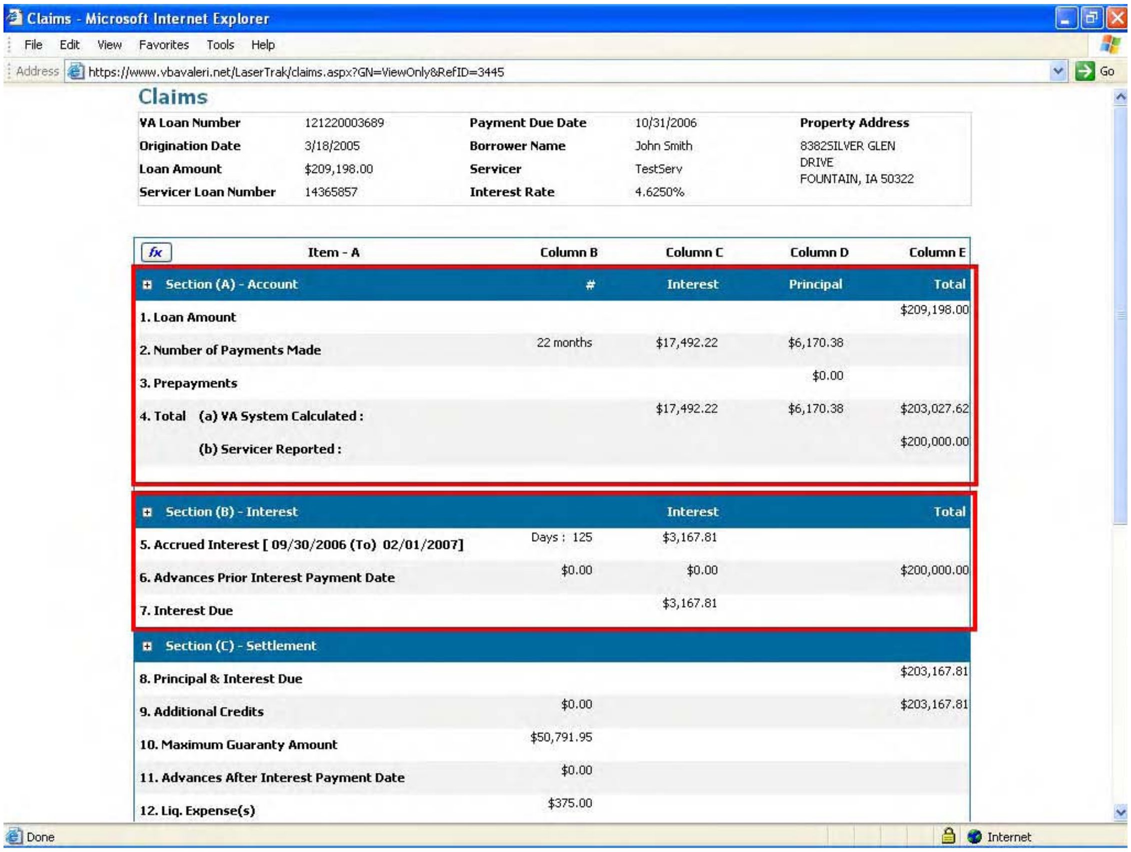


Instructions:

1. Click the **View Details** link to view the details of current claim information.

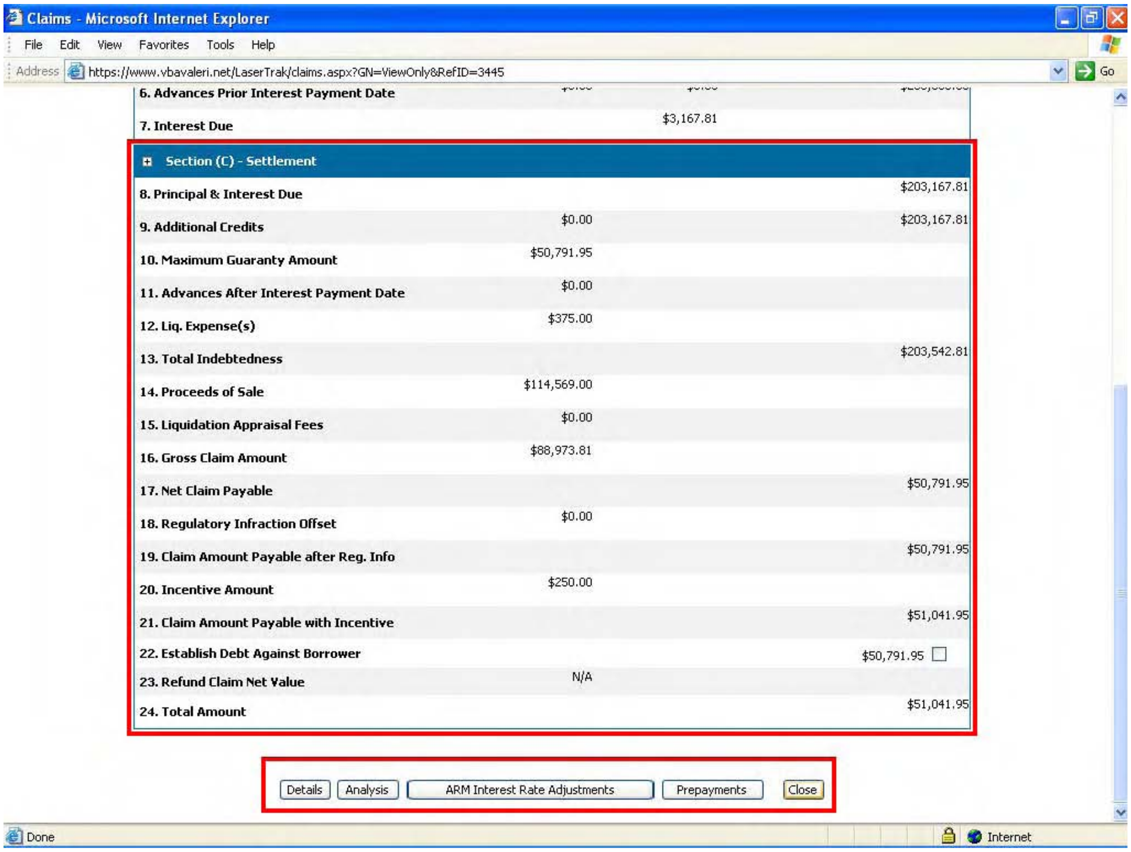
Figure 85 displays the claims details, including account information, interest details, and settlement data for the current claim. These details are displayed in three separate panels: the Account panel, the Interest panel, and the Settlement panel.

Figure 85: Current Claims Details



The Account panel summarizes the status of the account, including the loan's payment information. The Interest panel displays the loan's interest information, including the number of days of interest allowed on the claim, the updated principal balance including advances, and the amount of interest due on the claim. Figure 86 provides a description of the third panel, the Settlement panel.

Figure 86: Current Claims Details with Settlement Data Information

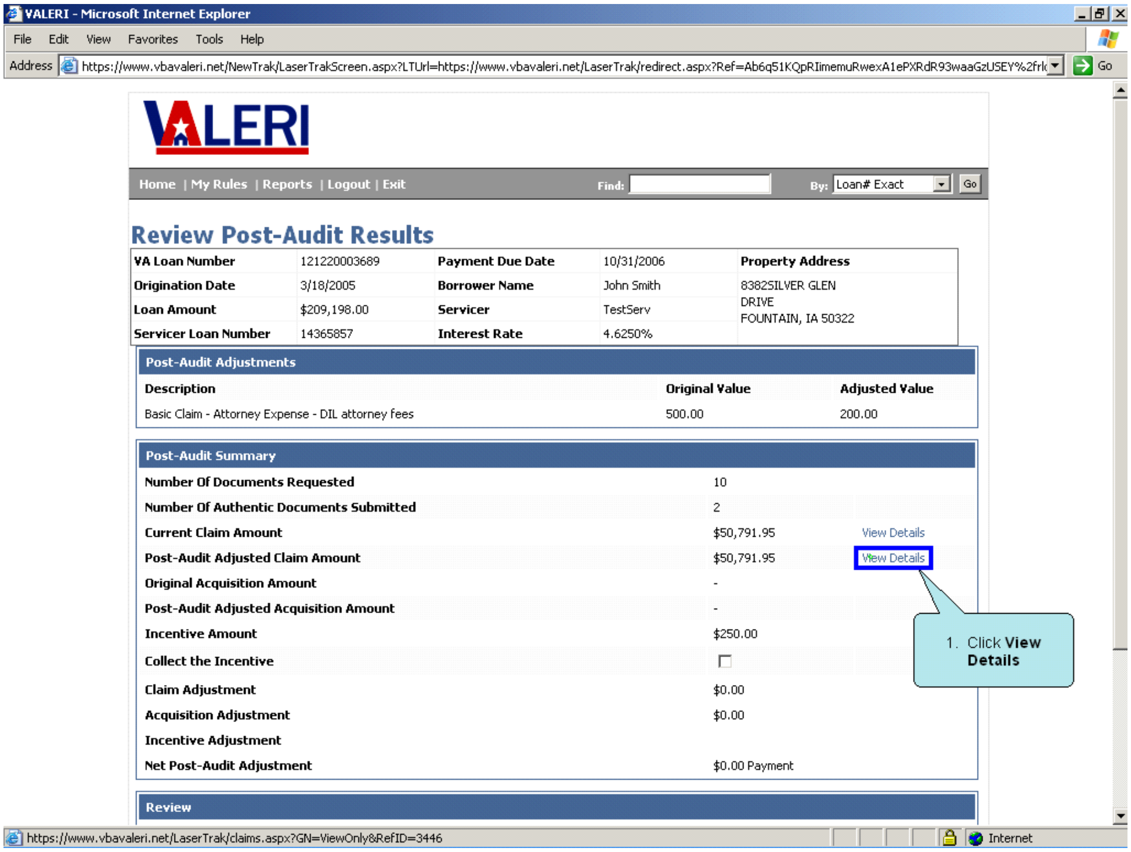


The Settlement panel displays the final claim calculation. It displays VALERI's calculation of total eligible indebtedness, the credit to indebtedness, maximum guaranty, and the claim payment amount. Make note of the current claim payment amount in case you make any adjustments to the claim.

VALERI provides additional information describing the claim calculation in greater detail. You access this information by selecting the buttons at the bottom of the screen. Figure 86 highlights the Details, Analysis, ARM Interest Rate Adjustments, and Prepayments buttons.

Once you have reviewed the post-audit adjusted claim information, close the window and return to the Review Post-Audit Results screen. Once you return to the Review Post-Audit Results screen, you click the View Details link for Post-Audit Adjusted Claim Amount and view the details of the claim after the post-audit adjustments were entered, as shown in Figure 87.

Figure 87: View Details of Current Claim Amount

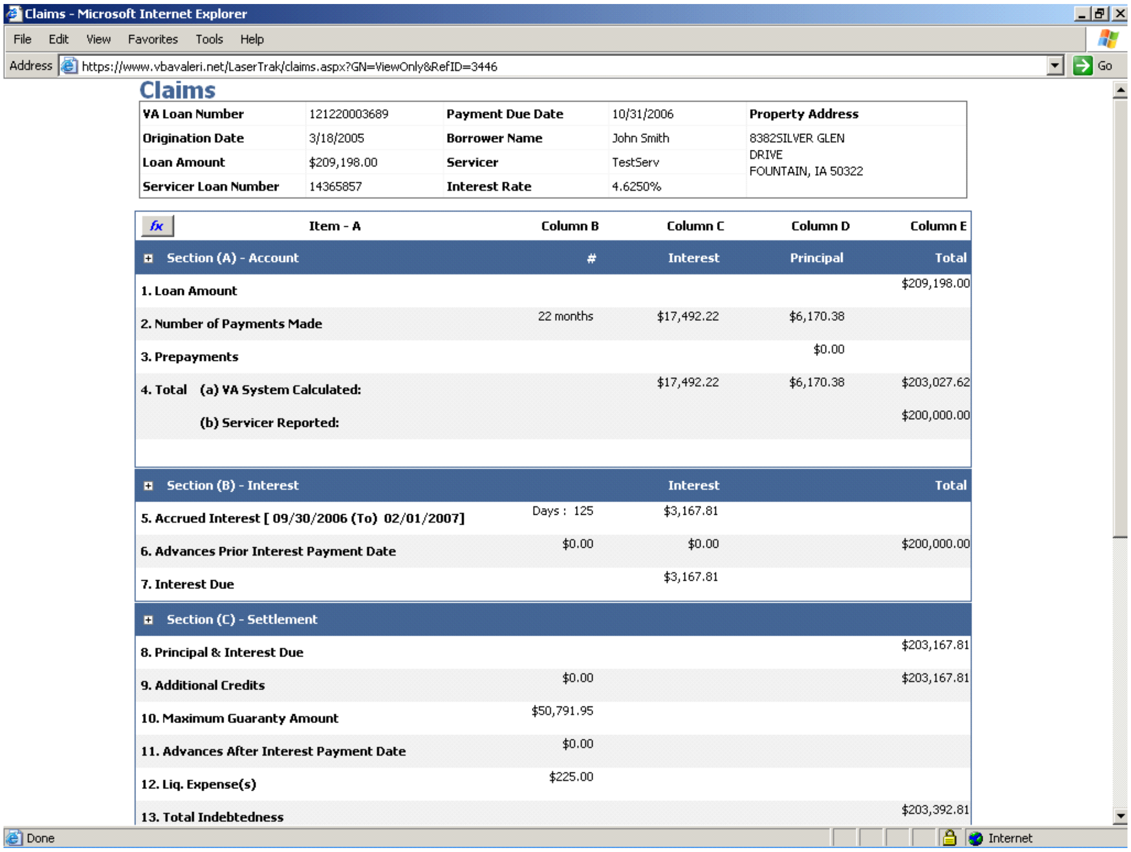


Instructions:

1. Click the **View Details** link to view the details of post-audit adjusted claim amount.

Figure 88 displays the claims details, including account information, interest details, and settlement data for the post-audit adjusted claim.

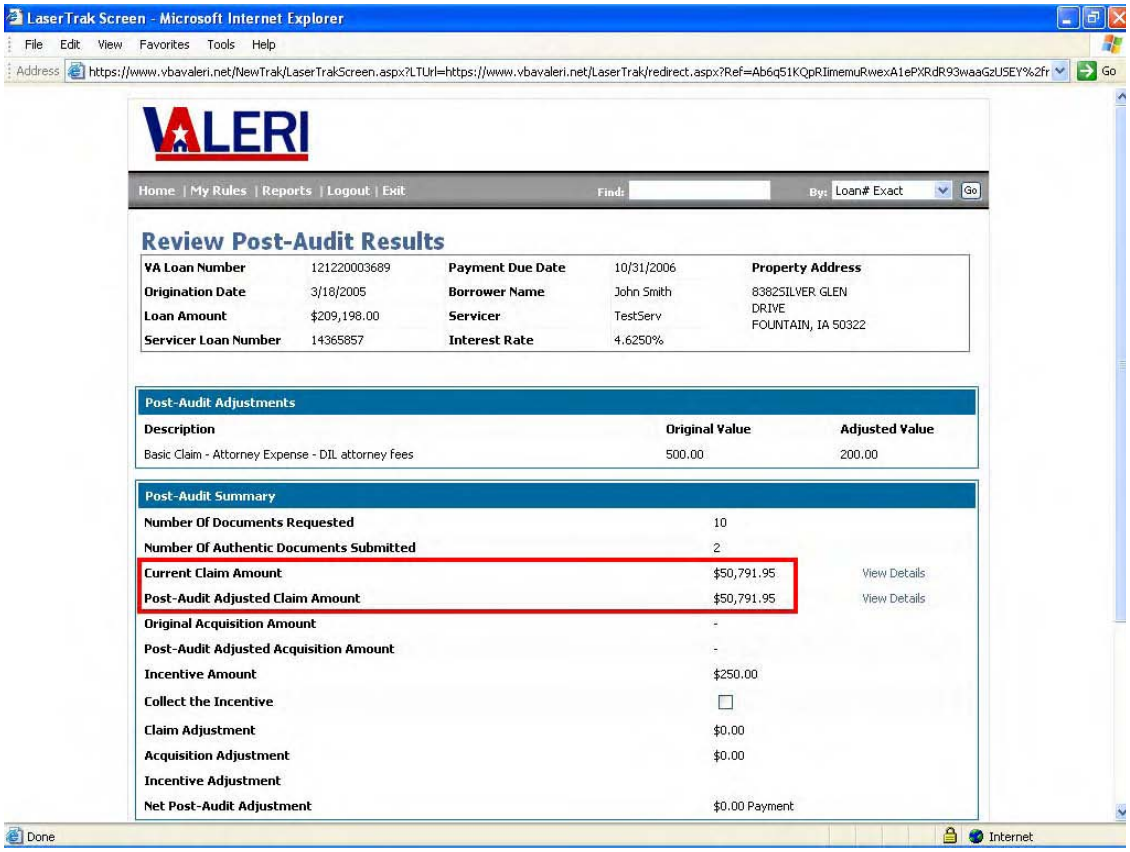
Figure 88: Post-Audit Adjusted Claims Details



The Post-Audit Adjusted Claims details screen displays the claims details, including account information, interest details, and settlement data similar to the current claim details. However, this screen displays the updated claim details after the post-audit adjustments are made to the current claim.

Once you have reviewed the post-audit adjusted claim information, close the window and return to the Review Post-Audit Results screen. Figure 89 shows a comparison of the current and post-audit adjusted claim amounts.

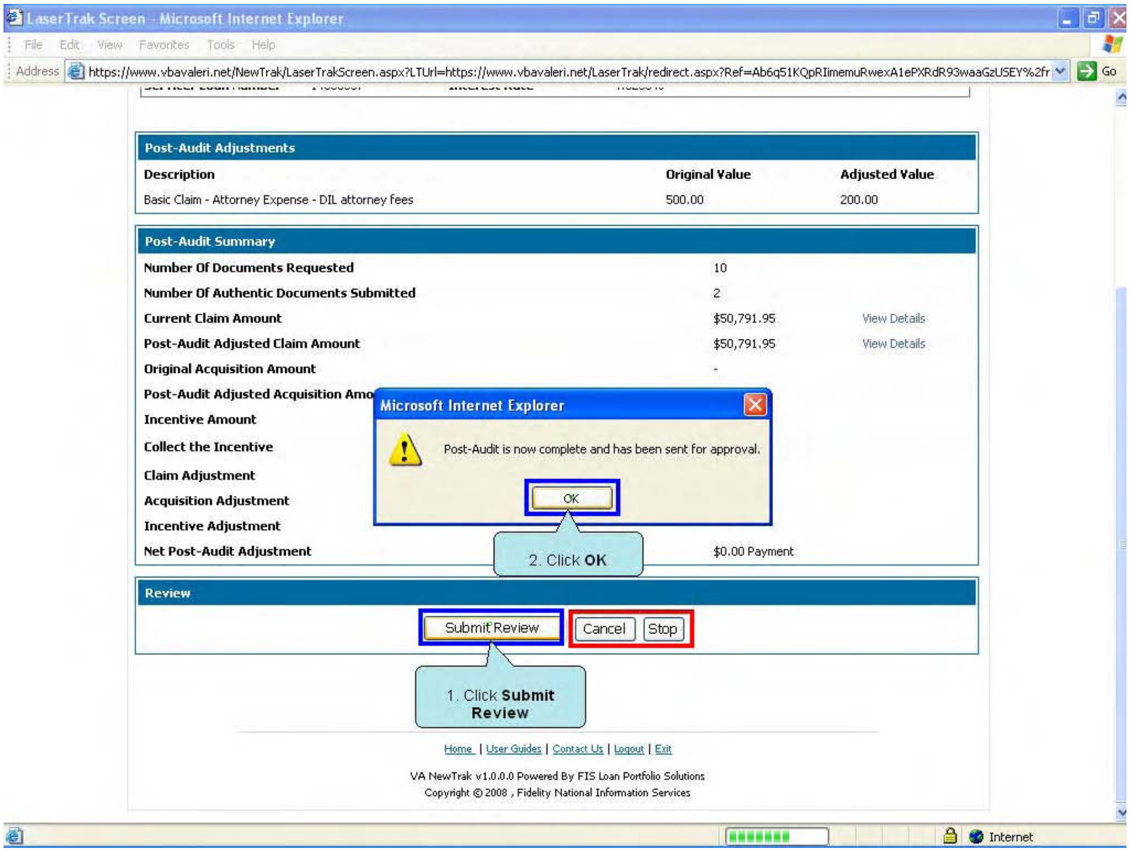
Figure 89: Compare Current and Post-Audit Adjusted Claims



Note: In this example, you can see that the amounts of the two claims are the same, even though there was an adjustment to the liquidation expenses. This is because even after the liquidation expense adjustment, the gross claim amount is greater than maximum guaranty amount and hence VA paid maximum guaranty on the claim. So in this instance, the liquidation expense adjustment during post-audit did not affect the claim amount.

To complete this step, review the rest of the summary information. If the information is correct, click the Submit Review button. Click the Cancel button if you want to go back to the Process screen without completing the process. Once you click the Submit Review button, VALERI displays a message window confirming that the post-audit is complete and has been sent for approval. Click OK to close the confirmation window and return to Process screen. Figure 90 shows how to submit your post-audit review for approval.

Figure 90: Submit Post-Audit review for Approval



Instructions:

1. Click the **Submit Review** button to submit the post-audit review for approval.
2. Click **OK** to close the confirmation window and return to process screen.

Once you submit the review for approval, VALERI routes your post-audit recommendation to either a Senior Loan Technician (SLT).[78]

Depending on their decision, you may be required to rework the post-audit to address any comments. After the post-audit is finalized, VALERI notifies servicers of post-audit results via the Post-Audit Results report on the Servicer Web Portal.

[78] Corrected approval responsibility on 7/2009.

13 Bills of Collection

VA issues a bill of collection (BOC) any time it determines that a servicer should not have received all or part of a previous incentive, acquisition, or claim payment. Most BOCs are generated due to post-audit findings, while others may be generated due to a cure reversal or a return of custody of a property to the servicer. VA offsets future payments to servicers if they do not satisfy BOCs on time. This chapter describes the situations in which a BOC must be issued, and how the BOC is generated.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding BOCs.
- The BOC process.

13.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding BOCs for you and the servicer.

Your Role You are responsible for recognizing situations that would require issuing a BOC to a servicer and for taking appropriate action. For example, you must enter any adjustments in VALERI for unsubstantiated claimed items when performing post-audit reviews. You must also generate manual BOCs when necessary.

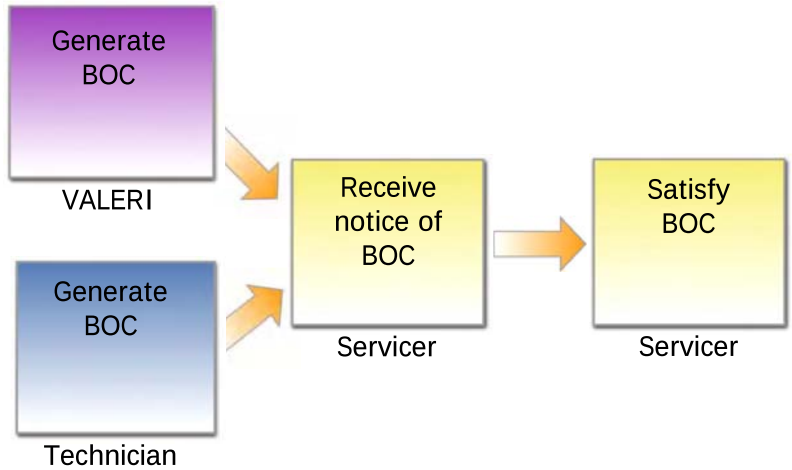
Servicer Role Servicers must satisfy BOCs to avoid future payment offsets.

