

NEW VA PROPERTY MANAGEMENT AND SERVICING CONTRACTOR

1. Purpose. This circular provides details for transferring VA property management (REO) and portfolio loan servicing contracts for the VA home loan guaranty program to Vendor Resource Management (VRM).

2. Background. In connection with the termination of loans guaranteed by VA, servicers usually have the option to convey to VA the properties acquired at liquidation sales. VA has often sold those acquired properties with vendee (seller) loan financing, which required loan servicing by VA. In addition, VA has from time to time acquired (or refunded) VA-guaranteed loans from private servicers in order to modify the loans at terms beyond the capability of the private servicers so that Veteran borrowers will be able to retain their homes. VA also makes direct loans to Native American Veterans on trust lands under the Native American Direct Loan (NADL) program. Beginning in 1997, VA contracted for the servicing of its loan portfolio, and in 2003, VA similarly began contracting for the management and sales of acquired properties by a private contractor. Bank of America (BAC) had previously been awarded both contracts under separate awards. VA made the decision to consolidate these two awards and recompetitively under a single solicitation, now known as REO (Real Estate Owned) and Portfolio Servicing Contract (RPSC). On April 13, 2012, VA awarded RPSC to Vendor Resource Management (VRM), <http://www.vrmco.com/>. VRM is subcontracting for the servicing of VA's loan portfolio with Residential Credit Solutions.

3. Transition Period. At this time BAC will continue to seek title documents on properties assigned to them. VRM will follow-up for title documents on property assignments they begin receiving in early July, with a majority of pending BAC cases planned for transfer to VRM around mid-August, unless sales are in process. Generally, for liquidations completed in June or earlier, title documents should go to BAC, while on later liquidations documents should go to VRM. Individual questions about case assignments and directions where to ship documents may be emailed to VRM at title-va@vrmco.com.

4. Submission of Title Documents. The address to submit title documents for new properties conveyed to VA is VRM, ATTN: VA REO - VA Title Dept., 4100 International Pkwy, Suite 1000, Carrollton, Texas 75007. Documents must be provided no later than 60 days after the liquidation sale in most jurisdictions. VA previously provided advice concerning additional time for title submission in certain jurisdictions, and that advice remains in effect, as shown in the Title Documentation link on the VA Loan Electronic Reporting Interface (VALERI) webpage (<http://www.benefits.va.gov/homeloans/valeri.asp>). However, all timeframes are under review, and further guidance will be provided if any adjustments are appropriate.

5. Insurance on Conveyed Properties. VA regulation 38 Code of Federal Regulations (CFR) 36.4323(d)(2) requires servicers to request endorsements on all insurance policies in force at termination, naming as an assured the Secretary of Veterans Affairs, c/o VRM, ATTN: VA REO - VA Title Dept., 4100 International Pkwy, Suite 1000, Carrollton, Texas 75007. In addition,

information about the insurance policy should appear in the Transfer of Custody (TOC) event submitted in VALERI. Servicers should include endorsements with the title packages on properties conveyed to VA, or, if endorsements are received after title packages have already been submitted, they may be identified with the VA loan number and sent to VRM at the address in this paragraph. Notices of cancellation on homeowners or force-placed policies may be handled in a similar manner. If insurers cancel policies, servicers must properly account for any unearned premiums refunded by the insurer.

6. Insurance on Refunded Loans, Loans Repurchased under 38 CFR 36.4600. Insurance policies on loans refunded (acquired) or repurchased by VA will be endorsed to the Secretary of Veterans Affairs, c/o Residential Credit Solutions, Attn: Insurance Services, P.O. Box 692330, San Antonio, TX 78269-2330. Copies of letters requesting endorsement may be included with the title packages sent to the VA Loan Technician (refunded loans) or the St. Paul Regional Loan Center (loans repurchased under 38 CFR 36.4600).

7. Reconveyance Implications. VA presently pays for a property upon acceptance of the TOC event and then waits for acceptable title documents to be provided. Since holders should be able to verify the validity of sales prior to conveyance, upon reconveyance of a property, VA will demand reimbursement of the amount paid for the property *and* all expenses incurred while the property was in VA custody. This policy will continue with little variation. At a minimum, VA incurs expenses of \$3,385 as soon as a conveyance is accepted. Holders should be prepared to reimburse at least that amount in addition to the amount paid for conveyance of the property. The longer the time until an erroneous conveyance is discovered, or it is determined that acceptable title documents cannot be provided, then the more likely that additional expenses will be owed to VA. When a Bill of Collection is not paid promptly, the amount due will be offset from subsequent claim or acquisition payments.

8. Additional Information. VA will release additional information about any other changes in VA property management or portfolio servicing procedures as soon as possible. Any parties interested in contracting with VRM to provide services should not use the address for title documents in this circular, but should direct inquiries to VRM at VRM-supplier@vrmco.com or <http://prospects.vrmco.com/join.aspx> to initiate the application process. Questions for VA on property management issues may be directed to Lance.Kornicker@va.gov. Questions for VA regarding portfolio servicing issues may be directed to David.Polikoff@va.gov.

9. Rescission: This circular is rescinded July 1, 2014.

By Direction of the Under Secretary for Benefits

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