Veterans Benefits Administration
Department of Veterans Affairs
Washington, DC 20420

Circular 26-15-9
May 18, 2015

Servicer Statutory Redemption Procedure

1. Purpose. This Circular provides guidance on the procedure to redeem a Department of Veterans Affairs (VA) property, post-foreclosure, in a state which allows "statutory redemption." The standardization of the procedure will ensure the accuracy and uniformity of the redemption process for foreclosed properties, guaranteed by VA loans, which were transferred to VA prior to the expiration date of the redemption period.

2. Background. Statutory redemption, as opposed to equitable redemption, is permitted in only those states whose foreclosure statutes provide that a (former) borrower may redeem their mortgage after foreclosure of their home has occurred, within a specified period of time. The redemption period varies by the state statute and ranges from 30 days to 2 years. At the time of redemption, the entire underlying mortgage debt, plus interest and other costs (such as foreclosure fees and expenses) are due. In most cases, redeemed property has been transferred to VA from the servicer prior to the end of the redemption period. At redemption, however, the (former) borrower or local authority, such as the sheriff's office, obtains the payoff figure from the loan servicer or foreclosure attorney and pays this amount to the loan servicer. The loan servicer transmits the redemption funds to VA through its property management contractor, Vendor Resource Management (VRM).

a. Redemption payments to VRM are payable to "The Secretary of Veterans Affairs" and can be made by check or a direct bank transfer pursuant to the instructions located on the VALERI website at:
http://www.benefits.va.gov/HOMELOANS/documents/docs/Redemption_instructions.pdf.

3. Concerns. In some instances, loan servicers are providing the redeeming party an inaccurate redemption quote because it does not take into account fees and costs VA has incurred during the period in which VA owned the property, post-foreclosure sale. These fees and costs include, but are not limited to, homeowner association fees, real estate taxes, other assessments and certain VRM fees. VRM, not the loan servicer, is the only party who can calculate an accurate redemption amount because VRM facilitates the disbursement and tracking of VA funds expended during the period of VA ownership of foreclosed properties. When loan servicers provide a redemption quote without first consulting VRM for the exact figure, the amount redeemed may be insufficient to reimburse VA for property-related expenses.

4. Notice. Effective immediately, all loan servicers are required to request a redemption quote from VRM, through an email to VRM-redemption@vrmco.com, at least 5-business days before they intend to provide the information to the redeeming party. If the former borrower indicates that time is of the essence due to the imminent expiration of the redemption period, the loan servicer should indicate the urgency and request expedited processing. The e-mail request to VRM should include the property address, the VA loan identification number, the former borrower's name, and the VRM Asset ID Number, if available.

VRM will provide an e-mail response containing the total redemption amount due within 2-business days of receipt. The figure provided by VRM will be the only redemption quote acceptable to VA. If a non-VRM quote is used by the loan servicer and VA or VRM later determines that the redemption amount collected was insufficient to reimburse VA's costs, VA may request the amount of the deficiency from the loan servicer.

5. Rescission: This Circular is rescinded January 1, 2018.

By Direction of the Under Secretary for Benefits

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