13.2 The Bill of Collection Process

BOCs can be generated by VALERI or by a technician. Most VALERI-generated BOCs are initiated and calculated when a technician or Servicing Officer (SO) enters information into VALERI during a post-audit or return of custody process. A technician-generated BOC is a BOC that is initiated and calculated by the technician. All technician-generated BOCs must be approved by an SO before being certified. Once a BOC is certified, the servicer is responsible for satisfying the BOC.

Figure 91 illustrates the bill of collection process.

Figure 91: Process for Bills of Collection



The following steps are part of the bill of collection process:

- VALERI generates BOC or technician generates BOC.
- Servicer receives notice of BOC.
- Servicer satisfies BOC.

13.2.1 VALERI Generates BOC

VALERI generated BOCs require approval and certification. VALERI initiates the "approve BOC" process any time it generates a BOC.

VALERI Process 36: "Approve BOC"

Step 1: Approve or deny automated BOC – A Senior Loan Technician (SLT), or other designated approving official, must approve or deny each VALERI generated BOC. VALERI presents an approved BOC to a certifying official for certification. [79]

VALERI generates and calculates BOCs automatically in the following situations:

- Guaranty issue after VA made any payment.
- Invalid sale after VA made an acquisition and/or claim payment.
- Improper transfer of custody after VA made an acquisition and/or claim payment.
- Property acquisition overpayment.
- Post-audit claim recalculation.
- Post-audit failure to substantiate claimed items.
- Regulatory infraction identified during post-audit review.

[79] Deleted references to "manual bill of collection" process throughout chapter on 7/2009.

- Cure reversal after VA made an incentive payment.

13.2.1.1 Guaranty Issue after VA Made Any Payment

VA only makes payments on guaranteed loans. VALERI automatically generates a BOC and presents it for approval if a payment was made on a loan and the Web Enabled Loan Guaranty System (WebLGY) later informs VALERI that the loan was not eligible for guaranty. This can happen as a result of an Inspector General review, or a determination that either the veteran or the property was ineligible for guaranty. In this case, the BOC is issued for the amount of any payments previously paid to the servicer on the loan.

13.2.1.2 Invalid Sale after VA Made an Acquisition and/or Claim Payment

An invalid sale occurs when foreclosure sale results are invalidated due to bankruptcy, procedural errors (including title problems), or the Servicemembers Civil Relief Act (SCRA). VALERI automatically generates a BOC and presents it for approval when the servicer or an SO enters the Invalid Sale Results event in the Servicer Web Portal, and the servicer previously received an acquisition and/or claim payment.

VALERI calculates the BOC to include the acquisition amount and Property Management (PM) assignment fees. If VA paid a claim, VALERI includes the claim amount in the BOC.

13.2.1.3 Improper Transfer of Custody after VA Made an Acquisition and/or Claim Payment

An improper transfer of custody occurs when a third party was the successful bidder or the servicer has chosen to retain the property, and the servicer transferred custody to VA in error. VALERI automatically generates a BOC and presents it for approval when the servicer or an SO enters the Improper Transfer of Custody event in the Servicer Web Portal, and the servicer previously received an acquisition and/or claim payment.

VALERI generates the BOC for all amounts previously paid for the acquisition of the property, plus property management assignment fees. The servicer may receive a second BOC from VA for additional property management expenses.

If the bid type was total debt, and VA paid a claim, VALERI includes the claim amount in the BOC. If the bid type was net value, and VA paid a claim, VALERI recalculates the claim amount using a credit to the indebtedness equal to the greater of the net value or proceeds from the foreclosure sale. In addition to this recalculation, VA also includes in the BOC the amount of any advances for taxes and insurance made after the termination date and any fees or expenses the servicer incurred in conjunction with the property transfer to VA.

13.2.1.4 Property Acquisition Overpayment

A property acquisition overpayment is discovered when a negative claim is calculated by VALERI. A negative claim occurs when the credit to indebtedness exceeds the borrower’s total eligible indebtedness. VALERI automatically generates a BOC and presents it for approval when a negative claim is approved on a loan for which VA made an acquisition payment. A negative claim on a loan for which VA made an acquisition payment can occur if the servicer incorrectly reported the borrower’s total eligible indebtedness at the time of loan termination.

For example, a servicer bid at a foreclosure sale, and they reported the following data with the Results of Sale event:

- Successful bidder: Holder.
- Total eligible indebtedness: $85,000.
- Net value: $80,000.
- Amount of successful bid: $80,000.

The servicer transferred custody of the property to VA, and received the acquisition payment equal to the net value of $80,000. The servicer then files a claim on the loan, and VALERI determines the total eligible indebtedness to be $79,000. VALERI calculates the negative claim amount as follows:

- Total eligible indebtedness: $79,000.
- Credit to indebtedness (net value): $80,000.
- Claim amount ($79,000 minus $80,000): - $1,000.

In this case, the BOC is issued for the amount of the negative claim ($1,000).

13.2.1.5 Post-Audit Claim Recalculation

A post-audit claim recalculation occurs when you perform a post-audit analysis of a case and recalculate the claim due to inaccurate information reported by the servicer. For example, the post-audit documentation submitted by the servicer reveals that the unpaid principal balance reported by the servicer in the delinquency status updates was different from the payment history.

VALERI automatically generates a BOC and presents it for approval when your post-audit findings are approved, and any claim recalculation you performed resulted in a net decrease to the claim payment. In this case, the BOC is issued for the amount of the net decrease in the claim payment.

13.2.1.6 Post-Audit Failure to Substantiate Claimed Items

A post-audit failure to substantiate claimed items occurs when you perform a post-audit analysis and determine that the servicer failed to substantiate one or more claimed items with supporting documentation. For example, the servicer does not submit an itemized invoice for work completed to substantiate $100 claimed for snow removal expenses, or the invoice that the servicer submitted to substantiate the expense shows that the actual cost of the snow removal was less than $100.

VALERI automatically generates a BOC and presents it for approval when your post-audit findings are approved. In this case, the BOC is issued for the difference between the submitted and the actual expenses.

13.2.1.7 Regulatory Infraction Identified during Post-Audit Review

A regulatory infraction identified at post-audit occurs when you review the case during the post-audit process and discover a previously unidentified regulatory infraction. If you discover a regulatory infraction at post-audit, you must add the infraction in VALERI. Refer to Chapter 7, Regulatory Infractions, for more information on adding regulatory infractions. If you determine that the regulatory infraction caused an additional loss to the government, you must associate an adjustment amount with the regulatory infraction equal to the amount of the additional loss.

VALERI automatically generates a BOC and presents it for approval when the regulatory infraction is approved. In this case, the BOC is issued for the amount of the additional loss to the government.

13.2.1.8 Cure reversal after VA made an incentive payment

A cure reversal occurs when a servicer discovers that they erroneously reported the Default Cured/Loan Reinstated event to VA. The servicer has two options when a cure reversal occurs. They may withdraw the Default Cured/Loan Reinstated event if the event revision and withdrawal timeframe has not expired. In this case, no BOC is required because no incentive was paid.

If the timeframe for revising or withdrawing the event has expired, the servicer must contact you via telephone call, e-mail, fax, or letter. In this case, you must take appropriate steps to ensure that the Default Cured/Loan Reinstated event is cancelled in VALERI. When the event is cancelled, VALERI automatically generates a BOC for the amount of any incentive paid on the loan for the current default.

13.2.2 Technician Generates BOC

To generate a manual BOC, you access the Payment History screen in VALERI and click on the payment for which you want to issue the BOC. You will be prompted to enter a dollar amount for the BOC and a reason. A supervisor will receive notice of the manual BOC and be required to approve or deny the manual BOC.[80]

You may need to issue a manual BOC if there is a:

- Post-audit failure to submit supporting documentation.
- Disapproval of any BOC.
- Certification non-concur on any BOC.

13.2.2.1 Post-Audit Failure to Submit Supporting Documentation

A post-audit failure to submit supporting documentation occurs when the servicer fails to submit any of the requested supporting documents within 30 days of the date the case is selected for post-audit. When the servicer fails to submit any supporting documentation for a post-audit, you issue the BOC for the entire amount of any claim or incentive paid for the current default.

13.2.2.2 Disapproval of Any BOC

Any time a manual or VALERI-generated BOC is disapproved by the approving official, you may be required to issue a manual BOC. In this case, you must review the reason for denial and work with the SO, if necessary, to determine whether or not a BOC should be issued and for what amount.

[80] Updated method for generating a manual BOC on 7/2009.

13.2.2.3 Certification Non-Concur on Any BOC

A certifying official can non-concur with the certification of a BOC. When a certifying official rejects certification of a BOC on a loan assigned to you, you may need to issue a manual BOC. In this case, you must review the reason for denial and work with the SO, if necessary, to determine whether or not a BOC should be issued and for what amount.

13.2.3 Servicer Receives Notice of BOC

VALERI posts a notice on the Servicer Web Portal when a BOC is certified for payment. To view the BOC details, the servicer accesses the Bill of Collections Status and Offsets report. The report includes the reason for the BOC, the amount of the BOC, the payment due date, and where payment must be sent.

13.2.4 Servicer Satisfies BOC

The servicer must satisfy the BOC by the payment due date. A servicer generally has 45 days to satisfy a BOC. If the servicer does not satisfy the BOC by the payment due date, VALERI offsets future payments to the servicer until the amount of the BOC is recovered.

If the servicer received a BOC for an invalid sale or improper transfer of custody, VALERI will not accept a Transfer of Custody event for a subsequent valid foreclosure sale for the property unless the BOC for the return of custody is satisfied.

If you receive a BOC payment from a servicer, take appropriate steps to send the payment to ALAC.

14 Appeals

A servicer may appeal VA decisions on incentives, claims, acquisitions, regulatory infractions, and bills of collection (BOCs). They have 30 days from the date VA posts its decision to the Servicer Web Portal to submit their appeal.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding appeals.
- The appeals process.
- How to manage appeals in VALERI.

14.1 Roles and Responsibilities

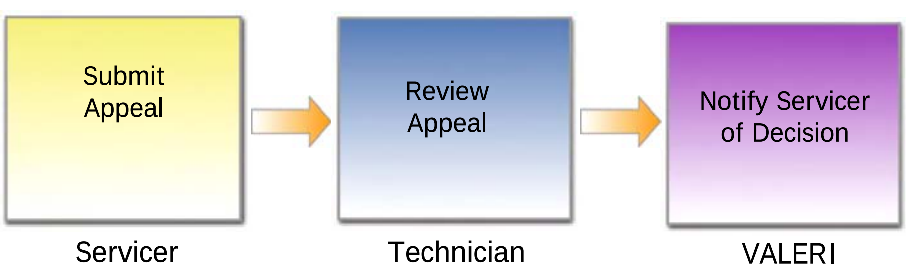
This section describes the roles and responsibilities regarding appeals for you and the servicer.

Your Role	You review appeals to make a recommendation to approve or deny the appeal. You record your recommendation in VALERI.
Servicer Role	Servicers are responsible for submitting appeals of VA decisions when they disagree with the outcome. Servicers submit appeals via the Servicer Web Portal. VA requires servicers to provide any supporting documentation along with their justification.

14.2 The Appeals Process

A servicer may appeal a VA decision within 30 days from the date that VALERI posts the decision to the Servicer Web Portal. For claim payments, servicers can appeal multiple disallowed items. They can only appeal each item once, as all appeals decisions are final. You review the appeal and make your recommendation in VALERI. VALERI routes your recommendation to either approve or deny an appeal to a Servicing Officer (SO) for final approval or denial. Figure 92 illustrates the appeals process.

Figure 92: Appeals Process



The following three steps are part of the appeals process:

- Servicer submits an appeal.
- Technician reviews appeal.
- VALERI notifies servicer of decision.

14.2.1 Servicer Submits Appeal

Servicers use the Servicer Web Portal to appeal VA decisions. On the Servicer Web Portal, the servicer can select the type of appeal[81], enter the justification, upload supporting documentation, enter an additional number of days requested, and recalculate payments. Servicers can appeal the following VA decisions:

- Unpaid incentive.
- Claims.
- Acquisitions.
- Regulatory infractions.
- Bills of collection.

14.2.1.1 Unpaid Incentive

Servicers may file an incentive payment appeal if they believe they are entitled to an incentive that VA denied. If VA approves the appeal, VALERI re-opens the incentive review process for the assigned technician to review and make a recommendation on payment of the incentive.[82]

14.2.1.2 Claims

Servicers can appeal the following:[83]

- Denied claim.
- Paid claim.
- Late claim.

Denied claim – Servicers can appeal any claim that VA makes the decision to deny. If VA approves the appeal, VALERI re-opens the claim review process for the assigned technician to review and make a recommendation on payment of the claim.

Paid claim – Servicers can appeal any partial or complete disallowances, the unpaid principal balance, the credit to indebtedness (proceeds of sale), and the number of days of interest paid on a claim. If VA approves the appeal, VA pays the additional amount owed to the servicer. Servicers can appeal more than one line item on a claim.

Late claim – Servicers can appeal a claim that was not accepted by VALERI because it was submitted late. If VA grants the appeal, VALERI accepts the Basic Claim event that was originally rejected for being late. VALERI also opens a review process for the assigned technician to review and make a recommendation on payment of the claim.

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[81] Updated on 5/15/2008

[82] Clarified that the appeal is for a denied incentive, and adds the process for paying the incentive if the appeal is granted on 7/2009.

[83] Clarified what is being appealed and how the claim gets paid after an appeal in approved on 7/2009.

14.2.1.3 Acquisition Payments

Servicer can appeal the following:

- Denied acquisition.
- Paid acquisition.
- Late acquisition.

***Denied acquisition* –** Servicers can appeal when VA makes a decision to deny an acquisition payment. If the appeal is granted, VALERI re-opens the acquisition review process for the technician to review and make a recommendation on payment of the acquisition.[84]

***Paid acquisition* –** Servicers can appeal the amount of an acquisition payment if they believe they were entitled to a higher payment amount. If VA approves the appeal, VA pays the additional amount owed to the servicer.

Late Acquisition – When the servicer transfers properties to VA, they must report the Transfer of Custody event within 15 days after the legal termination of the loan. If they report the Transfer of Custody event late, VALERI rejects the event. A servicer can appeal VALERI's rejection of a late transfer of custody within 30 days after they receive notice of the rejected event. For more information on conveyances, refer to Chapter 10, Property Acquisitions.

14.2.1.4 Regulatory Infractions

Servicers can appeal approved regulatory infractions on a loan. If VA approves the appeal, you override the regulatory infraction and, if a claim has already been paid, VALERI pays the additional amount owed to the servicer.[85]

14.2.1.5 Bills of Collection

Servicers can appeal a bill of collection issued on a loan. If the appeal is approved, the BOC will be removed from the loan.[86]

14.2.2 Technician Reviews Appeal

You review all appeals submitted by servicers. VALERI leads you through the appeal review process by routing the steps listed below to your workbasket as they become due. While it is the servicer's responsibility to provide information and justification for the appeal, you should use your judgment and knowledge of VA regulations and guidelines to make a recommendation.

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[84] Clarified what the servicer is appealing and how the acquisition is paid if the appeal is granted on 7/2009.

[85] Clarified what the servicer is appealing and how a payment is made if the appeal is granted on 7/2009.

[86] Corrected what happens when a BOC appeal is approved on 7/2009.

VALERI Process 37: "Review appeal"

Step 1: Review case – When reviewing an appeal, you consider the circumstances surrounding the loan and the justification provided by the servicer. You enter the date you complete your review in VALERI to complete this step.

Step 2: Obtain documentation from the servicer – The servicer should submit any supporting documents at the time of appeal.[87] Documents may include post-audit documentation, invoices, and any other documents that the servicer believes will support the appeal. You enter the date that the documentation was received from the servicer to complete this step. If the servicer does not submit adequate supporting documentation within the required timeframe, you deny the appeal.

Step 3: Make recommendation to approve or deny appeal – When this step enters your workbasket, you make a recommendation to approve or deny the appeal. You carefully review the servicer's supporting documentation to decide whether it adequately justifies the appeal. You can contact the servicer for additional information if needed.

It is important that you use your best judgment when recommending approval or denial of an appeal. Some examples of situations in which you would approve an appeal include:

- Servicer submits additional supporting documentation to support their case.
- Servicer submits documentation for a reimbursement that VALERI automatically denied at claim, such as foreclosure restart fees.
- You discover a mistake that VA made during the original processing of the case.
- You discover issues beyond the control of the servicer that did not cause harm to the borrower or generate loss for VA.

Refer to Annex 8, Post-Audit Annex for guidance on common reasons that servicers may appeal a VA decision. Note that the annex is written primarily for use with the post-audit process, but may also be used as guidance during an appeal determination.

Step 4: Approve or deny recommendation – Your appeal recommendation is routed to an SO who approves or denies the recommendation.

Note: Appeals for late or denied claims, as well as late or denied acquisitions, are managed using a two-step process in VALERI. In these cases, servicers are required to submit their documentation with the appeal. Once this process is initiated in your workbasket, you: 1) review the supporting documentation, and 2) make a recommendation to approve or deny the appeal based on your review of the case.

14.2.3 VALERI Notifies Servicer of VA's Decision

After final determination of the servicer's appeal is completed, VALERI posts the final decision to the Servicer Web Portal. Servicers can view VA's decision via the Appeals Status report. The report also provides additional information such as VA's reasoning for

[87] Updated on 5/15/2008

the appeals decision and the dollar amount VA will pay as a result of the appeal, when applicable.

14.3 Appeals in VALERI

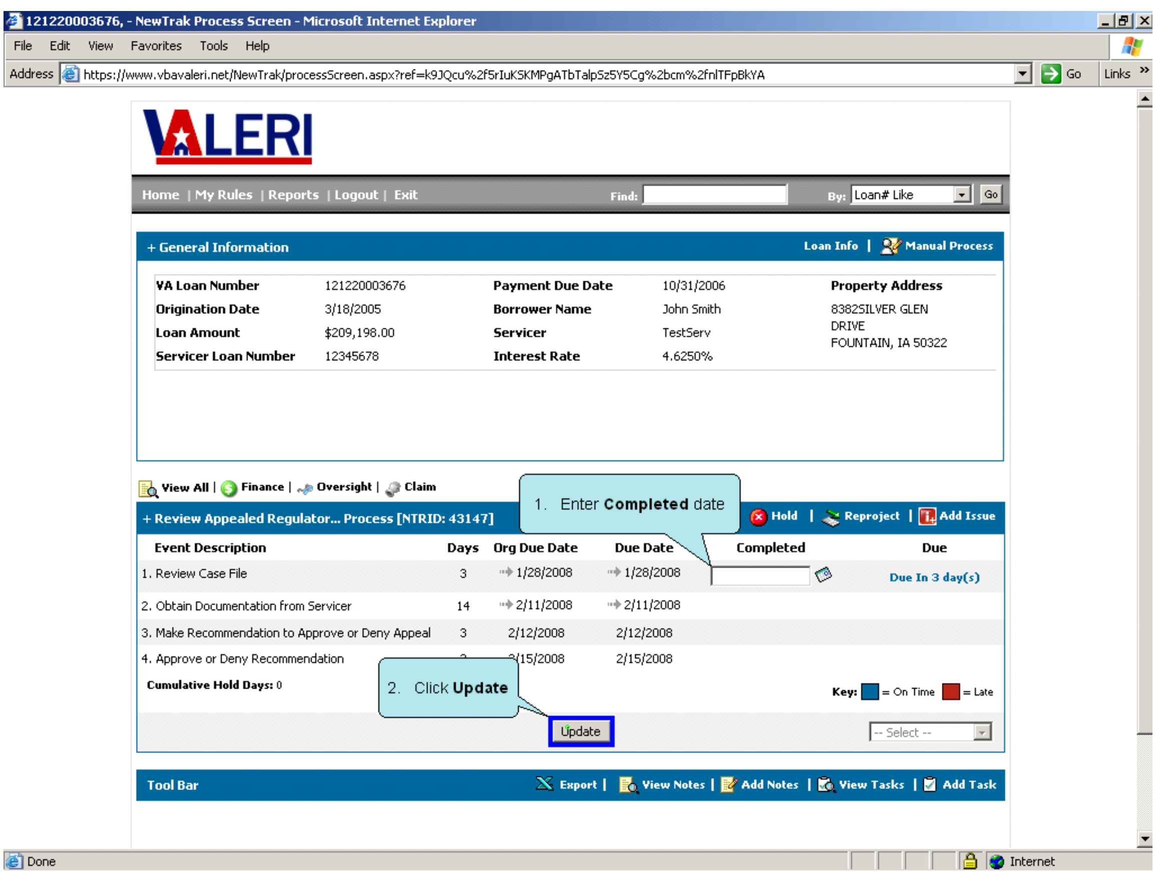
To process an appeal, you access the appeal process screen for the “review appeal” process. Each type of appeal has its own process name. For example, when a servicer submits an appeal on a rejected claim, you complete the “review appeal rejected claim” process. To complete the appeals processes you:

- Review case file.
- Obtain documentation from servicer.
- Make recommendation to approve or deny appeal.

14.3.1 Review Case File

To complete Step 1, you familiarize yourself with the information and circumstances surrounding the loan for which a servicer has submitted an appeal. You do this by viewing all the notes recorded to date, the loan information, and the payment history for this loan. When you have completed reviewing all applicable loan information, you enter the day you complete this step as shown in Figure 93.

Figure 93: Complete Review of Case File



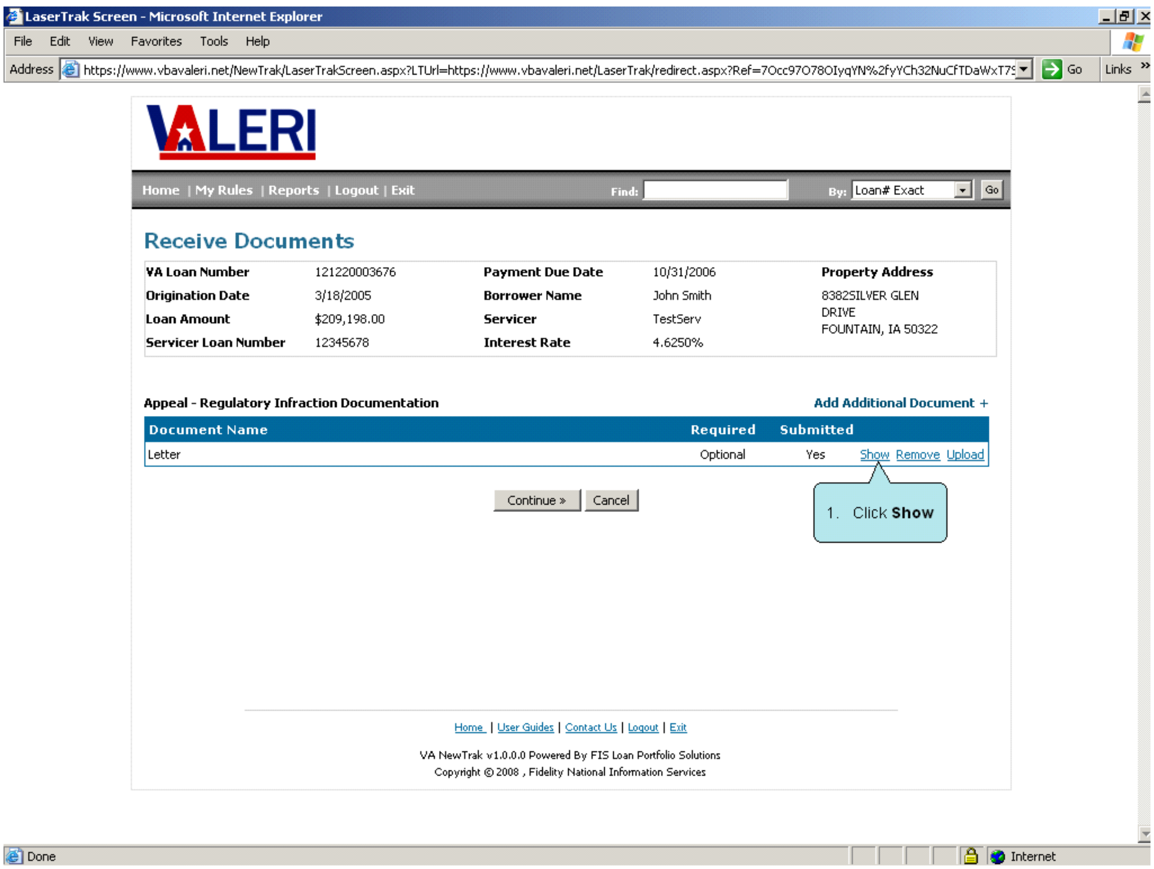
Instructions:

1. Enter the date when you completed the case file review in the **Completed** field.
2. Click **Update** button to update this process step completion date.

14.3.2 Obtain Documentation from Servicer

VA requires servicers to submit documentation that supports their appeal. The documents submitted depend on the type of appeal (e.g., claim payment, regulatory infraction, acquisition payment). Support documents may include post-audit documentation, invoices, or any other documents that the servicer believes will support the appeal. You have to review all documents received as part of Step 2. Figure 94 provides an example of how to view documentation the servicer has submitted to support the appeal.

Figure 94: View Supporting Documentation

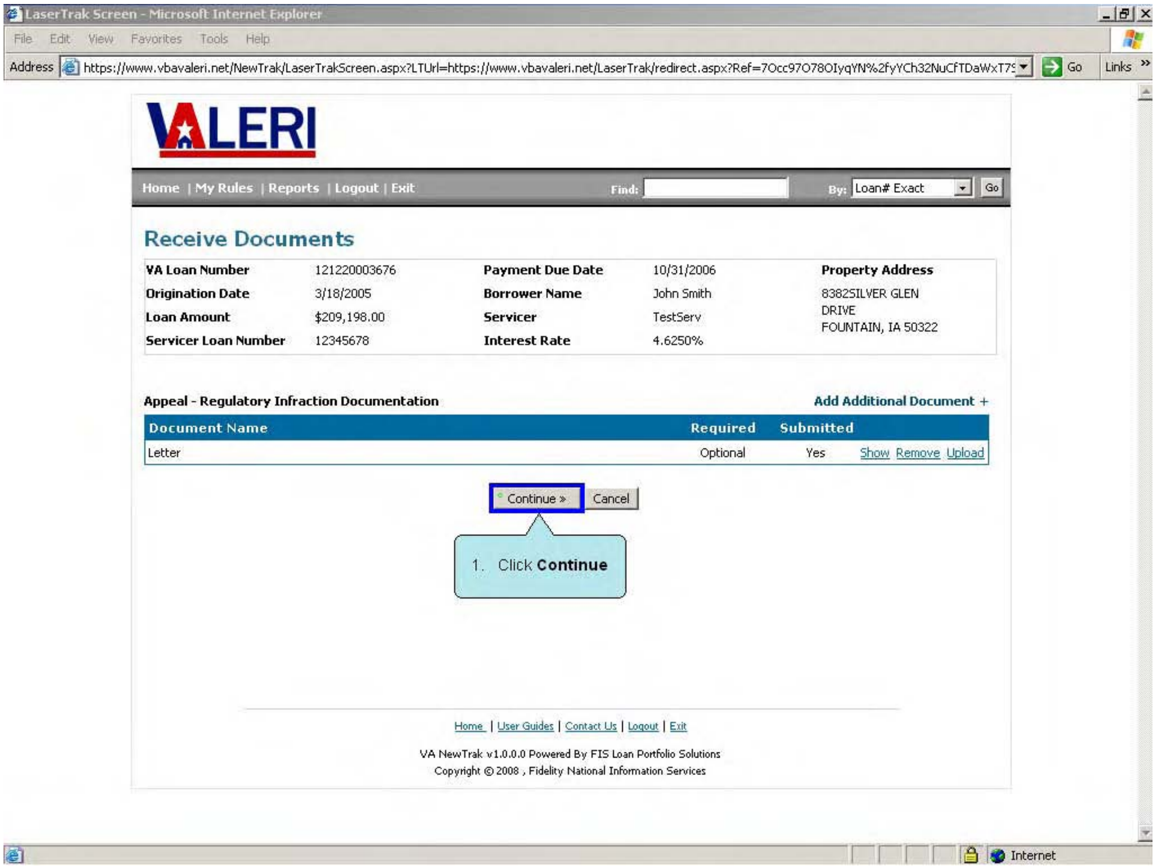


Instructions:

1. Click the **Show** link to view the letter.

You review the documentation to verify that it supports the justification of the appeal. This screen also enables you to view or delete the document uploaded by the servicer and to add additional documents if necessary. Once you have reviewed all the uploaded documents, you can complete the documentation review as shown in Figure 95.

Figure 95: Complete Documentation Review



Instructions:

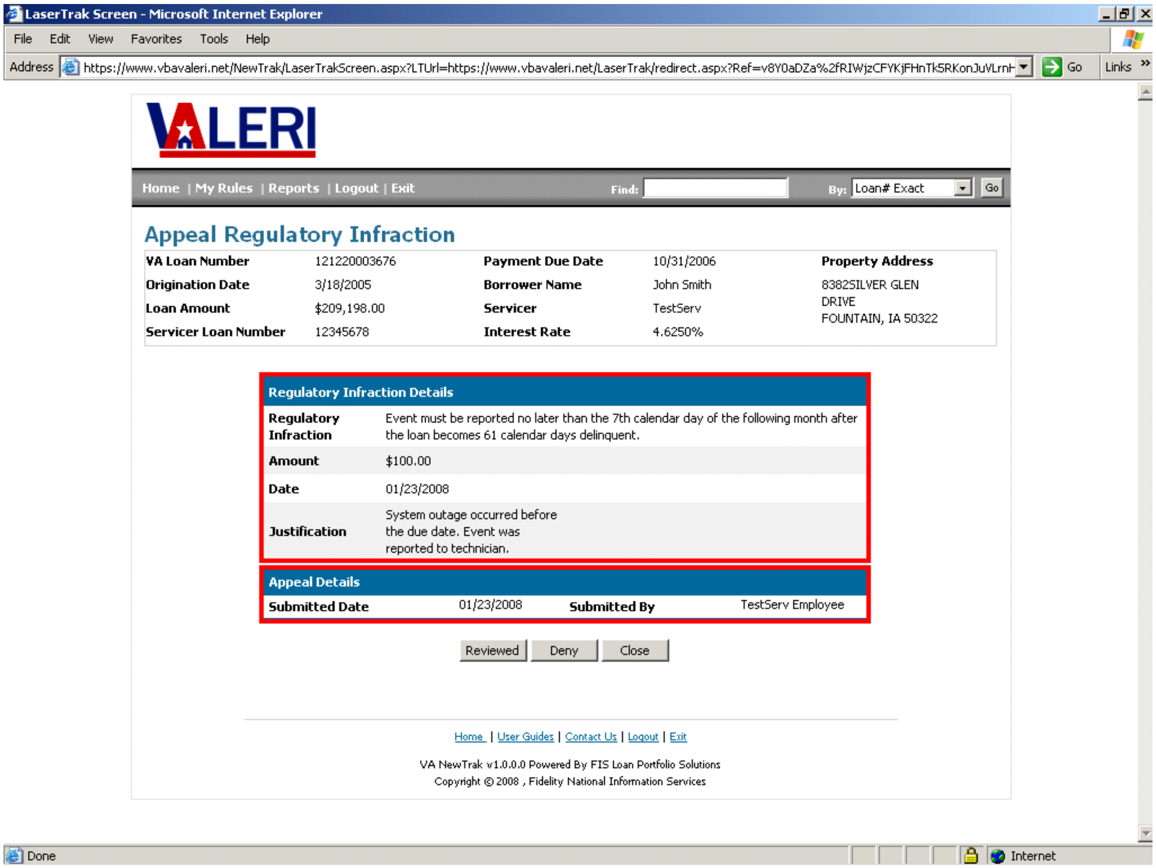
1. Click the **Continue** button to proceed to the next step.

If you have not finished your review, you can click the Cancel button to go to the process screen without completing the review step. Once you click Continue, VALERI auto-completes the documentation review step. You are now ready to move to Step 3, Make Recommendation to Approve or Deny Appeal.

14.3.3 Make Recommendation to Approve or Deny Appeal

After you click on the Make Recommendation to Approve or Deny Appeal link, VALERI allows you to view details of the circumstances that the servicer is appealing. Figure 96 provides an example of the details of an appealed regulatory infraction. The screen describes the business rule that created the infraction and shows the amount and date of the infraction. It also shows the justification provided by the servicer to support the appeal.

Figure 96: Details of the Appealed Regulatory Infraction



To complete the appeal review, review the justification and make a decision whether or not the justification and supporting documentation reviewed earlier support the appeal. You can return to the Process screen to view the supporting documentation at anytime.

If you decide to recommend approval of the appeal, click on the Reviewed button. If you want to deny the appeal, click on the Deny button. If you want to defer your decision to a later time, click on the Close button.

After you click make your decision, VALERI routes you back to the Process screen and auto-completes Step 3. VALERI routes Step 4, Approve or Deny Recommendation to a Servicing Officer (SO) who reviews the recommendation for approval or denial.

15 Pre-Approvals

VA requires servicers to follow regulations for servicing loans guaranteed by VA unless extenuating circumstances prevent them from doing so. If servicers must deviate from a regulatory requirement, they can request a pre-approval. A pre-approval means that they may contact you and request a one-time “prior approval” to deviate from a regulation on one loan.

To request a pre-approval, servicers call the VA technician assigned to the loan. When you receive a pre-approval request from a servicer, you can request documentation to justify the servicer’s request. The documentation may include any post-audit documentation that is available at the time of the request as well as any additional documents that justify the request.

When you have completed this chapter, you will understand:

- Roles and responsibilities regarding pre-approvals.
- The pre-approvals process.

15.1 Roles and Responsibilities

This section describes the roles and responsibilities regarding pre-approvals for you and the servicer.

Your Role

You review pre-approval requests and make a determination to grant or deny the request based upon the servicer’s justification and supporting documentation. You notify the servicer of your decision by telephone and provide written notification via e-mail, fax, or letter.

Servicer Role

Servicers are responsible for complying with VA regulatory requirements pertaining to VA guaranteed home loans. In the event that they cannot comply with a requirement, they may contact you and request approval to deviate from the established requirement. If necessary, they will provide justification and supporting documentation.

15.2 The Pre-Approval Process

A servicer can request a pre-approval by contacting you via telephone, e-mail, or fax. After they make a request, you make a determination and notify them of the final decision within seven days.

Figure 97 illustrates the pre-approval process.

Figure 97: Pre-Approval Process

The following three steps comprise the pre-approval process:

- Servicer requests pre-approval.
- Technician processes pre-approval request.
- Technician notifies servicer of VA's decision.

15.2.1 Servicer Requests Pre-Approval

To request a pre-approval, a servicer contacts you with the request. You ask the servicer to submit supporting documentation to justify the request. You must note their contact information, including telephone number and email address, in order to follow up with them on the decision.

Servicers may request a pre-approval for any deviation from regulatory requirements caused by unusual circumstances. The following requirements are the most common examples of issues requiring a pre-approval:

- Multiple modifications on a loan[88].
- Acceptance of a compromise sale for less than net value.

15.2.1.1 Multiple Modifications on a Loan

VA requires that servicers follow regulation 38 CFR 36.4815 when modifying loans. A servicer can ask for a pre-approval if extenuating circumstances lead them to consider a modification that does not meet the regulation requirements. Specifically, the servicer can ask for a pre-approval if the loan has been modified three times prior to the current modification or if the loan has been modified within three years of the current modification.

If a servicer contacts you with this pre-approval request, you follow these steps:

- Request the following information from the servicer in writing (email is sufficient), if not received as part of the request: Reason for current default; reason for default on any previous modifications; whether or not the current reason for default is rectified; how many payments were made on the previous modification(s); a copy of the credit report used to determine if the borrower is creditworthy (made be an in-file report from the servicer's loss mitigation tool); proof of income (such as copies of

[88] Multiple modifications on a loan pre-approval guidance added on 5/15/2008.

pay stubs); and a financial worksheet (may be a printout from the servicer's loss mitigation tool).

- Once you have received the required information, open the manual process "make loss mitigation recommendation" in VALERI and use the loss mitigation tool to determine if the modification is a feasible option for the borrower. If VALERI recommends another loss mitigation option, contact the servicer for more information on why they are choosing a modification. You have seven days to make your decision once you have received the required documents.
- Using the information that you receive from the servicer and the loss mitigation tool, process the pre-approval request as instructed in section 15.2.2.

15.2.1.2 Acceptance of a Compromise Sale for Less than Net Value

(38 CFR 4822)

VA generally requires that the net proceeds from a compromise sale be greater than the net value of the property. However, a servicer may request pre-approval to accept a compromise sale when the net proceeds are less than net value of the property. You should evaluate this request based on the amount of the offer and whether the compromise sale offers cost savings to the Government over foreclosure. If VA approves the compromise sale, you must adjust the credit to indebtedness on the servicer's claim to be equal to the proceeds of sale.[89] For more information on requirements for compromise sales, refer to Chapter 5, Loss Mitigation, of the Servicer Guide.

15.2.2 Technician Processes Pre-Approval Request

(38 CFR 36.4845)

After the servicer contacts you with a pre-approval request, you should access the loan and open a pre-approval issue in VALERI with information about the request including the justification and the amount requested. Servicers should submit all supporting documentation on the Servicer Web Portal.[90] Documentation may include post-audit documents if they are available at the time of request as well as any other documents that justify the request.

Once you review all available supporting documentation, use your best judgment in recommending approval or denial of the pre-approval request. You should recommend approval of the request if it meets the following four requirements:

- Servicer has not already reported the event associated with the request.
- The circumstance for which the servicer is requesting pre-approval was caused by extenuating circumstances out of the servicer's control.
- The documentation submitted by the servicer substantiates the request.
- Approval is in the best interest of the borrower and the Government.

[89] Clarified how to adjust the claim payment on 7/2009.

[90] Deleted need to work with SLT to gain access to documents on 7/2009.

Once you make your recommendation, enter the reason in VALERI, and complete the issue, a Servicing Officer (SO) reviews the recommendation. The SO reviews your recommendation and the justification in the Issue screen and approves or denies the request. If the SO denies the request, then the pre-approval is not granted, and you notify the servicer of VA's decision. The SO may contact you for additional information or to request that you re-analyze your recommendation. You can check the status of the issue at any time by accessing the Issue screen on the loan.

If VA grants a pre-approval request, the issue remains open on the loan. An open issue automatically makes an associated claim non-routine, allowing you to make any adjustments necessary to the claim. VALERI does not automatically allow the additional pre-approved expenses to be paid on the claim. It is your responsibility to manually adjust the claim for the amount of the pre-approval as you process the non-routine claim. For more information on claims, refer to Chapter 11, Claims.

15.2.3 Technician Notifies Servicer of VA's decision

You have seven days from the date of receipt of the request for a pre-approval to contact the servicer with VA's decision. You notify the servicer of the decision via telephone and e-mail or letter. Your communication should include the determination and the amount of the pre-approval if applicable, along with your contact information.

Annex 1 – Glossary

4600 Repurchase: A loan VA sells to a private lender under the terms of 38 CFR 36.4600. Under this regulation, VA must repurchase the loan when it is in default for three months and the amount of the delinquency equals or exceeds the sum of two monthly installments.

Abandonment: The release of a claim or right to a property with the intention of terminating ownership and without giving it to anyone else. A property status indicating the property is vacant, is not being maintained, and is not offered for sale or rent.

Accrued Unpaid Interest: The interest earned for the period of time that has elapsed since interest was last paid.

Adequacy of Servicing Review: When a VA technician reviews the servicer's attempts to avoid foreclosure on a loan at the 210th day of delinquency.

Adjustable-Rate Mortgage (ARM): A mortgage that permits the holder to adjust its interest rate periodically on the basis of movement in a specified index.

Advance: An amount the servicer pays with corporate funds on behalf of the borrower for the (1) maintenance or repair of the security, (2) payment of accrued taxes, special assessments, ground or water rents, (3) premiums on casualty insurance against loss or damage to the property, and (4) funding fee of one-half of one percent for a transfer when it is not paid at the time of transfer.

Alternative to Foreclosure: Loss mitigation options considered by the servicer after deeming home retention options infeasible and prior to going to the foreclosure sale. Alternatives to foreclosure include private sales, compromise sales, and deeds-in-lieu of foreclosure.

Amortization: Gradual reduction of the mortgage debt through periodic payments scheduled over the mortgage term.

Appeal: A request made by the servicer to have a case reviewed again when they disagree with a VA decision.

Automatic Lender: A VA designation that allows eligible lenders to conduct the processing and closing of loan applications without VA's prior review. See VA Lender Handbook for more information.

Basis Point: One hundredth of a percentage point. One BP equals 0.01 percent.

Bill of Collection (BOC): A bill set up by VA to recover funds.

Central Office Servicer Liaison (COSL): The servicer's point of contact for general program, administrative, and training questions.

Compromise Sale: An alternative to foreclosure that allows borrowers to settle the mortgage debt by selling their home even though the sale proceeds are less than the total indebtedness.

Confirmation of Sale: A hearing in which the court confirms the foreclosure sale unless valid objections are raised.

Construction and Valuation (C&V): VA unit responsible for valuing property.

Conveyance: The written instrument by which title to real property is transferred from one party to another.

Cost Factor: A percentage of fair market value that represents the estimated cost to VA of acquiring and disposing of the property.

Coupon Rate: The coupon rate is the interest rate specified in the evidence of indebtedness secured by the mortgage instrument. The coupon rate on a mortgage is the interest rate on the face of the mortgage note.

Custody Transfer: The transfer of responsibility for a property from one party to another.

Deed-in-lieu (DIL): A voluntary transfer of property from the borrower to the holder for a release of all obligations under the mortgage.

Default: The failure to make a mortgage payment or to otherwise comply with one or more covenants of the mortgage. There are two types of defaults: (1) fiscal and (2) covenant. (1) A monetary default exists when the owner fails to make any payment due under the mortgage. (2) A covenant default exists when the owner fails to perform any other covenant under the provisions of the mortgage or of the regulatory agreement, which is incorporated into the mortgage.

Delinquency: The failure to make a mortgage payment (or payments) when due. Delinquency occurs when all or part of the borrower's monthly installment of principal, interest and, where applicable, escrow is unpaid after the due date.

Delinquency Letter: Notice required by VA that is sent to the borrower no later than the 30th day of delinquency. The letter informs the borrower of the seriousness of the delinquency and the amount due.

Department of Housing and Urban Development (HUD): A cabinet-level agency of the Government that is responsible for the implementation and administration of housing and urban development programs.

Department of Veterans Affairs (VA): A cabinet-level agency of the US Government that is in charge of administering various veterans benefits programs. One benefit program is the guarantee of residential mortgage loans made by lending institutions to qualified veterans of the United States armed forces or their surviving spouses.

Early Payment Default (EPD): A situation where the borrower defaults on a loan within six months of loan origination or modification.

Electronic Default Notification (EDN): The notice containing specified loan data that servicers are required to report electronically to VA on the 61st day of delinquency.

Escrow: Escrow includes all funds collected to cover expenses to be paid under the mortgage including, but not limited to, taxes, special assessments, ground rents and other charges that are or may become first liens on the mortgaged premises, as well as property insurance premiums and mortgage insurance premiums. Amounts held by a mortgagee (or mortgagee's agent) which belong to the mortgagor but are collected to ensure future payment of items such as property taxes and insurance.

Event: A significant action or decision made by the servicer. Servicers report events to notify VA that a significant action or decision has been made. Servicers report most events through their service bureau or manually via Servicer Web Portal. Servicers report a few events by telephone call, e-mail, fax, or letter.

Fair Credit Reporting Act: The law that sets forth legal standards governing the collection, use, and communication of credit data and certain other information about consumers.

Fair Market Value: The price at which a property is transferred between a willing buyer and a willing seller, each of whom has a reasonable knowledge of all pertinent facts and neither of whom is under any undue pressure to act.

Forbearance Agreement: See Special Forbearance.

Funding Fee: The closing cost assessed by VA to originate or assume a loan made after January 1, 1990. This fee will vary depending upon the type of VA loan and whether this is the first use of VA entitlement. VA does not require disabled veterans or surviving spouses of veterans who died in service or from a service-connected disability to pay a funding fee.

Government National Mortgage Association (GINNIE MAE): A wholly owned U.S. Government corporation within the Department of Housing and Urban Development (HUD). Ginnie Mae was created to support a secondary market in Government-insured and guaranteed mortgage loans and guarantees the timely payment of principal and interest on its securities. The full faith and credit of the United States guarantee these payments.

Hazard Insurance: Insurance coverage that compensates the insured or the lien holder (mortgagee) for physical damage - by fire, wind, or other natural disasters - to the property.

Home Retention Options: Loss mitigation options that enable borrowers to retain homeownership. The home retention options are repayment plan, special forbearance, and loan modification.

Homeowner's Assistance Program (HAP): This program authorizes the Department of Defense to provide assistance to eligible military and civilian homeowners by reducing their losses incident to the disposal of their homes when the military installation at which they were employed or serving is ordered to close in whole or in part.

Incentives: Payments to servicers for successfully completed loss mitigation options.

Indemnification Agreement: An agreement established with originating lenders following a VA Monitoring Unit audit that determines egregious underwriting procedures. The agreement states that VA refuses to pay claims from originating lenders on certain loans. The originating lender must reimburse VA for losses under the guaranty.

Insoluble: The determination that a default cannot be cured through a home retention option. This determination should only be made after the servicer has made personal contact with the current owners and has exhausted all reasonable efforts to cure the default.

Insurable Loss: Property damage that results in an insurance claim being filed.

Invalid Sale: A foreclosure sale deemed without legal force.

Judicial Foreclosure: Foreclosure through court action rather than by a power of sale.

Lien: A legal hold or claim of one person on the property of another as security for a debt or charge.

Loan Administration (LA): VA unit responsible for monitoring servicers of VA loans and intervening in loan servicing as needed.

Loan Identification Number (LIN): The twelve-digit VA loan number that identifies the VA office of jurisdiction, the loan type, and the individual loan.

Loan Modification: A permanent change in one or more of the terms of a loan and typically includes re-amortization of the balance due.

Loan Production (LP): VA unit responsible for all activities involving VA home loan origination.

Loan Termination: The date of the legal termination under foreclosure law, the execution of the deed in lieu of foreclosure, repossession, or paid in full date.

Loss Mitigation Letter: The second and final collection letter that VA requires servicers to send to borrowers. This notice informs the borrower of the loss mitigation options available and the potential entitlement loss as a result of the continued delinquency.

Loss Mitigation Options: Options that reduce either the likelihood of suffering financial losses on a loan or the final dollar value of those losses in the event of a borrower default.

Manufactured Housing: Moveable dwelling units designed and constructed for year round occupancy by a single family, on land, containing permanent eating, cooking, sleeping, and sanitary facilities.

Maximum Guaranty: The obligation of VA to repay a specified percentage of a loan upon the default of the primary debtor. The guaranty means the lender is protected against loss if the veteran or a later owner fails to repay the loan.

Monitoring Unit: VA unit that performs on-site industry audits.

Mortgage: Pledge of real property as security for the repayment of a debt, or the document that creates and represents the lien upon the real property that secures the debt.

Mortgage Loan: Debt that is evidenced by a mortgage note, therefore it is secured by a mortgage.

Mortgage Note: The evidence of debt that is secured by a mortgage.

Net Proceeds: The sales price less the seller's expenses.

Net Value: The fair market value of property minus the VA cost factor.

Net Value Bid: The amount that servicers bid when the Net Value of the property is greater than the unguaranteed portion of the indebtedness but less than the total indebtedness. It is also a net value bid when the amount of the bid is less than the unguaranteed portion of the indebtedness and the servicer is writing off the portion not guaranteed.

Non-Judicial Foreclosure: The authority to terminate a loan through the power of sale.

Offset: The result of a servicer failure to satisfy a bill of collection (BOC). VA reduces future payments to the servicer until the amount of the BOC is satisfied.

On-Site Audit: A review of on-site operations conducted by the VA Monitoring Unit to supplement other monitoring activities.

Partial Payments: A remittance on a loan in default of any amount less than the full amount due under the loan terms in effect when the payment is tendered.

Partial Release of Security: When a portion of a secured property is released from the lien.

Post-Audit: VA review of the supporting documentation for selected cases.

Prepayment: The payment of all, or a portion of the mortgage debt, before it is due.

Private Sale: An alternative to foreclosure that should be considered when the borrower no longer has sufficient income to maintain the mortgage payments but has equity in the home.

Property Preservation Expenses: Expenses incurred by the servicer to protect and preserve properties when they become vacant and abandoned.

Real Estate Settlement Procedures Act (RESPA): Federal law which regulates the settlement practices within the real estate industry. This law requires the provision of Good Faith Estimates of Closing Costs, prohibits kickbacks for referrals of related services, and standardizes the closing with a required form and format (HUD-1).

Reconveyance: The transfer of legal title from VA back to the servicer.

Redemption Period: A period of time established by state law during in which a property owner has the right to redeem the property from a forced, public foreclosure sale.

Refund: VA option to purchase a loan in default from a servicer and take over the servicing.

Regional Loan Center: A Veteran’s Benefits Administration office that is a point of contact for servicers for inquiries on specific VA loans.

Release of Liability (ROL): A formal agreement absolving a mortgagor from responsibility under a mortgage because another party has agreed to assume the mortgage obligations.

Repayment Plan: A verbal or written agreement for reinstatement of the loan in which the borrower agrees to pay the normal monthly payments plus a portion of the delinquency each month.

Return Custody: The act of returning responsibility for maintenance of a property.

Right of Redemption: A borrower's right to reacquire property lost due to a foreclosure.

Servicer Appraisal Processing Program (SAPP): A program that allows approved servicers to review VA liquidation appraisals and establish the fair market value of a property.

Servicer Web Portal: A web-based user interface developed to enable servicers to interact with VALERI. The Servicer Web Portal is a primary means of communicating with servicers about their loans and enables servicers to report events, file claims and appeals, upload and send documents to VA, and access various reports.

Servicing: Process of billing, collecting and disbursing payments, performing loss mitigation, and filing reports on a mortgage loan.

Servicing History: The documented record of loan servicing, including but not limited to contacts with the borrower, current servicing actions, collection actions, and loss mitigation actions.

Servicemembers Civil Relief Act (SCRA): A Federal law that provides relief for veteran-borrowers called to active military service on loan obligations incurred prior to their current period of service.

Special Forbearance: Special forbearance is a written agreement between servicer and borrower that contains a plan to reinstate a loan and provides relief such as suspension or reduction of payments for one or more months.

Staff Appraisal Reviewer (SAR): A servicer's employee with VA certification to review VA appraisals and determine the fair market value of the property.

Substantial Borrower Equity: A case with a fair market value greater than or equal to 1.2 times the total indebtedness. This is considered during the foreclosure process.[91]

Supplemental Claim: A claim a servicer submits to account for expenses not included in the initial claim.

Tier Ranking: VA's four-tiered ranking system to evaluate servicer performance. A servicer's tier ranking affects incentive payment amounts.

Total Debt Bid: The amount a servicer bids if the Net Value of the property exceeds the total indebtedness.

Total Eligible Indebtedness: Total indebtedness consists of the unpaid principal balance, accrued unpaid interest, allowable paid liquidation expenses, and allowable advances, less any credits.

Total Indebtedness: The total amount of debt owed to the servicer by the borrower, including the unpaid principal balance, accrued unpaid interest, and expenses chargeable to the loan.

Transition Loan: A loan that existed as a reportable default prior to the implementation of VALERI.

Texas Veteran's Land Board (TVLB): The TVLB has administers a state benefit called the Veterans Housing Assistance Program (VHAP). This program currently allows Texas veterans to borrow a maximum of $240,000 to purchase a qualified home. In cases when the veteran needs more than $240,000.00 to purchase a home, a TVLB participating lender must lend the additional funds to the Veteran. This is a "two note loan" which is underwritten as a co-first lien utilizing one Deed of Trust.

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[91] Updated to 1.2 times on 5/15/2008

Unguaranteed Portion of Indebtedness: The amount of the borrower's debt not covered by the maximum claim payable under the guaranty.

VA Loan Electronic Reporting Interface (VALERI): Loan Administration's web-based system that supports VA employees and servicers operating in the new regulatory environment. VALERI replaces the Loan Servicing and Claims system (LS&C), and is central to overseeing the servicing of VA guaranteed loans.

VA Loan: Residential mortgage loan made to veteran borrowers under the VA loan guaranty program.

WebLGY: The Web-enabled Loan Guaranty System utilized by VA Loan Production to manage loan origination data.

Write-Off: An amount deducted from the indebtedness so that the Net Value is greater than the unguaranteed portion of the indebtedness.

Annex 2 – Acronyms

ALT	Assistant Loan Technician
ARM	Adjustable Rate Mortgage
BOC	Bill of Collection
C&V	Construction and Valuation
CBT	Computer Based Training
CFR	Code of Federal Regulations
CHL	Countrywide Home Loans
CO	Central Office
COSL	Central Office Servicer Liaison
CPTS	Centralized Property Tracking System
DIL	Deed-in-lieu
EDN	Electronic Default Notification
EPD	Early Payment Default
FEMA	Federal Emergency Management Agency
FMS	Financial Management System
GEM	Growing Equity Mortgage
GNMA	Government National Mortgage Association (Ginnie Mae)
GPM	Graduated Payment Mortgage
HAP	Homeowner’s Assistance Program
HUD	Department of Housing and Urban Development
ID	Identification
ITP	Individual Training Plan
LA	Loan Administration
LAO	Loan Administration Officer
LAPP	Lender Appraisal Processing Program
LGC	Loan Guaranty Certificate
LIN	Loan Identification Number
LP	Loan Production
LT	Loan Technician
LTV	Loan to Value
MU	Monitoring Unit

NOV	Notice of Value
OIG	Office of the Inspector General
OJ	Office of Jurisdiction
P&I	Principal and Interest
PACER	Public Access to Court Records (Report)
PLOU	Portfolio Loan Oversight Unit
PM	Project Management
PMOU	Project Management Oversight Unit
RESPA	Real Estate Settlement Procedures Act
RLC	Regional Loan Center
RO	Regional Office
ROL	Release of Liability
SAPP	Servicer Appraisal Processing Program
SAR	Staff Appraisal Reviewer
SCRA	Servicemembers Civil Relief Act
SLMP	Servicer Loss Mitigation Program
SLT	Senior Loan Technician
SO	Servicing Officer
T&I	Taxes and Interest
TAS	The Appraisal System
TVLB	Texas Veteran's Land Board
UPB	Unpaid Principal Balance
U.S.C.	United States Code
VA	Department of Veterans Affairs
VACO	VA Central Office
VALERI	VA Loan Electronic Reporting Interface
VBA	Veterans Benefits Administration
WebLGY	Web-enabled Loan Guaranty System

Annex 3 – Business Rules for Non-Routine Incentives

This annex supplements Chapter 6, Servicer Incentive Payments. As outlined in Chapter 6, you are required to review incentives on loans that fail certain business rules and determine whether to recommend approving or denying the incentive. These business rule failures classify the incentive as a non-routine incentive. Before recommending approval of a non-routine incentive payment, you must review and override all business rule failures that caused VALERI to initiate the non-routine incentive review process.

Table 16 describes the business rules whose failure will cause VALERI to initiate a non-routine incentive review process. Only one failure of a business rule in Table 16 has to occur to initiate this process.

Table 16: Business Rules for Non-Routine Incentives

No	Name of Event	Data Element	Business Rule
1	All Events Except Release of Liability	N/A – Event business rule	For type 6 loans, a release of liability must be submitted prior to or with a transfer of ownership
2	Transfer of Ownership	N/A – Event business rule	Event must only be reported on current loans
3	Electronic Default Notification	N/A – Event business rule	Event must be reported no later than the 7th calendar day of the following month after the loan becomes 61 calendar days delinquent
4	Electronic Default Notification	Payment due date	Date must be on or after date of the Loan
5	Electronic Default Notification	Payment due date	For modified loans, payment due date must be on or after date the loan was modified
6	Electronic Default Notification	Unpaid principal balance	Unpaid principal balance must be greater than or equal to 0
7	Electronic Default Notification	Unpaid principal balance	Unpaid principal balance must be less than or equal to the original loan amount (unless the loan is a GPM). If the loan has been modified, the unpaid principal balance must be less than or equal to the modified loan amount.
8	Electronic Default Notification	Principal and interest (P&I) portion of monthly installment	Principal and interest (P&I) portion of the monthly installment must be greater than zero
9	Electronic Default Notification	Taxes and insurance (T&I) portion of monthly installment	Taxes and insurance (T&I) portion of the monthly installment must be greater than zero

No	Name of Event	Data Element	Business Rule
10	Electronic Default Notification	Other portion of monthly installment	Other portion of the monthly installment must be greater than zero
11	Electronic Default Notification	Occupant of property	Occupant must be a valid value (original veteran, tenant, transferee, vacant, or abandoned)
12	Electronic Default Notification	Primary reason for default (servicer may report only one)	Reason for default must be a valid VA reason for default
13	Delinquency Status	Unpaid principal balance (UPB)	Unpaid principal balance must be greater than or equal to zero
14	Delinquency Status	Payment due date	Payment due date must be on or after the date of the loan
15	Delinquency Status	Payment due date	For modified loans, payment due date must be on or after date the loan was modified
16	Delinquency Status	Principal and interest (P&I) portion of monthly installment, if changed	Principal and interest (P&I) portion of the monthly installment must be greater than zero
17	Delinquency Status	Taxes and insurance (T&I) portion of monthly installment, if changed	Taxes and insurance (T&I) portion of the monthly installment must be greater than zero
18	Delinquency Status	Other portion of monthly installment, if changed	Other portion of the monthly installment must be greater than zero
19	Partial Payment Returned	Date partial payment returned	Date the servicer returned the partial payment to the obligor must not be in the future
20	Partial Payment Returned	Date partial payment returned	Date the servicer returned the partial payment to the obligor must be on or after the payment due date reported in the Electronic Default Notification (EDN)
21	Default Cured/Loan Reinstated	Date loan reinstated	Servicer should only report reinstatements for reportable defaults
22	Repayment Plan Approved	N/A – Event business rule	Event immediately before the repayment plan approved event must not be a bankruptcy filing event
23	Repayment Plan Approved	N/A – Event business rule	Event must only be reported on a reportable default that has not cured
24	Repayment Plan Approved	Estimated cure date	To be eligible for an incentive, repayment plan must be at least three months in duration

No	Name of Event	Data Element	Business Rule
25	Special Forbearance Approved	N/A – Event business rule	Event immediately before the SFB approved event must not be a bankruptcy filing event
26	Special Forbearance Approved	Date special forbearance approved	To be eligible for an incentive on a special forbearance agreement, loan must be a reportable default on the date the servicer approves the agreement
27	Special Forbearance Approved	Estimated cure date	To be eligible for an incentive, special forbearance agreement must be at least one month in duration
28	Loan Modification Approved	N/A – Event business rule	Event immediately before the loan modification approved event must not be a bankruptcy filing event
29	Loan Modification Approved	Date modification of loan approved	Date the servicer approved the loan modification must be on or after the date of the loan
30	Loan Modification Approved	Date modification of loan approved	For modified loans, date the servicer approved the loan modification must be on or after the date of the previous loan modification
31	Loan Modification Complete	N/A – Event business rule	Event immediately before the loan modification complete event must not be a bankruptcy filing event
32	Loan Modification Complete	N/A – Event business rule	Payment due date reported on most recently reported delinquency status event (or the EDN if no DSU reported) must be greater than 12 months from the due date of the first payment on the loan
33	Loan Modification Complete	N/A – Event business rule	Loan must only be modified three times over the life of the loan
34	Loan Modification Complete	N/A – Event business rule	Event must be reported only if the loan modification approved event was previously reported for the current default
35	Loan Modification Complete	Date loan modification fully executed	Date the loan modification is complete must be on or after the date the servicer approved the modification
36	Loan Modification Complete	Date loan modification fully executed	Date the loan modification is complete must not be in the future
37	Loan Modification Complete	Modified loan amount	Modified loan amount should be greater than or equal to the most recently reported unpaid principal balance

No	Name of Event	Data Element	Business Rule
38	Loan Modification Complete	Term	Term of modified loan must not be greater than the lesser of 30 years from the modified loan start date OR 10 years from the original maturity date
39	Loan Modification Complete	Modified loan maturity date	Modified loan maturity date must be on or after the date the loan was modified
40	Loan Modification Complete	Modified loan maturity date	Due date of the first payment on the modified loan plus the term of the modified loan (converted to days) must equal the maturity date
41	Loan Modification Complete	Interest rate	Interest rate on modified loan may not be greater than allowable under VA regulations
42	Loan Modification Complete	Date of first payment	For a previously modified loan, date of the first payment on the new modification must be at least three years after the date the previous modification was fully executed
43	Loan Modification Complete	Date of first payment	Due date of the first payment on the modified loan must be at least one month after the date the loan was modified
44	Loan Modification Complete	New principal and interest (P&I) payment	New principal and interest (P&I) portion of the modified monthly installment must be greater than zero
45	Loan Modification Complete	New principal and interest (P&I) payment	New principal and interest (P&I) portion of the modified monthly installment must coincide with the terms proposed by the servicer
46	Compromise Sale Complete	N/A – Event business rule	Event immediately before the compromise sale complete event must not be a bankruptcy filing event
47	Compromise Sale Complete	Actual settlement date	Actual settlement date must not be in the future
48	Compromise Sale Complete	Payoff of first mortgage loan (line 504 from HUD-1)	Payoff of first mortgage loan must be greater than or equal to zero
49	Deed-in-lieu Complete	N/A – Event business rule	Event immediately before the deed-in-lieu complete event must not be a bankruptcy filing event
50	Deed-in-lieu Complete	Date that deed was recorded	Date the deed was recorded must not be in the future
51	Deed-in-lieu Complete	Net value	Net value must be greater than or equal to zero

No	Name of Event	Data Element	Business Rule
52	Deed-in-lieu Complete	Net value	Net value must equal the system-determined net value
53	Deed-in-lieu Complete	Total eligible indebtedness	Total eligible indebtedness must be greater than or equal to zero
54	Foreclosure Referral	N/A – Event business rule	Event immediately before the foreclosure referral event must not be a bankruptcy filing event
55	Foreclosure Referral	Updated reason for default at time of foreclosure	Updated reason for default at time of foreclosure must be a valid value
56	Foreclosure Sale Scheduled	N/A – Event business rule	Event immediately before the foreclosure sale scheduled event must not be a bankruptcy filing event
57	Foreclosure Sale Scheduled	N/A – Event business rule	Event must be reported only if the foreclosure referral event has been previously reported for the current default
58	Foreclosure Sale Scheduled	N/A – Event business rule	Event report date must be on or before NOV valid (expiration) date
59	Foreclosure Sale Scheduled	Date of scheduled foreclosure sale	Date of scheduled foreclosure sale must be on or after the date of referral to attorney
60	Foreclosure Sale Scheduled	Foreclosure type	Foreclosure type must be a valid value (judicial, non-judicial)
61	Results of Sale	N/A – Event business rule	Event immediately before the results of sale event must not be a bankruptcy filing event
62	Results of Sale	N/A – Event business rule	Event must be reported only if Foreclosure Sale Scheduled has been previously reported for the current default
63	Results of Sale	Date of sale	Date of sale must be on or before NOV valid (expiration) date
64	Results of Sale	Sheriff's appraised value (if applicable, Kentucky, Ohio. Louisiana, and Oklahoma only)	Sherriff's appraised value must be reported for properties located in Kentucky, Ohio, Louisiana, and Oklahoma
65	Results of Sale	Successful bidder	Successful bidder must be a valid value (holder, third party)
66	Results of Sale	Amount of successful bid	Amount of successful bid must be greater than zero
67	Results of Sale	Net value	Net value must be greater than or equal to zero

No	Name of Event	Data Element	Business Rule
68	Results of Sale	Net value	Net value must be equal to the system determined net value
69	Results of Sale	Total eligible indebtedness	Total eligible indebtedness must be greater than or equal to zero
70	Transfer of Custody	Insurance type (flood, earthquake, forced place, homeowner's, wind, fire) - report all applicable	Insurance type must be a valid value (flood, earthquake, forced place, homeowner's, wind, fire)
71	Transfer of Custody	Expiration date	Expiration date must on the report date of the transfer of custody event or in the future
72	Transfer of Custody	Date of confirmation/ratification of sale	Date of confirmation/ratification of sale must only be reported for confirmation/ratification of sale states and must be on or after the date of the sale
73	Improper Transfer of Custody	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the improper transfer was discovered
74	Improper Transfer of Custody	Reason for the improper transfer of custody	Reason for the improper transfer of custody must be a valid value (holder intended to keep property, third party was successful bidder)
75	Invalid Sale Results	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the sale was invalidated
76	Invalid Sale Results	N/A – Event business rule	Event must be reported only immediately after Results of Sale, Improper Transfer of Custody, Bankruptcy Filed
77	Invalid Sale Results	Reason sale invalidated	Reason sale invalidated must be a valid value (bankruptcy, contested foreclosure, third party fails to consummate sale, procedural errors)
78	Invalid Sale Results	Bankruptcy	Bankruptcy value is only valid if a bankruptcy filed event was reported. Also a bankruptcy update of dismissal or discharge must not be reported between the bankruptcy filed event and the invalid sale results event
79	Confirmed Sale Date with no Transfer of Custody	N/A – Event business rule	Event must be reported only immediately after Results of Sale, Bankruptcy Filed, Bankruptcy Update

No	Name of Event	Data Element	Business Rule
80	Confirmed Sale Date with no Transfer of Custody	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the sales results were confirmed when the servicer did not transfer custody of the property to VA
81	Confirmed Sale Date with no Transfer of Custody	Confirmation or ratification date (when no transfer of custody)	Confirmation or ratification date must be on or after the foreclosure sale date

Annex 4 – Business Rules for Non-Routine Acquisitions

This annex supplements Chapter 10, Property Acquisitions. As outlined in Chapter 10, you are required to review all loans at acquisition that have certain failed business rules. These business rule failures classify the acquisition as a non-routine acquisition. Before recommending approval of a non-routine acquisition payment, you must review all business rule failures that caused VALERI to initiate the non-routine acquisition review process, and determine whether to recommend approving or denying the acquisition payment.

Table 17 describes the business rules whose failure will cause VALERI to initiate a non-routine acquisition review process. Only one failure of a business rule in Table 17 has to occur to initiate this process.

Table 17: Business Rules for Non-Routine Acquisitions

No	Name of Event	Data Element	Business Rule
1	All Events Except Release of Liability	N/A – Event business rule	For type 6 loans, a release of liability must be submitted prior to or with a transfer of ownership
2	Transfer of Ownership	N/A – Event business rule	Event must only be reported on current loans
3	Transfer of Ownership	N/A – Event business rule	Either all transferee information must be provided with no Entity information OR all Entity information must be provided with no transferee information
4	Transfer of Ownership	N/A – Event business rule	Either all co-transferee information must be provided with no Entity information OR all Entity information must be provided with no transferee information
5	Transfer of Ownership	Date of transfer of ownership	Date ownership transferred must not be in the future
6	Release of Liability	N/A – Event business rule	Event must be reported for a Type 6 loan only if a transfer of ownership was previously reported
7	Release of Liability	N/A – Event business rule	Event must be reported on a current loan
8	Release of Liability	Date of release	Date servicer released obligor from liability must be on or after the date of the loan
9	Release of Liability	Date of release	For modified loans, date servicer released obligor from liability must be on or after the date of the loan
10	Release of Liability	Date of release	Date of release must not be in the future

No	Name of Event	Data Element	Business Rule
11	Partial Release of Security	Date partial release of security document was executed	Date servicer released a portion of the security must be on or after the date of the loan
12	Partial Release of Security	Date partial release of security document was executed	For modified loans, date servicer released a portion of the security must be on or after the date the loan was modified
13	Partial Release of Security	Date partial release of security document was executed	Date servicer released a portion of the security must not be in the future
14	Electronic Default Notification	Property address zip code	The property address zip code must be a number
15	Electronic Default Notification	Property address state abbreviation	Property state abbreviation must be a valid US postal abbreviation
16	Electronic Default Notification	Mailing address zip code (if different from property address)	The mailing address zip code must be a number
17	Electronic Default Notification	Mailing address state abbreviation (if different from property address)	Mailing address state abbreviation must be a valid US postal abbreviation
18	Electronic Default Notification	Unpaid principal balance	Unpaid principal balance must be greater than or equal to zero
19	Electronic Default Notification	Unpaid principal balance	Unpaid principal balance must be less than or equal to the original loan amount (unless the loan is a GPM). If the loan has been modified, the unpaid principal balance must be less than or equal to the modified loan amount.
20	Electronic Default Notification	Principal and interest (P&I) portion of monthly installment	Principal and interest (P&I) portion of the monthly installment must be greater than zero
21	Electronic Default Notification	Taxes and insurance (T&I) portion of monthly installment	Taxes and insurance (T&I) portion of the monthly installment must be greater than zero
22	Electronic Default Notification	Other portion of monthly installment	Other portion of the monthly installment must be greater than zero
23	Electronic Default Notification	Occupant of property	Occupant must be a valid value (original veteran, tenant, transferee, vacant, or abandoned)
24	Electronic Default Notification	Primary reason for default (servicer may report only one)	Reason for default must be a valid VA reason for default

No	Name of Event	Data Element	Business Rule
25	Delinquency Status	Unpaid principal balance (UPB)	Unpaid principal balance must be greater than or equal to zero
26	Delinquency Status	Principal and interest (P&I) portion of monthly installment, if changed	Principal and interest (P&I) portion of the monthly installment must be greater than zero
27	Delinquency Status	Taxes and insurance (T&I) portion of monthly installment, if changed	Taxes and insurance (T&I) portion of the monthly installment must be greater than zero
28	Delinquency Status	Other portion of monthly installment, if changed	Other portion of the monthly installment must be greater than zero
29	Deed-in-lieu Complete	N/A – Event business rule	Event immediately before the deed-in-lieu complete event must not be a bankruptcy filing event
30	Deed-in-lieu Complete	Date that deed was recorded	Date the deed was recorded must not be in the future
31	Deed-in-lieu Complete	Net value	Net value must be greater than or equal to zero
32	Deed-in-lieu Complete	Total eligible indebtedness	Total eligible indebtedness must be greater than or equal to zero
33	Foreclosure Referral	Updated reason for default at time of foreclosure	Updated reason for default at time of foreclosure must be a valid value
34	Foreclosure Sale Scheduled	N/A – Event business rule	Event immediately before the foreclosure sale scheduled event must not be a bankruptcy filing event
35	Foreclosure Sale Scheduled	N/A – Event business rule	Event must be reported only if the foreclosure referral event has been previously reported for the current default
36	Foreclosure Sale Scheduled	N/A – Event business rule	Event report date must be on or before NOV valid (expiration) date.
37	Foreclosure Sale Scheduled	Foreclosure type	Foreclosure type must be a valid value (judicial, non-judicial)
38	Results of Sale	N/A – Event business rule	Event immediately before the results of sale event must not be a bankruptcy filing event
39	Results of Sale	Date of sale	Date of sale must be on or before NOV valid (expiration) date

No	Name of Event	Data Element	Business Rule
40	Results of Sale	Sheriff's appraised value (if applicable, Kentucky, Ohio, Louisiana, and Oklahoma only)	Sherriff's appraised value must be reported for properties located in Kentucky, Ohio, Louisiana, and Oklahoma
41	Results of Sale	Successful bidder	Successful bidder must be a valid value (holder, third party)
42	Results of Sale	Amount of successful bid	Amount of successful bid must be greater than zero
43	Results of Sale	Total eligible indebtedness	Total eligible indebtedness must be greater than or equal to zero
44	Transfer of Custody	Insurance type (flood, earthquake, forced place, homeowner's, wind, fire) - report all applicable	Insurance type must be a valid value (flood, earthquake, forced place, homeowner's, wind, fire)
45	Transfer of Custody	Expiration date (for insurance policies)	Expiration date must on the report date of the transfer of custody event or in the future
46	Transfer of Custody	Date of confirmation/ratification of sale	Date of confirmation/ratification of sale must only be reported for confirmation/ratification of sale states and must be on or after the date of the sale
47	Improper Transfer of Custody	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the improper transfer was discovered
48	Improper Transfer of Custody	Reason for the improper transfer of custody	Reason for the improper transfer of custody must be a valid value (holder intended to keep property, third party was successful bidder)
49	Invalid Sale Results	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the sale was invalidated
50	Invalid Sale Results	N/A – Event business rule	Event must be reported only immediately after the Results of Sale event, Improper Transfer of Custody event, Bankruptcy Filed event
51	Invalid Sale Results	Reason sale invalidated	Reason sale invalidated must be a valid value (bankruptcy, contested foreclosure, third party fails to consummate sale, procedural errors)

No	Name of Event	Data Element	Business Rule
52	Invalid Sale Results	Bankruptcy	Bankruptcy value is only valid if a bankruptcy filed event was reported. Also a bankruptcy update of dismissal or discharge must not be reported between the bankruptcy filed event and the invalid sale results event
53	Confirmed Sale Date with no Transfer of Custody	N/A – Event business rule	Event must be reported only immediately after Results of Sale event, Bankruptcy Filed event, Bankruptcy Update event
54	Confirmed Sale Date with no Transfer of Custody	N/A – Event business rule	Event must be reported no later than the 7th calendar day after the sales results were confirmed when the servicer did not transfer custody of the property to VA
55	Confirmed Sale Date with no Transfer of Custody	Confirmation or ratification date (when no transfer of custody)	Confirmation or ratification date must be on or after the foreclosure sale date

Annex 5 – Military Base Cutbacks or Closings and the Homeowners Assistance Program

The Homeowners Assistance Program (HAP) authorizes the Department of Defense (DoD) to provide assistance to eligible military and civilian homeowners by reducing their losses incident to the disposal of their homes when the military installation at which they were employed or serving is ordered to close in whole or in part. Under this Act, the Secretary of Defense is, among other things, authorized to acquire title to, hold, manage and dispose of, or in lieu thereof, to reimburse eligible homeowners for certain losses sustained upon private sale of, or foreclosure (including the payment of debts incident to foreclosure) against, any property improved with a one- or two-family dwelling. DoD has the sole responsibility for determining the eligibility of homeowners under HAP.

You should familiarize yourself with the details of HAP and be able to advise borrowers of any assistance available to them under this program.

VA's Role in HAP

Under HAP, VA offers assistance to veterans and DoD. VA has three primary responsibilities: (1) establish initial contacts; (2) report to central office; and (3) determine whether purchaser is "Satisfactory" under HAP.

Establish Initial Contacts

In the event that the DoD announces actions to consolidate, reduce, realign, or close military installations and activities, members of Loan Guaranty:

- Visit the installations.
- Contact the commanding officers, appropriate staff officers, or civilian personnel officials.
- Establish a proper liaison to assist those borrowers with VA guaranteed loans who will either lose their jobs or will be transferred.

VA provides VA Pamphlet 26-5, Revised, "Pointers for the Veteran Homeowner," and VA Pamphlet 26-68-1, Revised, "Selling Your GI Home?," at these installations for distribution to homeowners with GI loans. Loan Guaranty contacts the coordinating officer with the District Office of the U.S. Army Core of Engineers to make available the full cooperation of VA and to obtain information to assess the possible impact that the DoD-announced actions will have on the Loan Guaranty program.

Report to Central Office

Station management sends an assessment of the probable impact that the DoD actions will have on liquidations of security for guaranteed loans, as well as any resultant increase in property acquisitions and curtailment of the sale of VA-owned properties in the areas affected. For guaranteed loans, this report should generally include the following information:

- Name of installation and number of military and/or civilian employees affected by announcement.
- Names of the affected counties.
- Estimated number of outstanding guaranteed loans in each affected community.
- Number of claims and foreclosures that are likely to result from the closing or cutback.
- Extent to which local economy can provide employment for displaced workers.
- Extent to which the local real estate market is dependent on the installation.
- General condition of the residential real estate market at this time and the short- and long-term outlook.
- Present vacancy rate and the trend for owner-occupied housing units and rented-occupied housing units.
- Description of the actions underway or being contemplated by the business community or State or local Government to minimize the impact on the community or assist those who have been displaced as a result of the closing or cutback.
- Current general assessment.

Determine Whether Purchaser is "Satisfactory" Under HAP

DoD asks VA to determine whether or not the purchasers of certain homes are "satisfactory" under section 1013(c), Public Law 89-754 (42 U.S.C. 3374(c)). Upon receipt of a request from DoD for a determination that a purchaser of a property securing a GI loan is satisfactory, VA determines that the current title holder (this may or may not be the original purchaser) has assumed personal liability to the mortgage holder for repayment of the debt by a clause in the deed of conveyance or otherwise, in accordance with applicable State laws.

Purchasers are "satisfactory" under section 1013(c), Public Law 89-754 (42 U.S.C. 3374(c)), if:

- The repayment terms of the loan bear a proper relation to present and anticipated income and expenses.
- The purchaser is a satisfactory credit risk.

VA makes this determination based on employment verifications, financial information and status of the related mortgage loan, debt verifications and credit reports. The seller or the purchaser of the property pays the cost of the credit report. VA does not pay for the credit report.

Assistance to Veterans under HAP

Under HAP, the DoD may offer assistance to veterans and other Federal employees in the following three ways: (1) private sale; (2) Government purchase; and (3) foreclosure or deeds in lieu of foreclosure.

Private Sale

For dwellings privately sold, DoD may compensate eligible applicants for the difference between 95 percent of the appraised fair market value (FMV) of the property prior to the announcement date, and the appraised FMV of property at the time of sale, or the sales price, whichever is greater. Closing costs are reimbursable for private sales. Payment of closing costs may be made to individuals who elect to sell their homes privately, but do not receive a cash payment under the private sale option. However, if the program implementation letter advises that applicants must suffer a loss to receive benefits, this loss must occur to receive reimbursement for closing costs for private sale benefits. Prior to or at the time the payment is made, the loan must be paid-in-full or assumed by a purchaser acceptable to VA. The veteran's application for such benefits should specify that he or she is applying for "reimbursement for loss on private sale."

Government Purchase

An eligible applicant may elect to sell the property to the Government and receive, as the purchase price, an amount not to exceed 75 percent of the FMV prior to the date of the announcement, or the current total amount of outstanding mortgages, whichever is greater. Mortgages refinanced after the announcement date are accepted if, at the time of Government acquisition, the balance does not exceed what it was at the time of refinancing. Eligible applicants may also be reimbursed for mortgage interest, property insurance and taxes, from the date of receipt of the application, or the date the dwelling is vacated, or the date of program approval, whichever is later through the date of acquisition.

Foreclosure or Deeds in Lieu of Foreclosure

If foreclosure proceedings have commenced, an applicant may elect to receive either foreclosure benefits or private sale benefits. DoD may pay foreclosure benefits directly to the applicant to reimburse for foreclosure costs paid by the applicant, or paid to third parties on the applicant's behalf. These costs may include direct costs of judicial foreclosure, expenses and enforceable liabilities according to the terms of the mortgage or promissory notes, and the amount of debts, if any, established against the applicant by a Federal agency for loans made, guaranteed, or insured by such agency following liquidation of the security for such loans. Any foreclosure entered into after the program approval date must have an enforceable liability in order for the applicant to receive benefits. DoD may pay benefits in order to restore VA eligibility. The obligor's application for this benefit should specify that he or she is applying for "foreclosure relief."

DoD considers conveyance of a residence by deed in lieu of foreclosure a private sale. However, if an applicant is required to execute a promissory note as a condition precedent to acceptance of a deed in lieu of foreclosure, and foreclosure proceedings have commenced, the applicant can elect between private sale and foreclosure benefits. DoD does not pay outstanding judgment liens, encumbrances of a personal nature, or junior mortgages acquired after the announcement date.

When the applicant signs a promissory note, DoD treats VA compromise sales as foreclosures for the purpose of paying benefits. The veteran and the VA agree to a sale of the property to another party at the current fair market value, as determined by a VA appraisal. VA will pay off the mortgagee to eliminate the veteran's obligation to the mortgagee. A promissory note covers the difference between the sale price and the remaining obligation. The HAP benefit pays off this note. If VA waives payment of the promissory note, the applicant may elect to receive private sale benefits but the amount of the debt waived is added to the sale price of the property.

When DoD accepts a conveyance and assumes the loan, but does not pay off the indebtedness on the loan, VA will remain liable as guarantor.

Annex 6 – System Interfaces and Cycle Times

This annex presents the interfaces that are in place between VALERI and other VA systems. VALERI interfaces with the following four VA systems:

- **The Web-enabled Loan Guaranty System (WebLGY)** – Loan Production (LP) oversees the origination of VA-guaranteed loans. LP uses WebLGY to capture VA baseline loan information such as property, veteran, lender, and loan data.
- **The Centralized Property Tracking System (CPTS)** – Property Management (PM) is responsible for the preservation, marketing, and sale of acquired properties and uses CPTS to manage this function.
- **The Appraisal System (TAS)** – Construction and Valuation (C&V) is responsible for managing the valuation of VA-guaranteed properties and overseeing all matters related to fee appraisers, the Lender Appraisal Processing Program (LAPP) and the Servicer Appraisal Processing Program (SAPP). C&V uses TAS, a web-based appraiser assignment system, to capture appraisal information.
- **The Financial Management System (FMS)** – The Office of Finance oversees the day-to-day VA financial operations and uses FMS to manage this function.

The following table provides more detail on frequency, direction and types of information exchanged between VALERI and the other VA systems.

Table 18: Interfaces between VALERI and VA Systems

System	Frequency	Direction	Information sent to VALERI	Information sent by VALERI
The Web-enabled Loan Guaranty System (WebLGY)	Nightly Updates	Two way	▪ Baseline loan information	▪ Loan status updates ▪ Veteran entitlement updates
The Centralized Property Tracking System (CPTS)	Nightly Updates	Two way	▪ Post-sale analyses ▪ Redeemed properties ▪ Property address changes	▪ Acquired properties ▪ Changes in capital value ▪ Returns of custody
The Appraisal System (TAS)	Nightly Updates	One way: TAS to VALERI	▪ Liquidation appraisal ordered ▪ Liquidation appraisal received ▪ Notice of value issued or updated	▪ N/A

System	Frequency	Direction	Information sent to VALERI	Information sent by VALERI
The Financial Management System (FMS)	Nightly Updates	Two way	▪ Payment status details ▪ Notification of servicer payment or offset closing out a bill of collection ▪ Vendor information update ▪ All payments for incentives, claims, and acquisitions	▪ Payment transaction data ▪ Bill of collection established

Annex 7 – Transition Period Annex

This annex provides guidance for handling transition loans. Transition loans are any Type 2 or Type 6 loans for which a servicer reported a default to VA prior to their transition to VALERI. Loans that are paid in full at the time the servicer transitions to VALERI are not migrated to VALERI and therefore are not transition loans.

Before loans migrate into VALERI, servicers follow the old 38 CFR 36.4300 series of regulations to service VA loans. After these loans migrate into VALERI, VA requires servicers to follow the new 38 CFR 36.4800 series of regulations. The different requirements between the 4300 and 4800 series mean that servicers must identify issues related to transition loans and resolve them accordingly. This annex provides you with background information on the transition process and the guidance to resolve each of the issues that may affect a transition loan.

This section covers the following transition issues:[92]

- Event reporting guide for transition loans - servicer bureau servicers.
- Event reporting guide for transition loans - portal only servicers.
- Non-routine payments.
- Claims for transition loans that terminated prior to transition.
- Returns of custody for properties VA acquired prior to transition.
- Adequacy of servicing.

Event Reporting Guide for Transition Loans – Service Bureau Servicers[93]

In the new regulatory environment, VA requires servicers to report events to VA according to the 38 CFR 36.4800 series of regulations. VA has developed specific event reporting guidelines for transition loans. This guidance applies when a servicer needs to take one of the following actions:

- **Transfer custody of a property to VA:** VALERI accepts the Transfer of Custody event only on loans for which a "terminating event" has been reported. A terminating event is an event that informs VALERI of the loan's terminated status. For loans that terminated shortly before a servicer's VALERI go-live date, and for which a Notice of Election to Convey form was not already processed, the servicer may report the Transfer of Custody event in VALERI. The Transfer of Custody event can only be reported after either the Results of Sale or Deed-in-lieu Complete events. Please note that a valid NOV must have been issued for the loan in order for VA to accept any transfer of custody.

[92] Deleted "servicing transfers during transition period" on 7/2009.

[93] Updated to specify guidance for service bureau servicers on 5/15/2008.

- **File a claim:** For loans that terminated on or after a servicer's VALERI go-live date, the servicer files a claim by reporting the Basic Claim event in VALERI. VALERI will not accept the Basic Claim event unless:
  - The appropriate terminating event was previously reported (Compromise Sale Complete, Deed-in-lieu Complete, Results of Sale, Confirmed Sale Date with no Transfer of Custody)
  - A valid Notice of Value exists in VALERI.
- **Report an invalid sale or improper transfer of custody:** VALERI will not accept the Invalid Sale Results or Improper Transfer of Custody events for loans where VA acquired the property prior to your go-live date. Therefore servicers should not report these events electronically in VALERI. Instructions for processing invalid sales and improper transfers of custody on these loans will be discussed in detail later in this annex.

Event Reporting Guide for Transition Loans – Portal Only Servicers[94]

Prior to reporting a significant event for any transition loan, a Servicer Web Portal ("portal only") servicer must verify that required predecessor events have been reported on the loan. This ensures that the significant event will be accepted by VALERI and that VA can properly monitor the servicing activity on the loan. Table 19 is an event reporting guide for transition loans and describes the predecessor events that are required for each new event the servicer wants to report.

Table 19 Data Elements

Table 19 lists all of the significant events that must be reported on a transition loan when they occur, the event's predecessors, and the major stages that a loan may pass through during its lifecycle. Loan stages include:

- Not a Reportable Default: The loan is either current, or in a delinquency that has not reached the "reportable default" stage.
- Reportable Default, Not Referred to Foreclosure: The loan has reached a point where the servicer must report an Electronic Default Notification (EDN) to VA. An EDN must be reported when the loan becomes at least 61 days delinquent, or is in default due to property problems. The servicer has not referred the loan to foreclosure.
- Reportable Default, Referred to Foreclosure: The servicer has referred the loan to a foreclosure attorney and the loan has not yet terminated.
- Terminated, VA Has Not Acquired the Property: The loan is terminated due to compromise sale, deed-in-lieu of foreclosure (DIL), or foreclosure and VA has not acquired the property. The servicer has not filed a claim.

[94] Updated to specify guidance for portal only servicers on 5/15/2008.

- Terminated, VA Acquired the Property: The loan is terminated due to DIL or foreclosure and VA has acquired the property. The servicer has not filed a claim.

How to Use the Table for Event Reporting Guide for Transition Loans

Servicers use Table 19 when servicing a transition loan and need to report a significant event to VA. To determine the predecessor event(s), a servicer must:

- Locate the significant event they want to report to VA in the “Event Servicer Wants to Report” column of Table 19.
- Locate the column that represents the stage of their loan at the time they want to report the event in the “Stage of the Loan” section of Table 19.
- Locate the cell of Table 19 that represents the intersection of the event they want to report and the loan stage. Any events listed in the cell are the events that must be reported by the servicer on the loan.

For example, a servicer is servicing a transition loan that migrated into VALERI on February 9. At the time of the migration, the loan had been referred to foreclosure and was awaiting the foreclosure sale. The foreclosure sale is held on February 15, and the servicer wants to report the Results of Sale event to VA. In Table 19, the servicer locates the Results of Sale event in the “Event Servicer Wants to Report” column, and the Terminated, VA Has Not Acquired the Property column in the “Stage of the Loan” section. The servicer locates the Terminated, VA Has Not Acquired the Property stage because the loan is terminated at the time they want to report the Results of Sale event. The cell that intersects the Results of Sale row and the Terminated, VA Has Not Acquired the Property column shows the following events:

- EDN.
- Foreclosure Referral.
- Foreclosure Sale Scheduled.
- Results of Sale.

The list of events indicates that the EDN, Foreclosure Referral, and Foreclosure Sale Scheduled events must be reported, in that order, prior to the Results of Sale event. If the events in the cell have already been reported, they do not need to be reported again. To verify that a predecessor event has or has not been reported on a loan, the servicer can access the loan’s event information on the Servicer Web Portal.

Table 19: Event Reporting Guide for Transition Loans

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Monthly Loan Status Update	Monthly Loan Status Update	N/A	N/A	N/A	N/A
Loan Paid in Full	Loan Paid in Full	Loan Paid in Full	Loan Paid in Full	N/A	N/A
Transfer of Ownership*	Transfer of Ownership	N/A	N/A	N/A	N/A
Release of Liability*	Release of Liability	N/A	N/A	N/A	N/A
Partial Release of Security	Partial Release of Security	EDN Partial Release of Security	EDN Foreclosure Referral Partial Release of Security	N/A	N/A
Unauthorized Transfer of Ownership	Unauthorized Transfer of Ownership (report by telephone, e-mail, fax, or letter)	EDN Unauthorized Transfer of Ownership (report by telephone, e-mail, fax, or letter)	EDN Foreclosure Referral Unauthorized Transfer of Ownership (report by telephone, e-mail, fax, or letter)	N/A	N/A
Electronic Default Notification (EDN)	N/A	EDN	EDN	N/A	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	**Reportable Default, Not Referred to Foreclosure**	**Reportable Default, Referred to Foreclosure**	**Terminated, VA Has Not Acquired the Property**	**Terminated, VA Acquired the Property**
Servicing Transfer (transferring servicer)	N/A	EDN Servicing Transfer (transferring servicer)	EDN Foreclosure Referral Servicing Transfer (transferring servicer)	N/A	N/A
Servicing Transfer (receiving servicer)	N/A	Servicing Transfer (receiving servicer)	Servicing Transfer (receiving servicer)	N/A	N/A
Delinquency Status	N/A	EDN Delinquency Status	EDN Foreclosure Referral Delinquency Status	N/A	N/A
Contact Information Change	N/A	EDN Contact Information Change	EDN Foreclosure Referral Contact Information Change	N/A	N/A
Occupancy Status Change	N/A	EDN Occupancy Status Change	EDN Foreclosure Referral Occupancy Status Change	N/A	N/A

<table>
<tr><th rowspan="2">Event Servicer Wants to Report</th><th colspan="5">Stage of the Loan</th></tr>
<tr><th>Not A Reportable Default</th><th>Reportable Default, Not Referred to Foreclosure</th><th>Reportable Default, Referred to Foreclosure</th><th>Terminated, VA Has Not Acquired the Property</th><th>Terminated, VA Acquired the Property</th></tr>
<tr><td>Bankruptcy Filed</td><td>N/A
If bankruptcy is filed prior to the reportable default period, the Bankruptcy Filed event must be reported with the EDN</td><td>EDN
Bankruptcy Filed</td><td>EDN
Foreclosure Referral
Bankruptcy Filed</td><td>EDN
Foreclosure Referral
Foreclosure Sale Scheduled
Results of Sale
Bankruptcy Filed</td><td>Note: If VA acquired the property before the loan migrated into VALERI, the predecessor events should not be reported.
EDN
Foreclosure Referral
Foreclosure Sale Scheduled
Results of Sale
Transfer of Custody
Bankruptcy Filed
or
EDN
Deed-in-lieu Complete
Transfer of Custody
Bankruptcy Filed</td></tr>
</table>

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Bankruptcy Update	N/A	EDN Bankruptcy Filed Bankruptcy Update	EDN Foreclosure Referral Bankruptcy Filed Bankruptcy Update	EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Bankruptcy Filed Bankruptcy Update	Note: If VA acquired the property before the loan migrated into VALERI, the only predecessor event is Bankruptcy Filed. EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Transfer of Custody Bankruptcy Filed Bankruptcy Update or EDN Deed-in-lieu Complete Transfer of Custody Bankruptcy Filed Bankruptcy Update
Loss Mitigation Letter Sent	N/A	N/A	N/A	N/A	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	**Reportable Default, Not Referred to Foreclosure**	**Reportable Default, Referred to Foreclosure**	**Terminated, VA Has Not Acquired the Property**	**Terminated, VA Acquired the Property**
Partial Payment Returned	N/A	EDN Partial Payment Returned	EDN Foreclosure Referral Partial Payment Returned	N/A	N/A
Default Cured/Loan Reinstated	N/A	EDN Default Cured/Loan Reinstated	EDN Foreclosure Referral Default Cured/Loan Reinstated	N/A	N/A
Default Reported to Credit Bureau	N/A	EDN Default Reported to Credit Bureau	EDN Foreclosure Referral Default Reported to Credit Bureau	N/A	N/A
Extenuating Property Circumstances	Extenuating Property Circumstances (report by telephone, e-mail, fax, or letter)	EDN Extenuating Property Circumstances (report by telephone, e-mail, fax, or letter)	EDN Foreclosure Referral Extenuating Property Circumstances (report by telephone, e-mail, fax, or letter)	N/A	N/A
Repayment Plan Approved	N/A	EDN Repayment Plan Approved	EDN Foreclosure Referral Repayment Plan Approved	N/A	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	**Reportable Default, Not Referred to Foreclosure**	**Reportable Default, Referred to Foreclosure**	**Terminated, VA Has Not Acquired the Property**	**Terminated, VA Acquired the Property**
Special Forbearance Approved	N/A	EDN Special Forbearance Approved	EDN Foreclosure Referral Special Forbearance Approved	N/A	N/A
Loan Modification Approved	N/A	EDN Loan Modification Approved	EDN Foreclosure Referral Loan Modification Approved	N/A	N/A
Loan Modification Complete	N/A	EDN Loan Modification Approved Loan Modification Complete	EDN Foreclosure Referral Loan Modification Approved Loan Modification Complete	N/A	N/A
Compromise Sale Complete**	N/A	N/A	N/A	EDN Compromise Sale Complete	N/A
Deed-in-lieu Complete**	N/A	N/A	N/A	EDN Deed-in-lieu Complete	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Foreclosure Referral	N/A	N/A	EDN Foreclosure Referral	N/A	N/A
Foreclosure Sale Scheduled	N/A	N/A	EDN Foreclosure Referral Foreclosure Sale Scheduled	N/A	N/A
Results of Sale***	N/A	N/A	N/A	EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale	N/A
Transfer of Custody	N/A	N/A	N/A	EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Transfer of Custody or EDN Deed-in-lieu Complete Transfer of Custody	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Improper Transfer of Custody	N/A	N/A	N/A	N/A	Note: A servicer may only report the Improper Transfer of Custody event on a transition loan if VA acquired the property after the loan migrated into VALERI EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Transfer of Custody Improper Transfer of Custody or EDN Deed-in-lieu Complete Transfer of Custody Improper Transfer of Custody

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Invalid Sale Results****	N/A	N/A	N/A	EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Invalid Sale Results	Note: A servicer may only report the Invalid Sale Results event in this stage if VA acquired the property after the loan migrated into VALERI EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Transfer of Custody Invalid Sale Results
Confirmed Sale Date with No Transfer of Custody	N/A	N/A	N/A	EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Confirmed Sale Date with No Transfer of Custody	N/A

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Basic Claim	N/A	EDN Refunding Settlement Basic Claim	N/A	NOTE: A servicer may only report this event in this stage for loans that terminated after migrating into VALERI EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Basic Claim or EDN Deed-in-lieu Complete Basic Claim or EDN Compromise Sale Complete Basic Claim	NOTE: A servicer may only report this event in this stage for loans that terminated after migrating into VALERI EDN Foreclosure Referral Foreclosure Sale Scheduled Results of Sale Transfer of Custody Basic Claim or EDN Deed-in-lieu Complete Transfer of Custody Basic Claim

Event Servicer Wants to Report	Stage of the Loan				
	Not A Reportable Default	Reportable Default, Not Referred to Foreclosure	Reportable Default, Referred to Foreclosure	Terminated, VA Has Not Acquired the Property	Terminated, VA Acquired the Property
Refunding settlement	N/A	EDN Refunding Settlement	EDN Foreclosure Referral Refunding Settlement	N/A	N/A

* It is possible to have a transfer of ownership and a release of liability on a case that is a reportable default. In these cases, an assumption of the loan must bring the loan current, and the servicer must also report the Default Cured/Loan Reinstated event.

** It is possible to have a foreclosure referral prior to the completion of a compromise sale or deed-in-lieu of foreclosure. In these cases, the Foreclosure Referral event is a predecessor to the Compromise Sale Complete and Deed-in-lieu Complete events.

*** In a confirmation/ratification of sale state, the loan does not terminate when the sale occurs. In these cases, the servicer must still report the Results of Sale event and its predecessors within seven calendar days of the date of the foreclosure sale.

**** In a confirmation/ratification of sale state, the loan does not terminate when the sale occurs. In these cases, if the sale is determined to be invalid prior to the confirmation/ratification of sale date, the servicer must still report the Invalid Sale Results event and its predecessors within seven calendar days of discovering that the sale was invalid.

Non-Routine Payments

VA requires technician review of any payment for any transition loan including incentive payments, claims, and acquisition payments. This section covers the following topics

- Incentive payments.
- Claims.

Incentive Payments

When the servicer is eligible for an incentive payment on a transition loan, you review the case to determine if VA pays the servicer an incentive payment, a SLMP bonus and/or processing fee, or if the servicer is not eligible for either. Use the following guidance to determine the servicer's eligibility:

- If the servicer completes a repayment plan, special forbearance, or loan modification and the loan reinstates prior to the servicer's transition to VALERI, VA does not pay the servicer an incentive.
- If the servicer initiates a home retention option (repayment plan, special forbearance, or loan modification) prior their transition to VALERI, but completes the option after their transition to VALERI, it is up to the technicians' discretion whether or not to allow the incentive payment.
- If the servicer completes a repayment plan, special forbearance, or loan modification prior to the servicer's transition to VALERI, and the loan reinstates after their transition to VALERI, VA does not pay the servicer an incentive payment.
- If the servicer initiates a compromise sale or deed-in-lieu prior to transitioning to VALERI, and completes the compromise sale or deed-in-lieu after transitioning to VALERI, VA pays the servicer the greater of the SLMP amount or the incentive amount.
- If the servicer completes a compromise sale or records a deed-in-lieu prior to transitioning to VALERI, and the servicer participated in the SLMP program, VA pays the servicer the SLMP processing fee. In addition to the SLMP processing fee servicers will receive a bonus of $200 per month for every month a compromise sale was completed prior to the 38 CFR 36.4822 cutoff date. The cutoff date differs by state. If the servicer applies a full monthly payment after the day that VA establishes the cutoff date, the cutoff date will be advanced by one month. The full $200 bonus will be paid on partial months provided at least 15 days have elapsed.
- If VA initiated the loss mitigation option, VA does not pay an incentive.

Sample Calculation for a Compromise Sale Initiated Prior to Servicer's Transition to VALERI:

On December 1, 2007, VA issues a cutoff date of May 31, 2008, in response to a request for determination of insolubility. The servicer applies two full payments during December and January, which advances the cutoff date two months to July 31, 2008. The SLMP compromise sale closes on February 13, 2007.

In this case, the servicer initiated the compromise sale prior to transitioning to VALERI, making the servicer eligible for the SLMP bonus and processing fee. However, since the sale was completed after the servicer transitioned to VALERI, the servicer is also eligible for an incentive payment in VALERI. In this case, you should compare the incentive payment generated by VALERI and the SLMP calculation and pay the greater amount.

The total fee payable to the servicer under SLMP can be calculated as follows:

February 13th through March 12th	$200
March 13th through April 12th	$200
April 13th through May 12th	$200
May 13th through June 12th	$200
June 13th through July 12th	$200
July 13th through July 31st (19 days)	$200
Processing Fee	$200
Total Fee Payable	$1,400

If VALERI's calculation is less than $1,400, you must adjust the incentive payment line item on the claim so that the servicer receives the full $1,400. If VALERI's incentive payment is greater than $1,400, you do not need to adjust the payment.

Claims

For all transition loans, you may make adjustments in the following situations:

- Interest payable – you may adjust the number of days for which interest is paid. VA gives the servicer the benefit of the interest timeframe that is most favorable to the servicer.
- Credit to indebtedness – You modify the credit to the indebtedness in the following situations:
    - The servicer notifies VA of a sale change from the holder as successful bidder to third party. In this case, you adjust the credit to the indebtedness to be the actual proceeds of sale or other appropriate value depending on the circumstances surrounding the sale.
    - You adjust the credit to the indebtedness in the event that VA chose to grant prior approval for a compromise sale where the amount of proceeds is less than net value. In this case, you adjust the credit to indebtedness to be the actual proceeds of the sale.
- Incentive payments – If the servicer completed a compromise sale prior to transitioning to VALERI and the SLMP bonus is greater than the VALERI- generated incentive payment, you adjust the incentive payment line item so that it matches the SLMP bonus calculation.

Claims for Transition Loans that Terminated Prior to Transition[95]

VA uses a paper claim process for transition loans that terminated prior to their servicer's transition to VALERI. For these loans, servicers must submit all appropriate paper claim forms and supporting documentation to the RLC of jurisdiction. Servicers do not file the Basic Claim event in VALERI for these loans.

This section describes the following steps for processing these claims:

- Compute claim in LS&C.
- Process claim payment in VALERI.
- Certify claim in LS&C.
- E-mail claim analysis to servicer.

Compute claim in LS&C

When you receive the claim package for a transition loan, you compute the claim payable in LS&C. LS&C requires you to process every transition claim as a supplemental claim. This is true regardless of whether the claim you received from the servicer was an initial claim or a supplemental claim. To access the supplemental claim function in LS&C, go to the loan search page, enter the loan number and select the check box for "supplemental claim." LS&C will give an error message if the loan has not yet been archived. Should this happen, you will need to first archive the case, prior to accessing the supplemental claim function as described above. Process the supplemental claim in LS&C as you normally do for approval and certification.

Keep in mind that if the servicer is eligible for a SLMP processing fee and/or bonus, you also compute the SLMP amount payable and enter it into LS&C. To compute the SLMP processing fee and/or bonus, follow the guidelines in the "non-routine payments" section of this annex. For example:

- If the servicer records a deed-in-lieu prior to go-live, and they participated in the SLMP program, you recommend payment of the $200 SLMP processing fee.
- If the servicer completes a compromise sale prior to go-live, and they participated in the SLMP program, you calculate and recommend payment of the $200 SLMP processing fee plus any additional bonus payable for completing the compromise sale prior to the interest cutoff date.

Process claim payment in VALERI

All LS&C claims must be paid out of VALERI. To pay the claim after you have computed the claim in LS&C, verify that the loan is in a terminated or foreclosed status in VALERI and transfer in the "pay LS&C claim" process.

[95] Updated this section on 5/15/2008.

VALERI Process 38: "Pay LS&C claim"[96]

Step 1: Submit LS&C claim – An SLT must complete this step by entering the LS&C claim data into the Submit LS&C Claim screen. The SLT will need to indicate the bid type and the amount of the claim. Once this information is provided, the SLT will need to click the button to submit the claim.

Step 2: Approve LS&C claim – An SO must review the claim in the Approve LS&C Claim screen and determine whether or not to approve the claim. If the claim is approved, it is presented for certification. If it is denied, VALERI will require the SLT to complete the "submit LS&C" claim process again.

Step 3: Certify LS&C claim – All approved recommendations are submitted to a certifying official for certification. The person who approved the recommendation will not be allowed to certify the claim. If the payment is certified, go to the payment history link to verify that the claim payment is in a pending status. Any recommendation that is not certified re-opens the "submit LS&C claim" step. Once the claim is certified, you must access VALERI's Payment History screen to retrieve the payment transaction number.

Certify Claim in LS&C

Once the claim is certified, access VALERI's Payment History screen to retrieve the payment transaction number. You will enter this number in the claim payment certification form in the field called "VALERI Payment Document #." After you have completed certification, LS&C will automatically change the stage and status back to a terminated status.

E-mail Claim Analysis to Servicer

The claim analysis details will only appear in LS&C and therefore will not be available for viewing through a VALERI report. To inform the servicer of the details, e-mail the claim details to the servicer once you have completed all of the steps for approval and certification.

Returns of Custody for Properties VA Acquired Prior to Transition

The return of custody process differs when VA acquired the property prior to the servicer's transition to VALERI. In these cases, the servicer may not report the Invalid Sale Results or Improper Transfer of Custody events electronically to VA because VALERI will not be able to process them properly.

The servicer must contact you directly to report that an invalid sale or improper transfer of custody occurred. If you learn of an invalid sale, title problems or an improper transfer of custody from VA's Property Management Oversight Unit (PMOU), the borrower, or a third party, you must contact the servicer to confirm. You then process

[96] Updated this process name to "Pay LS&C claim" on 5/15/2008.

the return of custody. [97]This section describes the following steps for this return of custody process:

- Servicer reports invalid sale or improper transfer of custody.
- Technician determines the need to return custody.
- Technician processes return of custody.
- Technician processes a future claim.

Servicer Reports Invalid Sale or Improper Transfer of Custody

The servicer must contact you directly to report that an invalid sale or improper transfer of custody occurred on a transition loan where VA acquired the property prior to the servicer's transition to VALERI.

Invalid sale - If the reason for the return of custody is an invalid sale, the servicer must:

- Report the invalid sale to you by telephone, e-mail, or fax within seven calendar days of discovering that the sale results were invalid.
- Inform you of the date that the sale results were invalidated.
- Inform you of the reason why the sale results were invalidated. Reasons include bankruptcy, procedural errors (including title problems), contested foreclosure, or a third party failure to consummate the sale.
- Report events sufficient to allow the new Results of Sale event to be processed in VALERI. An index of required events is located in the Event Reporting Guide for Transition Loans section of this annex.

You capture all of the invalid sale event information in your VALERI case notes. If the servicer reports an invalid sale more than seven calendar days from the date the sale results were invalidated, you add a regulatory infraction in VALERI for late event reporting.

Improper transfer of custody - If the reason for the return of custody is an improper transfer of custody, the servicer must:

- Report the improper transfer of custody to you by telephone, e-mail or fax within seven calendar days of discovering that an improper transfer of custody occurred.
- Inform you of the date they discovered that the transfer of custody to VA was improper.
- Inform you of the reason for the improper transfer of custody. Reasons include a third party successfully bidding on the property, or the holder choosing to retain the property.

You capture all of the event information in your VALERI case notes. If the servicer reports an improper transfer of custody more than seven calendar days from the date

[97] Changed process steps on 7/2009.

they discovered that the transfer of custody to VA was improper, you add a regulatory infraction in VALERI for late event reporting.

Technician Determines the Need to Return Custody

If you learn of an invalid sale or improper transfer of custody from PMOU, the borrower, or a third party, you must contact the servicer to confirm before processing the return of custody. You must also confirm the reason for the invalid sale or improper transfer and enter any information into your VALERI case notes. If the servicer knew about the invalid sale or improper transfer of custody and did not report it within seven days, you add a regulatory infraction for late reporting.

Technician Processes Return of Custody

For cases where VA acquired the property prior to the servicer's transition to VALERI, VA completes the return of custody manually. To process the return of custody, you:

- Determine the appropriate bill of collection (BOC) amount.
- Obtain approval from SO.
- Inform PMOU of the return of custody by e-mail.
- Document your findings in VALERI and LS&C case notes.

Determine the appropriate BOC amount – You calculate the BOC amount that must be issued to the servicer and create a manual BOC through the payment history screen. You must include the itemized list of amounts that must be recovered.

For an invalid sale, you issue the manual BOC for:

- The acquisition payment.
- The entire amount of any claim paid to the servicer.

For an improper transfer of custody where the bid type was total debt, you issue the manual BOC for:

- The acquisition payment.
- The entire amount of any claim paid to the servicer.

For an improper transfer of custody where the bid type was net value, you issue the manual BOC for:

- The acquisition payment.
- The amount of any of the following items paid on a claim to the servicer: any advances paid after the date of termination, cost of the title policy, title service tax, recording fees for deed to VA, assignment of sheriff's/trustee's deed, transfer tax/documentary stamps, Title V Septic fees (Mass.).
- Additionally, if the termination type was deed-in-lieu, the amount of any of the following items paid on a claim to the servicer: recording fees for deed to VA, estoppel affidavit, deed of reconveyance.
- The amount of any net decrease in the claim amount paid to the servicer after recalculating the claim to use a credit to indebtedness equal to the net value or the

actual proceeds of sale, whichever is higher. For example, the servicer's original claim was $20,000, due to a total eligible indebtedness of $120,000 minus a net value credit of $100,000. The servicer reports an improper transfer of custody where a third party was the successful bidder, and the successful bid was $105,000. You determine the amount to add to the BOC using the following steps:

- Total eligible indebtedness: $120,000
- Credit to indebtedness (actual proceeds of sale because it is greater than net value): $105,000
- Adjusted claim payment: $15,000
- Net decrease in the claim payment ($20,000 minus $15,000): $5,000
- Amount to add to the BOC: $5,000

Obtain approval from SO – When you issue the manual BOC, your SO has to approve the amount.

Inform PMOU of the return of custody by e-mail – Once the manual BOC is certified, you immediately notify PMOU by e-mail that custody is being returned to the servicer. An e-mail address for PMOU can be found on the VA VALERI intranet site. Your e-mail must include the following information:

- 12-digit VA Loan Identification Number
- Property address
- Name of servicer to which the property is being returned
- Servicer loan number
- Effective date of the return of custody (the date of the return of custody letter to the servicer)
- Itemized details of the BOC amount

Document your findings in VALERI and LS&C case notes – You document in your VALERI case notes all relevant information regarding the return of custody, including the date of the return of custody, the reason, and the details of the BOC amount. In LS&C, you also enter a note to refer anyone to VALERI case notes for further information on the return of custody case.

Technician Processes a Future Claim

The servicer may file a claim after a return of custody. You process the claim differently depending on whether the return of custody was due to and invalid sale or improper transfer of custody.

If the servicer files a claim and VA previously returned custody for an invalid sale, the servicer will file the claim in VALERI because the new loan termination action occurs while the servicer is live in VALERI. You process the claim in VALERI as a non-routine claim.

If the servicer files a claim and VA previously returned custody due to an improper transfer of custody, the servicer must file their claim using the appropriate paper form.

You calculate these claims as supplemental claims in LS&C and issue a manual claim payment in VALERI equal to the LS&C-calculated amount. Since VA does not have custody of the property, you will disallow advances paid after the date of termination, cost of the title policy, title service tax, recording fees for deed to VA, assignment of sheriff's/trustee's deed, transfer tax/documentary stamps, Title Septic fees (Mass.).

Adequacy of Servicing

To determine adequacy of servicing on transition loans, you follow the steps of VALERI Process 20: "Review adequacy of servicing" on page 116. Under the old 38 CFR 36.4300 series of regulations, VA did not require servicers to report certain events or complete some actions that now result in regulatory infractions and failed business rules.

For example, in the previous environment, servicers were not required to send the loss mitigation letter and they were not required to report the Loss Mitigation Letter Sent event. In the current environment, if the servicer reports a compromise sale complete without the loss mitigation letter sent, this will cause the "Failure to send loss mitigation letter" regulatory infraction. For transition loans these regulatory infractions and failed business rules will not necessarily indicate inadequate servicing.

When reviewing adequacy of servicing on transition loans, you should review the case notes and contact the servicer and borrower if necessary to determine if servicing was adequate under the old regulations. You must determine whether or not the servicer contacted the veteran and provided adequate information and guidance to help the veteran reinstate the loan or avoid foreclosure. You should also attempt to resolve any regulatory infractions, including those caused by migration issues, with the servicer when you contact them during this process. Servicers must follow all regulations and reporting requirements that applied to the loan after it was migrated under the new 38 CFR 36.4800 series of regulations. If you determine that regulatory infractions and failed business rules occurred after the loan was migrated, these may be indications of inadequate servicing.

Annex 8 – Post-Audit Annex

Part of your role in the post-audit process is to review cases and ensure that the amounts the servicer claimed are proper and fully supported. You must review each loan to authenticate documents and validate the events and data associated with those documents. As states have different laws and regulations governing the foreclosure process, this annex provides additional guidance for you to use when you evaluate cases at post-audit. For more information on the post-audit process, refer to Chapter 12, Post-Audit.

You may also use this information when making a determination to grant a pre-approval, processing a non-routine claim, or reviewing an appeal.

This annex provides additional guidance on the following topics:[98]

- Foreclosure timeframe extension.
- Attorney fees for foreclosure restarts.
- Taxes.
- Service of process.
- Title search/title policy.
- Condominium and HOA Fees.
- Additional fees.
- Root of title.

In addition, this annex contains the Post-Audit Survey, a series of survey questions to be answered before you submit the post-audit results for supervisory approval.

Foreclosure Timeframe Extension

VA allows interest for 210 days from the due date of the last paid installment plus the maximum allowable state foreclosure timeframe. If circumstances beyond the control of the servicer cause a foreclosure sale to take place beyond this foreclosure timeframe, servicers may request additional interest be paid on the loan.

If the circumstances for delay were beyond the control of the servicer, you allow additional interest for the period of the delay and any time required to restart and complete the foreclosure sale. This may mean extending the foreclosure timeframe to the earliest possible sale date following the period of the delay. If the reason for the postponement or cancellation was due to the error of the attorney or the servicer, you do not allow the additional interest.

Examples of foreclosure timeframe extensions beyond the control of the servicer include:

[98] Deleted “post-audit documentation issue” on 7/2009.

- In Hawaii, the courts require all defendants, including all potential secondary lien holders, to be served prior to the foreclosure sale. This may cause the foreclosure sale to extend beyond the foreclosure timeframe if the lien holders cannot be located.
- In Louisiana, when the foreclosing attorney is unable to serve the homeowner, the court appoints a curator to act on behalf of the homeowner at the foreclosure sale. The appointment of the curator may cause a delay that extends beyond the foreclosure timeframe.
- In Louisiana, when a foreclosure sale is postponed, the sheriff sets the new sale date. The sheriff may set the date beyond the foreclosure timeframe.
- In Oklahoma, when the foreclosing attorney is unable to complete personal service of process, the state requires the servicer to publicize the foreclosure sale. This may take an additional 45 days beyond the foreclosure timeframe.
- In New Jersey, the borrower is entitled to two postponements of the sheriff's sale not to exceed 14 days for each postponement. After a borrower exhausts both 14 - day adjournments, then the borrower may seek an order of court allowing for additional adjournments. The decision of whether to grant the additional adjournment is within the discretion of the court and beyond the control of the servicer.
- In Pennsylvania, state law requires that the mortgagors be given notice that the loan is in default and that they have the right to apply for assistance with counseling agencies. The servicer and/or attorney must send notice to the mortgagor along with a list of participating counseling agencies (ACT 91 Letter) and wait until the expiration of the notice before proceeding with foreclosure. If the borrower applies for assistance, the servicer, by law, must place the account on hold from foreclosure until a decision has been made by the counseling agency. The hold may extend beyond the foreclosure timeframe.
- In Texas, foreclosure sales are only held on the first Tuesday of each month. Postponing a foreclosure sale to the next sale date may cause the foreclosure to extend beyond the foreclosure timeframe.

Attorney Fees for Foreclosure Restarts

VALERI automatically disallows attorney fees for foreclosure restarts submitted by the servicer at claim. You can allow up to $350[99] for these restart fees if you review this line item as a non-routine claim or if the servicer submits a supplemental claim or an appeal, provided the servicer demonstrates that the circumstances leading to the foreclosure restart were beyond their control. The servicer’s justification should identify the specific state laws or regulations the that allow additional fees. Listed below are examples of reasons you may allow restart fees.

- In Alabama, whenever a sale is postponed or cancelled, the servicer has to start the foreclosure process again. If the sale is postponed, the attorney must announce the

[99] Updated restart fee to $350 on 7/2009.

postponement of the sale at the courthouse steps. There is a fee charged by the courthouse for the postponement of the sale.

- In Arkansas, foreclosure sale dates can be postponed for up to 30 days. After 30 days, the servicer has to start the foreclosure process again.
- In Georgia, if a foreclosure sale is postponed, the servicer has to start the foreclosure process again. In this state, cancellations and postponements are considered one in the same since the process has to start over.
- In Mississippi, whenever a sale is postponed or cancelled, the servicer has to start the foreclosure process again. There is no difference between a postponement and a cancellation in Mississippi. Both require restarting the foreclosure again.
- In North Carolina, a foreclosure sale can be postponed for up to 90 days. After 90 days, the servicer has to start the foreclosure process again.
- In Tennessee, a foreclosure sale can be postponed; however, most attorneys will not postpone more than 4 weeks as a Judge may consider it a "stale" sale and not validate the foreclosure. After 4 weeks of postponement, the servicer will likely cancel and re-start the sale.

Taxes

Servicers may erroneously include penalty and interest in the amounts they claim for property taxes. VALERI does not check the calculation of taxes to determine if the servicer claimed the appropriate amount. It is your responsibility to examine the ledger history to identify taxes paid out of season and investigate to determine what the base tax amount is. You adjust this line item for any amount over the base tax that was advanced on the loan.

The following table details basic tax due dates for each state.

Table 20: State by State Tax Due Dates

State	Tax Due Date	Additional Information
Alabama	▪ Taxes are due December 31.	▪ NA
Alaska	▪ Taxes are due according to local guidance.	▪ Check local Alaska guidance for tax due dates. ▪ Tax payment dates range from February 17 through November 15.
Arizona	▪ Taxes are due semi-annually in September and March.	▪ NA
Arkansas	▪ Taxes are paid from March to May for previous calendar year; delinquent after October.	▪ Special Assessments are delinquent after April 18. Levy and Drainage taxes are due in October for current year.
California	▪ Taxes are due semi-annually in November and April.	▪ NA

State	Tax Due Date	Additional Information
Colorado	▪ If paid annually, taxes are due April 30 for the prior calendar year. ▪ If paid semi-annually, taxes are due February 28 and June 15 for the prior calendar year.	▪ NA
Connecticut	▪ Taxes are due January and July.	▪ NA
District of Columbia	▪ Taxes are due semi-annually January 31 and September 15.	▪ NA
Delaware	▪ Taxes are due September 30.	▪ Tax year is from May 1 to April 30.
Florida	▪ Taxes are due April 15.	▪ Tax bills are sent out on October 1 of each year and are discounted each month for early payment.
Georgia	▪ Taxes are due according to local guidance.	▪ Check local Georgia guidance for tax due dates.
Guam	▪ Taxes are due January for previous tax year.	▪ NA
Hawaii	▪ Taxes are due semi-annually February 20 and August 20 for the next semiannual period.	▪ NA
Idaho	▪ If paid annually, taxes are due December 20 for current year. ▪ If paid semi-annually, taxes are due for the 1st half of current year on December 20 and 2nd half of previous year on June 20.	▪ NA
Illinois	▪ Taxes are due June 1 and September 1 for prior year taxes.	▪ There are counties in which taxes can be paid in four installments such as Rock Island. In Cook County, the taxes are due on March 1 and September 1.
Indiana	▪ Taxes are due semi-annually May 10 and November 10.	▪ Taxes are paid in arrears.
Iowa	▪ First tax payment due March 31 and covers January 1 through June 30th of previous year. Second tax payment due September 30 and covers July 1 through December 31 of previous year.	▪ Taxes are generally paid in March and September.

State	Tax Due Date	Additional Information
Kansas	▪ First half of taxes are due on or before December 20. Second half of taxes are due on or before May 10 of the following year.	▪ Taxes are generally paid April and November.
Kentucky	▪ Taxes are due December 31 for the current year.	▪ NA
Louisiana	▪ Taxes are due December 31 for the current year.	▪ For Orleans Parish, taxes are due on or before December 31, but the payment is for next year's taxes.
Maine	▪ Taxes are due four times per year in July, October, January, and April.	▪ NA
Maryland	▪ Taxes are due semiannually July 31 and December 31.	▪ NA
Massachusetts	▪ Taxes are due four times per year in August, November, February, and May.	▪ NA
Michigan	▪ Taxes are due semi-annually in August and December.	▪ NA
Minnesota	▪ Taxes are due semi-annually May 15 and December 31.	▪ Taxes are generally paid in May and October.
Mississippi	▪ Taxes are due February 28 for previous year.	▪ NA
Missouri	▪ Taxes are due December 31 for current year taxes.	▪ Taxes are due and payable on the first day of November and delinquent on January 1.
Montana	▪ If paid annually, taxes are due December 31. ▪ If paid semi-annually, taxes are due for the 1st half of current year on November 30th and 2nd half of previous year on May 31.	▪ NA
Nebraska	▪ Taxes are due semi-annually March 31, which covers January 1 through June 30 of previous year, and July 31, which covers July 1 through December 31 of previous year.	▪ Taxes are generally paid in March and July.

State	Tax Due Date	Additional Information
Nevada	▪ Taxes are paid four times per year in August, October, January, and March.	▪ NA
New Hampshire	▪ Taxes are due July 1, December 1, or 30 days after the bills are issued, whichever is later.	▪ NA
New Jersey	▪ Taxes are due four times per year in January, April, July and October.	▪ NA
New Mexico	▪ Taxes are due semi-annually in November and April.	▪ NA
New York (06)	▪ School taxes are due in September. ▪ County taxes are due in February. ▪ City taxes are due in July.	▪ NA
New York (07)	▪ County taxes are due in February. ▪ City taxes are due semi-annually in July and December.	▪ NA
North Carolina	▪ Taxes are due according to local guidance.	▪ Check local North Carolina guidance for tax due dates.
North Dakota	▪ Taxes are due semi-annually March 15, which covers January 1 through June 30 of previous year and October 15, which covers July 1 through December 31 of previous year.	▪ If annual amount paid by February 15, there is a 5 percent discount. ▪ Taxes are generally paid in March and October.
Ohio	▪ Taxes are due semi-annually in January, which covers January 1 through June 30 of previous year, and July, which covers July 31 through December 31 of previous year.	▪ NA
Oklahoma	▪ Taxes are due December 31 for the current year.	▪ NA

State	Tax Due Date	Additional Information
Oregon	▪ If paid annually, there is a 3% discount and taxes are due November 15. ▪ If paid semi-annually, there is a 2% discount and taxes are due November 15 and May 15. ▪ If paid in three payments, there is no discount and the taxes are due November 15th, February 15, and May 15.	▪ Tax period starts July 1 of current calendar year through June 30 of next calendar year.
Pennsylvania	▪ Taxes are due April 30.	▪ If paid by March 31, a 2% discount is received.
Puerto Rico	▪ Taxes are due April 1 and October 1 for prior six month's tax.	▪ Property tax bills are issued January 1 and July 1 and payment is due within 90 days. ▪ Payments made within 30 days eligible for 10% discount. Payments made between 31 to 60 days eligible for 5% discount.
Rhode Island	▪ Taxes are due four times per year in March, June, September, and December.	▪ NA
South Carolina	▪ Taxes are due according to local guidance.	▪ Check local South Carolina guidance for tax due dates.
South Dakota	▪ Taxes are paid semi-annually on April 30, which covers January 1 through June 30 of previous year, and October 31, which covers July 1 through December 31 of previous year.	▪ Taxes are generally paid in April and October.
Tennessee	▪ Taxes are due according to local guidance.	▪ Check local Tennessee guidance for tax due dates.
Texas	▪ Taxes are due December 31.	▪ NA
Utah	▪ Taxes are due November 30.	▪ NA
Vermont	▪ Taxes are due in December.	▪ NA
Virginia	▪ Taxes are due according to local guidance.	▪ Check local Virginia guidance for tax due dates.

State	Tax Due Date	Additional Information
Washington	▪ If paid annually, taxes are due April 30 for current calendar year. ▪ If paid semi-annually, taxes are due April 30 for the first half of the year and October 31 for the second half of the year.	▪ NA
West Virginia	▪ Taxes are paid semi-annually on September 1 and February 28.	▪ NA
Wisconsin	▪ If paid annually, taxes are due on January 31 for prior year taxes. ▪ If paid semi-annually, taxes are due January 31 for the first half of the previous year and July 31 for the second half of the previous year.	▪ Taxes are generally paid in December.
Wyoming	▪ If paid annually, taxes are due by December 31. ▪ If paid semi-annually, taxes are due November 10 for first half of year and May 10 for the second half of the previous year.	▪ NA

Service of Process

Servicers may be required by state law to send notices to multiple obligors or tenants. If servicers are required by local authority to serve multiple persons, you allow the expenses for this service. For example:

- In Arkansas, it is a state requirement to send notice to one tenant in addition to the obligors. The state requires the servicer to mail a notice to the tenant at the property address so that the occupant of the property, if other than the homeowner, also receives notice.
- In Hawaii, the courts require all defendants, including all potential secondary lien holders, to be served prior to the foreclosure sale.

Title Search/Title Policy

In some states, title companies do not charge for a title search if the servicer also obtains a title policy. For example, in Arkansas, VA reimburses servicers for the higher of the title search or the title policy because when servicers obtain a title policy, the title companies do not charge for the search.

In other states, VA does reimburse for both the title search and the title policy. For example, in Texas, it may be necessary for VA to reimburse for both because most companies do not credit the search when the title policy is purchased.

VA does not reimburse servicers for title policies if VA does not acquire the property.

Condominium and HOA Fees

Some states have very specific laws regarding condominium fees. VA reimburses servicers if the fees are required by local authority. For example, in Hawaii, Under Act 39 (2000 Session Laws of Hawaii), condominium associations can file a special assessment lien for unpaid maintenance fees not to exceed $1,800. Servicers must pay this lien prior to conveying title to VA. VA allows servicers to include this as an advance on their claim. The servicer must furnish a recorded release of lien as evidence that the lien was satisfied.

Some states allow super liens for Homeowners Association (HOA) fees. VA reimburses servicers if the fees are required by local authority. These states include Colorado and Washington. VA does not reimburse for late charges, interest, or attorney's fees associated with condominium and HOA fees.

Additional Fees

If circumstances beyond the control of the servicer cause a foreclosure sale to be postponed or cancelled, servicers may request additional fees to be reimbursed at claim. This includes delays to foreclosure at the request of VA. Some examples include:

- In Maine, a sale may be postponed week to week at no expense. After five postponements, the sale has to be published again. You allow the additional publication fees if the postponements were beyond the control of the servicer.
- In Oklahoma, postponed or recalled sales require the servicer to file an Alias Special Execution to set another sale date. You allow the additional court cost when the postponement is due to a delay beyond the control of the servicer.
- In South Carolina, if a foreclosure sale is postponed, servicers must send to the court a new notice of sale and re-advertise for three weeks prior to the new sale date. You allow the additional expenses if the postponement was beyond the control of the servicer.

Root of Title

In Iowa, VA regional counsel currently requires a root of title for 40 years to approve title. It is regional counsel's opinion that the servicer should have the current abstract and should be able to update it for the termination of the loan and conveyance to VA. Since most servicers do not have the abstract, they have to pay for a 40 year root of title. VA does not reimburse servicers for 40 year roots of title.

Post-Audit Survey

The Post-Audit Survey is a series of survey questions to be answered before you submit the post-audit results for supervisory approval. If necessary, you can contact the servicer for additional information to answer the questions. By concluding the post-audit review with the Post-Audit Survey, you and the supervisor know that all potential issues, including those stemming from unreported information, have been resolved. Table 21 contains a complete list of questions used today.

Table 21: Post-Audit Survey

Repayment Plan
▪ Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced? ▪ Is there any evidence of unreported partial payment returns? ▪ Is there any evidence this repayment plan was manufactured to meet VA requirements for an incentive payment?
Special Forbearance
▪ Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced? ▪ Is there any evidence of unreported partial payment returns? ▪ Was the forbearance for at least a one month period? ▪ Is there any evidence this special forbearance was manufactured to meet VA requirements for an incentive payment?
Loan Modification
▪ Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced? ▪ Is there any evidence of unreported partial payment returns? ▪ Is there any evidence of unreported loan modifications? ▪ Did the servicer comply with VA underwriting requirements for the loan modification, pursuant to 38 CFR 36.4840? Refer to the Lender's Handbook for guidance? ▪ Do the servicer's records confirm that only unpaid principal, accrued interest, deficits in the escrow account, and advances required to preserve the lien position were included in the modified indebtedness? ▪ Do the servicer's records confirm that no processing fee of any kind was charged to the veteran? ▪ Does the documentation provided by the servicer validate that the borrower did not receive cash back from the loan modification?

Deed-in-lieu

- Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced?
- Is there any evidence of unreported partial payment returns?
- Was the proper consideration amount reflected in the deed to preserve the obligor's liability to VA?
- Does the address on the appraisal match the address in VALERI?
- Did the appraisal reveal unreported insurable property damage?
- If yes, do the servicer's records reflect that proper action was taken to recover losses from the insurance company or did the servicer provide a copy of a denial letter?
- Were suspended/unapplied funds properly accounted for and credited to the account?
- Did the servicer complete monthly property inspections as required pursuant to 38 CFR 36.4850?

Compromise Sale

- Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced?
- Is there any evidence of unreported partial payment returns?
- Is there any evidence of the servicer requesting information already received or in a piecemeal fashion?
- Does the purchase price in the HUD-1 agree with the purchase agreement?
- Do the servicer's records and closing documents (HUD-1) confirm that the seller did not receive compensation from the sale?
- Does the HUD-1 indicate anything suspicious that requires further review?
- Was the tax advance/pro-ration properly handled to prevent duplicate reimbursement to the servicer?
- Does the address on the appraisal match the address in VALERI?
- Were suspended/unapplied funds properly accounted for and credited to the account?
- Did the servicer complete monthly property inspections as required pursuant to 38 CFR 36.4850?

Terminated Loan/Foreclosure

- Is there any evidence this veteran was eligible for SCRA relief, but the interest was not reduced?
- Is there any evidence of unreported partial payment returns?
- Is there any evidence of unreported loan modifications?
- Did the servicer refuse to accept funds to reinstate the loan in compliance with 38 CFR 36.4809(h)?
- Does the address on the appraisal match the address in VALERI?
- Did the appraisal reveal unreported insurable property damage?
- If yes, do the servicer's records reflect that proper action was taken to recover losses from the insurance company or did the servicer provide a copy of a denial letter?
- Were suspended/unapplied funds properly accounted for and credited to the account?
- Did the servicer complete monthly property inspections as required pursuant to 38 CFR 36.4850?

Partial Release of Security

- Did the servicer obtain the value of the entire security, the value of the remaining security after the release, and the value of the portion of the security to be released before making its decision?
- Does the survey or sketch provided by the servicer reflect the location of all improvements on the property and verify that they remain with the portion securing the VA guaranteed loan and that the property is still fit for dwelling purposes?
- Did the servicer release the lien upon either approval of the Secretary or payment in full?
- Did the servicer release the lien under a consideration that was commensurate with the full market value of the property and was all the consideration applied to the indebtedness?
- If encumbrance on another property was accepted in lieu of the property released, did the holder acquire a lien on the property of equal value to the property being released?
- Did the servicer notify VA of the release or substitution within 30 days after completion of the transaction?

Annex 9 – Management Quality Reviews

VA Regional Loan Center (RLC) management and VA Central Office (CO) conduct reviews of employees and develop performance standards to ensure that individuals and RLCs as a whole understand and implement high quality standards in their daily work. Within each RLC, the primary responsibility for quality reviews lies with supervisors and managers. Loan Administration Officers (LAOs) and Servicing Officers (SOs) review the performance of employees at their station.[100]

The criteria for performance standard reviews of Assistant Loan Technicians (ALTs) and Loan Technicians (LTs) are:

- Quality of post-audit reviews, suspicious loan modification reviews, loss mitigation recommendations, incentive payment reviews, appeals, claims processing, adequacy of servicing reviews, and substantial equity reviews.
- Adherence to established timeliness standards in completing VALERI processes.
- Customer service.
- Cooperation and organizational support.

Performance standard reviews of Senior Loan Technicians (SLTs) include:

- Quality of post-audits reviews, loss mitigation recommendations, incentive payment reviews, non-routine acquisition and claims processing, adequacy of servicing reviews, and automated or manual BOC reviews.
- Adherence to established timeliness standards in completing VALERI processes.
- Customer service.

In addition to LA management reviews within RLCs, VACO reviews the performance of RLCs to assess trends and ensure quality standards are met across Loan Administration.

[100] Updated performance review criteria for ALT, LT, and SLT roles on 7/2009.

Annex 10 – Post-Audit Document Definitions

VA conducts a post-audit on a random selection of cases for which incentive or claim payments were made, loan terminations were completed without a claim payment made, or partial releases of security were completed. You are responsible for validating that the documents submitted by servicers during the post-audit process are correct and that they substantiate the event for which they were submitted. The following post-audit document definitions table in this annex contains the document name and a definition of each post-audit document.

Table 22: Post-Audit Document Definitions

No	Document Name	Document Definition
1	Analysis for bid calculation or credit to indebtedness (includes analysis of equity)	For alternatives to foreclosure and foreclosures, the document used for comparison of the net value of the loan security, the total eligible indebtedness, and the unguaranteed portion of the loan to determine the bid type.
2	Appraisal for partial release of security	A VA[101] appraisal showing the reasonable value of the security before and after the partial release, as well as the value of the security being released.
3	Appraiser's invoice	Invoice from appraiser identifying the property that was appraised, completion date and amount due.
4	Attorney's notice of procedural errors	Document from attorney explaining what procedural error caused either a delay in the foreclosure process or an invalid sale
5	Bill and evidence of payment	An invoice from a third party service provider outlining work completed, and evidence the bill has been satisfied.
6	Compromise sale approval letter	The letter to the borrower that was used to provide authorization from the servicer to complete a compromise sale.
7	Copy of check for insurance proceeds	A copy of the check issued by insurance company to cover damage to the security.
8	Deficiency waiver letter	Notification from the holder to the borrower that they would be held harmless from the unguaranteed portion of the loan.[102]
9	DIL approval letter	The DIL approval letter that was sent to the borrower.
10	Evidence of the secondary lienholders (title or judgment)	A lien report, or other legal document, that shows any judgments or liens on a security.

[101] Updated to a "VA" appraisal on 7/2009.

[102] Updated to reflect that the deficiency waiver letter is sent to the borrower only on 7/2009.

No	Document Name	Document Definition
11	Evidence of third party's failure to consummate sale (could be servicing case notes if no other documentation is available)	In the case of a successful third party bid, a document that shows that the third party was unable to come up with the funds bid at sale to complete the transaction.
12	Financial information ("point in time financials") and/or documentation	All financial documentation that was used to approve the alternative to foreclosure such as income, expenses and residual income.
13	Foreclosure attorney referral notice	Letter to an attorney beginning the foreclosure process[103].
14	HUD-1	A document prepared by a closing agent describing a real estate transaction, including the escrow deposits for taxes, commissions, loan fees, points, and hazard insurance.
15	Insurance adjuster's report	An insurance adjuster's settlement recommendations for insurance claims or claims for damages. Copy of document(s) providing evidence that an insurance claim was filed. This evidence will also provide information on the approval or denial of the insurance claim.
16	Itemized attorney invoice	Invoice for any services provided by attorney towards the liquidation of a loan.
17	Itemized invoice for service provided	Invoices for any and all services provided.
18	Itemized invoice of work completed	A copy of the invoice(s) listing all repairs that have been completed, the materials used, if applicable, and the amount paid.
19	Itemized invoice of work completed and materials used	An invoice from a property preservation company or general contractor outlining materials and repairs completed to property.
20	Itemized invoice of work completed and waste management facility receipt	Invoice from property preservation company as well as receipt from dumping facility outlining debris removal including the date, address of the property from which the debris was removed, number of yards dumped, and description of items being dumped or disposed.
21	Ledger/loan payment history	All ledger/payment histories showing amounts of all debits and credits to the account. This includes running balances for principal, escrow and suspense/unapplied accounts. For refunds, this also includes the tax and insurance information.
22	Loan modification agreement	The executed loan modification agreement between the servicer and the borrower that changed one or more terms of an existing mortgage loan such as the interest rate, number of years allowed for repayment, or amount of monthly payment.

[103] Updated definition 7/2009.

No	Document Name	Document Definition
23	Loan modification approval letter	The loan modification approval letter that was sent to the borrower.
24	Loan modification worksheet	The worksheet used to process the loan modification showing the old and new terms of the loan.
25	Loss mitigation analysis	Screen shots or other documentation supporting the loss mitigation decision. This would include the documentation showing the compromise sale or DIL completed was a cost savings to VA over foreclosure.
26	Loss mitigation letter	Letter sent to borrower by the 45th or 75th day of default explaining loss mitigation options.
27	Military documentation showing active duty status	A copy of the mortgagor's military orders which include the date called to duty and length of the activation.
28	Mortgage note (includes variable mortgage addendums if applicable - GEM, ARM, GPM)	Written agreement to repay a loan. The note is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be paid. The note also states the actual amount of the debt secured by the mortgage and renders the mortgagor personally responsible for repayment.
29	Official foreclosure document (per state requirements)	State document required to complete the foreclosure process.
30	Official notice providing evidence of unusual property circumstance	Any documentation supporting an unusual property circumstance, which explains the problem (i.e., demolition, methamphetamine lab, police seizure).
31	PACER report (or equivalent)	A Docket Report from PACER (Public Access to Court Electronic Records) for each Bankruptcy filed during the default period (or equivalent).
32	Partial release of security instrument	The legal document used for releasing a portion of the security.
33	Payment return letter	The document used to explain the reason why the payment was returned.
34	Property inspection report	A report that includes at minimum the following: date of the property inspection, cost of the inspection, identity of the inspector, occupancy status, and property condition.
35	Public/official notice of contested foreclosure	A document filed that shows the borrower has contested the foreclosure action and a delay may ensue.
36	Public/official notice of postponed/cancelled foreclosure sale	State required document showing a foreclosure sale has been either postponed or canceled.

No	Document Name	Document Definition
37	Public/official notice of scheduled foreclosure sale (if official notice is not required, provide available documentation)	State required document giving legal notice of the date, time, and place of sale.
38	Purchase agreement	The legal agreement detailing the sale of the property, including the price and terms of the sale.
39	Recorded deed from homeowner to servicer	The recorded legal document that was used to transfer ownership from the borrower to the servicer.
40	Release of liability	A formal agreement absolving a mortgagor from responsibility under a mortgage because another party has agreed to assume the mortgage obligations.
41	Servicing case notes	All servicing case notes that can be generated from the servicer's operating system during the life of the current default. The servicing notes should include: collection notes, loss mitigation notes, bankruptcy notes, foreclosure notes, and tax/insurance notes, etc.[104]
42	Sheriff's appraisal/ notice of value	A document that shows the "as-is" value of the property, which is used to determine the bid amount for a foreclosure sale.
43	Title company invoice	Invoices showing work completed, date completed and amount due.
44	Underwriting package	All underwriting documentation that was used for the approval of the loan modification such as the credit report, financial information and hardship letter.
45	Written executed repayment plan	The written repayment plan agreement that was executed by the borrower and servicer.
46	Written executed special forbearance agreement	The written special forbearance agreement that was executed by the borrower and servicer.

[104] Modified definition on 7/2009.

Annex 11 – Texas Veterans Land Board Loans

Background

The Texas Veterans Land Board (VLB) has administered a state benefit called the Veterans Housing Assistance Program (VHAP) since its inception in 1983. This program currently allows Texas veterans to borrow a maximum of $325,000 to purchase property located entirely in Texas. In cases when the veteran needs more than this amount to purchase a home, a VLB participating lender must lend the additional funds to the Veteran. This is a “two note loan” which is underwritten as a co-first lien utilizing one Deed of Trust. The VLB note is called the Program Note and the other note is called the Participant Note. By combining a VHAP loan with another loan at the current market rate, the Veteran has a lower blended rate o the overall mortgage and a lower monthly payment. For more information on the Texas Veterans Land Board, visit www.glo.state.tx.us/vlb/general/index.html.

Servicing

VA guarantees Texas VHAP loans. These loans are serviced the same as other loans in VALERI. Even if the loan is comprised of two notes, it is treated as one loan, and VALERI only allows information on one servicer as the primary contact. The information on the loan in VALERI must match the information in WebLGY. Otherwise, VALERI will not be able to locate the loan. When either loan goes into default, the entire loan is considered in default.

The servicer must take both loans into account when pursing loss mitigation options and when referring the loan to foreclosure. If the loan is being terminated through a compromise sale, deed in lieu, or foreclosure, both notes must be terminated at the same time and the servicer who is pursuing termination is responsible for working with the other servicer to ensure that both loans are terminated at the same time.

Claims Under Guaranty

VA’s guaranty applies to both loans. All Texas VLB loans will be non-routine and must be reviewed by a technician. For two note loans, it is possible that the interest rate or due date is different. In these cases, you must use a combined interest rate for the loan. There is an excel program to calculate the combined interest rate for notes with different interest rates and/or different default dates. It is located at H:\LGY\LGY LS&C\Land Board Calculations. Figure 1 shows an example of the excel program.

Figure 98: Combined Interest Rate Calculation

Interest Rate Percent	Principal Balance	Amount of Interest
7.5%	$10,000	$750
6.0%	$10,000	$600
Total	$20,000	$1,350

In this example, the combined interest rate is 6.75%. This is found by dividing the combined total amount of interest by the combined principal balance.

You must adjust the interest rate and amount allowed on the claim to match the Combined Interest Rate. Since VALERI contains the name of only one payee (holder) for each loan, only one claim payment can be disbursed. For additional information on servicing and background of TVLB loans, refer to Annex 11, Texas Veteran's Land Board Loans in the Servicer Guide.

Annex 12 – VALERI Processes

Loan Administration employees are required to complete several VALERI processes as part of their day-to-day activities. The table below lists all the processes in VALERI, the steps within each process, the minimum role responsible for completing each step, the completion time, the re-projection time, and the corresponding page in the guide.

Table 23: VALERI Processes[105]

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
VALERI Process 1	Loan Notes	No steps	ALT	NA	51
VALERI Process 2	Unreported Loss Mitigation Letter	1. Contact servicer	ALT	3	56
		2. Confirm letter sent and reported	ALT	5	
VALERI Process 3	Send Loss Mitigation Letter	1. Create loss mitigation letter	ALT	3	56
		2. Send loss mitigation letter	ALT	1	
VALERI Process 4	Review Partial Payment	1. Document borrower complaint	ALT	1	56
		2. Contact servicer	ALT	3	
VALERI Process 5	Review Suspicious Loan Modification	1. Review suspicious loan mod	ALT	2	64
		2. Obtain documents	ALT	14	
		3. Perform loss mit analysis	ALT	5	
		4. Make recommendation on suspicious loan modification	ALT	2	
		5. Approve or deny recommendation	SO	2	
VALERI Process 6	Communicate Modification	1. Prepare mod correction letter	ALT	1	66

105 Added new appeal processes on 7/2009.

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
	Corrections	2. Communicate corrections to servicer	ALT	1	
		3. Confirm corrections agree	ALT	60	
VALERI Process 7	Review Early Payment Default	1. Review case file	ALT	3	66
		2. Contact borrower	ALT	3	
		3. Obtain information from servicer	ALT	14	
		4. Determine quality of underwriting	ALT	2	
VALERI Process 8	Review NOV without EDN	1. Review case file	ALT	3	67
		2. Review NOV/appraisal in TAS	ALT	2	
		3. Contact servicer	ALT	2	
VALERI Process 9	Make Loss Mitigation Recommendation	1. Collect information from veteran	ALT	7	69
		2. Update VALERI and determine loss mitigation recommendation	ALT	1	
		3. Contact borrower with results	ALT	3	
		4. Approve or deny loss mitigation option	LT	3	
VALERI Process 10	Get Agreement from Servicer on Loss Mitigation	1. Obtain response from servicer to implement loss mitigation recommendation	ALT	2	71
VALERI Process 11	Confirm Loss Mitigation Implemented	1. Confirm loss mitigation efforts	ALT	14	72
VALERI Process 12	Prevent Servicer Incentive	1. Make recommendation on preventing incentive	ALT	3	89
		2. Approve or deny preventing an incentive	SLT	2	
VALERI	Approve	1. Evaluate loan problems	ALT	3	91

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
Process 13	Incentive	2. Make recommendation on non-routine incentive payment	ALT	3	
		3. Approve or deny recommendation	SLT	2	
VALERI Process 14	Review Regulatory Infraction	1. Create Reginf	ALT	3	95
		2. Approve or deny regulatory infraction	SO	2	
VALERI Process 15	Get Refund Settlement Data	1. Contact Servicer/Tax Authority for refund settlement	ALT	3	109
		2. Enter refund settlement data as an event in the SWP	ALT	1	
VALERI Process 16	Review Refund	1. Send refund consideration letter	ALT	1	109
		2. Conduct refund analysis	ALT	20	
		3. Enter refund analysis data	ALT	1	
		4. Make recommendation on refund option	ALT	1	
		5. Approve or deny recommendation on refund claim	SO	2	
VALERI Process 17	Refund Title Documentation	1. Enter date title documentation received	ALT	60	112
		2. Send title documentation to Regional Counsel	ALT	1	
		3. Enter the date title documentation approved	ALT	10	
VALERI Process 18	Prepare Set-Up Sheets	1. Prepare set-up sheets	ALT	3	112
		2. Send set-up sheets to finance	ALT	1	

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
		3. Send set-up sheets to CHL	ALT	1	
VALERI Process 19	Prepare Modification Agreement	1. Request copy of recorded instrument	ALT	3	113
		2. Prepare modification agreement	ALT	2	
		3. Send modification agreement	ALT	3	
		4. Send modification agreement to Countrywide (or current contract servicer)	ALT	10	
VALERI Process 20	Review Adequacy of Servicing	1. Review case file	ALT	5	116
		2. Contact servicer	ALT	7	
		3. Contact borrower	ALT	7	
		4. Determine adequacy of servicing	ALT	14	
		5. Approve or deny adequacy of servicing recommendation	LT	3	
VALERI Process 21	Review Substantial Equity	1. Review case file	ALT	2	119
		2. Contact servicer	ALT	3	
		3. Determine if there is substantial equity	ALT	0	
VALERI Process 22	Notify Veteran of Substantial Equity	1. Notify veteran of substantial equity	ALT	3	119
		2. Determine if loan termination action needs to be postponed	ALT	1	
VALERI Process 23	Postpone Loan Termination Action	1. Contact servicer	LT	3	120
VALERI Process 24	Notify Veteran of Proposed Loan	1. Contact servicer to get confirmation of approval	ALT	3	120

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
	Termination	2. Notify veteran of postponed loan termination	ALT	3	
VALERI Process 25	Pre-foreclosure Debt Waiver Review	1. Perform pre-foreclosure debt waiver review	ALT	3	120
		2. Approve or deny recommendation	LT	2	
VALERI Process 26	Review Non-Routine Acquisition	1. Evaluate loan problems	ALT	0	126
		2. Make recommendation on payment of non-routine acquisition	ALT	0	
		3. Approve or deny recommendation	SLT	0	
VALERI Process 27	Review Suspicious NOV	1. Review case file	ALT	3	128
		2. Review NOV/Appraisal in TAS	ALT	2	
		3. Document reason for additional NOV	ALT	2	
VALERI Process 28	Return Custody	1. Validate need to return custody	ALT	3	131
		2. Contact servicer	ALT	1	
		3. Approve or deny return of custody	SO	2	
		4. Enter return of custody data in VALERI	SO	2	
VALERI Process 29	Review Non-Routine Claim	1. Evaluate loan problems	ALT	3	140
		2. Make recommendation on payment of non-routine claim	ALT	3	
VALERI Process 30	Approve Non-Routine Claim	1. Approve or deny recommendation	SLT	2	142
VALERI Process 31	Approve Non-Routine Claim with Regulatory Infraction	1. Approve or deny recommendation	SO	2	142

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
VALERI Process 32	Review Supplemental Claim	1. Review case file	ALT	3	142
		2. Obtain documentation from servicer	ALT	14	
		3. Make recommendation to approve or deny supplemental claim	ALT	3	
		4. Approve or deny recommendation	SO	3	
VALERI Process 33	Complete Loan Refund	1. Determine estimated refund claim	ALT	3	146
		2. Make recommendation on refund claim	ALT	1	
		3. Go to SWP and submit refund claim	SO	2	
VALERI Process 34	Perform Post-Audit	1. Receive documents	ALT	30	175
		2. Authenticate documents	ALT	7	
		3. Validate events and data	ALT	7	
		4. Complete post-audit survey	ALT	7	
		5. Recommend post-audit results	ALT	2	
		6. Approve or deny post-audit results	SLT or SO	2	
VALERI Process 35	Rework Post-Audit	1. Rework post-audit	ALT	5	177
VALERI Process 36	Approve BOC	1. Approve or deny automated BOC	SLT	2	196
VALERI Process 37	Review Appeal (these steps apply to the following processes: review appealed BOC, review appealed	1. Review case file	ALT	3	204
		2. Obtain documentation from servicer	ALT	14	
		3. Make recommendation to approve or deny appeal	ALT	3	

Process Number	Process Name	Step Number and Name	Role	Completion Time (Days)	Page in Guide
	incentive, review appealed regulatory infraction, review appealed claim, review appealed rejected claim, review appealed acquisition)	4. Approve or deny recommendation	SO	3	
VALERI Process 37a	Review Appeal Late Claim	1. Review servicer submitted documentation	ALT	3	204
		2. Allow/disallow late claim	SO	1	
VALERI Process 37b	Review Appeal Late Acquisition	1. Review servicer submitted documentation	ALT	3	204
		2. Allow/disallow late conveyance	LAO	1	
VALERI Process 37c	Review Appeal Denied Claim	1. Review servicer submitted documentation	ALT	3	204
		2. Review denied claim	SO	1	
VALERI Process 37d	Review Appeal Denied Acquisition	1. Review servicer submitted documentation	ALT	3	204
		2. Review denied conveyance	ALT	1	
		3. Approve or deny recommendation	SO	0	
VALERI Process 38	Pay LS&C Claim	1. Submit LS&C claim	SLT	3	A-45
		2. Approve LS&C claim	SO	2	
		3. Certify LS&C claim	SLT	5	

Annex 13 – Additional VA Contact Information

This annex provides additional contact information for the following VA entities:

- Regional Loan Center Offices of Jurisdiction.
- VA Regional Counsels.
- Veterans Affairs Central Office Servicer Liaison.

Regional Loan Center Offices of Jurisdiction

The Regional Loan Center Offices of Jurisdiction (OJ) are identified by the first two numbers of the Loan Identification Number (LIN) for each loan. Questions on current loans should be directed to the regional loan center identified by the OJ number on the LIN. Questions regarding delinquent loans should be directed to the technician assigned to the loan. Office of Jurisdiction numbers and contact information for the nine RLCs and two regional offices are listed in the table below.

Table 24: Regional Loan Center Offices of Jurisdiction[106]

Station ID #	OJ #	Office	Address	Telephone Number
314	11, 13, 14, 27, 72	Roanoke Regional Office	210 Franklin Rd., SW Roanoke, VA 24011	1-800-933-5499 ext. 3123
316	16, 18, 19, 20	Atlanta Regional Office	1700 Clairmont Road Decatur, GA 30033	1-888-768-2132
317	17, 22, 23, 55	St. Petersburg Regional Office	9500 Bay Pines Boulevard St. Petersburg, FL 33708 Mailing Address: P.O. Box 1437 St. Petersburg , FL 33731	1-888-611-5916
325	9, 10, 11, 25, 26, 29	Cleveland Regional Office	A.J. Celebrezze Federal Building 1240 East 9th St. Cleveland, OH 44199	1-800-729-5772
335	28, 30, 31, 33, 34, 35 52	St. Paul Regional Office	1 Federal Drive, Fort Snelling St. Paul, MN 55111-4050	1-800-827-0611

[106] Updated information in this table on 5/15/2008.

Station ID #	OJ #	Office	Address	Telephone Number
339	39,[107] 41, 46, 47, 48, 63	Denver Regional Office	155 Van Gordon St. Lakewood, CO 80228	1-800-319-9446
345	40, 43, 44, 45, 77	Phoenix Regional Office	3333 North Central Ave. Phoenix, AZ 85012	1-888-869-0194
362	21, 49, 50, 51, 62	Houston Regional Office	6900 Almeda Rd. Houston, TX 77030	1-888-232-2571
373	1, 2, 4, 5, 6, 7, 8, 73	Manchester Regional Office	Norris Cotton Federal Building 275 Chestnut St. Manchester, NH 03101	1-800-827-0336
459	59	Honolulu Regional Office	TAMC, Ward Road, E-Wing, 1st Floor, Honolulu, HI 96819-1522	1-808-433-0481

VA Regional Counsels

Once a refund is approved and the servicer sends the title documents to you, you should send all refund title documents in original form to the attorney who handles these documents for the state in which the property is located. The Regional Counsels are listed in the table below by state, address, and telephone and fax information.

Table 25: VA Regional Counsels

State	Address	Telephone and Fax
Alabama	Department of Veterans Affairs Office of Regional Counsel (02) 345 Perry Hill Road Montgomery, Al 36109	Telephone: 334-271-0488 Fax: 334-271-9605
Alaska	See Washington	
Arizona, Nevada	Department of Veterans Affairs Office of Regional Counsel 650 E. Indian School Road Phoenix, AZ 85012-1839	Telephone: 602-212-2091 Fax: 602-212-2144

[107] Updated OJ code 40 from Denver to Phoenix on 7/2009.

State	Address	Telephone and Fax
California- Oakland	VA Northern California Health Care System Office of Regional Counsel (02) 150 Muir Road, Bldg. 21, Room E207 Martinez, CA 94553	Telephone: 925-372-2342 Fax: 925-370-4090
California- San Francisco	Department of Veterans Affairs Office of Regional Counsel 4150 Clement St, Bldg 210 San Francisco, CA 94121	Telephone: 415-750-2288 Fax: 415-750-2255
Colorado	Department of Veterans Affairs Denver Regional Counsel 155 Van Gordon Street Lakewood, CO 80228	Telephone: 303-914-5810 Fax: 303-914-5849
Connecticut	See New Hampshire	
Delaware	See Philadelphia	
Florida	Department of Veterans Affairs Office of Regional Counsel (02) 10000 Bay Pines Blvd Building #22/Room 333 Bay Pines, Fl 33744	Telephone: 727-398-9390 Fax: 727-398-9384
Georgia	Department of Veterans Affairs Office of Regional Counsel (316/02) 1700 Clairmont Road Decatur, GA 30031	Telephone: 404-929-5851 Fax: 404-929-5870
Hawaii	Department of Veterans Affairs San Francisco Regional Counsel Honolulu Area Office 459 Patterson Road, Honolulu, HI 96819-1522	Telephone: 808-433-0136 Fax: 808-433-0386
Idaho	Department of Veterans Affairs Boise Regional Counsel 805 W. Franklin Street Boise, ID 83702	Telephone: 208-422-1304 Fax: 208-422-1398

State	Address	Telephone and Fax
Illinois	Department of Veterans Affairs Office of Regional Counsel 2122 W. Taylor Street P.O. Box 8136 Chicago, IL 60612	Telephone: 312-980-4207 Fax: 312-706-6670
Indiana	Department of Veterans Affairs Office of Regional Counsel 575 N. Pennsylvania St. Room 309 Indianapolis, IN 46204	Telephone: 317-226-7876 Fax: 317-226-6297
Iowa	Department of Veterans Affairs Office of Regional Counsel 210 Walnut Street Des Moines, IA 50309	Telephone: 515-323-7510 Fax: 515-323-7414
Kansas	See Nebraska	
Kentucky	See Virginia	
Louisiana	Department of Veterans Affairs VA Medical Center Office of Regional Counsel (02) 1601 Perdio St. New Orleans, LA 70112	Telephone: 504-556-7315 Fax: 504-556-7221
Maine	See New Hampshire	
Maryland	See Virginia	
Massachusetts	See New Hampshire	
Michigan	Department of Veterans Affairs Office of Regional Counsel 477 Michigan Ave Room 1460 Detroit, MI 48226	Telephone: 313-471-3644 Fax: 313-471-3655

State	Address	Telephone and Fax
Minnesota	Department of Veterans Affairs Office of Regional Counsel VA Medical Center One Veterans Dr, Bldg 73 Minneapolis, MN 55417	Telephone: 612-467-5900 Fax: 612-467-5928
Mississippi	Department of Veterans Affairs Office of Regional Counsel (02) 1500 East Woodrow Wilson Avenue Jackson, MS 39216	Telephone: 601-364-1261 Fax: 601-364-1263
Missouri	See Nebraska	
Montana	See Colorado	
Nebraska	Department of Veterans Affairs Office of Regional Counsel 5631 S 48th Street Room 262 Lincoln, NE 68516	Telephone: 402-420-4275 Fax: 402-420-4266
New Hampshire	Department of Veterans Affairs VA Regional Counsel 275 Chestnut Street Manchester, NH 03101	Telephone: 603-222-5852 Fax: 603-222-5864
New Jersey	Department of Veterans Affairs Office of Regional Counsel VA New Jersey Healthcare System 385 Tremont Avenue Building 16, Room 102 East Orange, NJ 07018	Telephone: 973-395-7741 Fax: 973-395-7088
New Mexico	Department of Veterans Affairs Office of Regional Counsel 1501 San Pedro SE, Bldg. 18 Albuquerque, NM 87018	Telephone: 505-256-2780 Fax: 505-256-2860
New York (06 cases)	Department of Veterans Affairs Office of Regional Counsel (06) 800 Poly Place, Bldg 14 Brooklyn, NY 11209	Telephone: 718-630-2921 Fax: 718-630-2917

State	Address	Telephone and Fax
New York (07 cases)	Department of Veterans Affairs Office of Regional Counsel (07) 120 LeBrun Buffalo, NY 14215 Handles NY (07 cases)	Telephone: 716-862-8853 Fax: 700-432-6545
North Carolina	Department of Veterans Affairs Office of Regional Counsel VA Regional Office 251 North Main St. Winston-Salem, NC 27155	Telephone: 336-631-6014 Fax: 336-631-5041
North Dakota	See Minnesota	
Ohio	Department of Veterans Affairs Office of Regional Counsel 10000 Brecksville Road Bldg. 1, 5th Floor Brecksville, OH 44141	Telephone: 440-746-2112 Fax: 440-717-2884
Oklahoma	Department of Veterans Affairs Office of Regional Counsel 1012 Honor Heights Dr. Bldg. 7 Muskogee, OK 74401	Telephone: 918-680-3983 Fax: 918-680-3981
Oregon	See Washington	
Pennsylvania-Philadelphia	Department of Veterans Affairs Office of Regional Counsel University and Woodland Avenues Philadelphia, PA 19104	Telephone: 215-823-7811 Fax: 215-823-7821
Pennsylvania-Pittsburgh	Department of Veterans Affairs Office of Regional Counsel Highland Drive Division 7180 Highland Drive Pittsburgh, PA 15206-1297	Telephone: 412- 365-4602 Fax: 412-365-4599

State	Address	Telephone and Fax
Puerto Rico and US Virgin Islands	Department of Veterans Affairs Office of Regional Counsel VA Caribbean Health Care System Calle Casia # 10 San Juan, Puerto Rico 00921-3201	Telephone: 787-641-4350 Ext.11651 Fax: 787-641-4573
Rhode Island	See New Hampshire	
South Carolina	Department of Veterans Affairs Office of Regional Counsel Dorn VA Medical Center 6439 Garners Ferry Rd. Columbia, SC 29209-1639	Telephone: 803-641-5839 Fax: 803-647-5835
South Dakota	See Minnesota	
Tennessee	Department of Veterans Affairs Office of Regional Counsel 110 N. Avenue S Nashville, TN 37203	Telephone: 615-695-4633 Fax: 615-695-4634
Texas (Houston)	Department of Veterans Affairs Office of Regional Counsel (02) 6900 Almeda Rd Houston, TX 77030	Telephone: 713-383-2769 Fax: 713-383-2783
Texas (Waco)	Department of Veterans Affairs VA Medical Center Office of Regional Counsel 674 A4/02 4800 Memorial Dr. Bldg 12 Waco, TX 76711	Telephone: 254-297-5311 Fax: 254-297-3966
Utah	Department of Veterans Affairs Salt Lake City Regional Counsel 550 Foothill Blvd. Suite 201 Salt Lake City, UT 84158	Telephone: 801-326-2389 Fax: 801-326-2393

State	Address	Telephone and Fax
Vermont	See New Hampshire	
Virginia	Department of Veterans Affairs Roanoke Regional Office 210 Franklin Road, SW 314/02A 7th Floor Roanoke, VA 24011	Telephone: 540-597-1701 Fax: 540-597-1789 [108]
Washington	Department of Veterans Affairs Seattle Regional Counsel 915 Second Ave. Room 1386 Seattle, WA 98174	Telephone: 206-220-6102 Fax: 206-220-6105
Washington, DC	See Virginia	
West Virginia	See Virginia	
Wisconsin	Department of Veterans Affairs Office of Regional Counsel 2500 Overlook Terrace, Suite B-1105 Madison, WI 53705	Telephone: 608- 280-7154 Fax: 608-280-7025
Wyoming	See Colorado	

Veterans Affairs Central Office Servicer Liaison

The VA Central Office Servicer Liaison (COSL) is the servicer point of contact for general program, administrative and training questions. To contact the COSL, call the Veterans Benefits Administration Central Office at 202-273-5400.

[108] Updated contact information, 7/2009.