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CHAPTER 15. POST AUDIT

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15.01 POST AUDIT

a. 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 payments, account for regulatory infractions, and to make adjustments, as necessary. VA conducts monthly post-audit reviews on the following types of cases:

1. Repayment Plan. A repayment plan is eligible for post audit 30 days from the date the incentive payment is confirmed by VA’s Financial Management System (FMS).

2. Special Forbearance. A special forbearance is eligible for post audit 30 days from the date the incentive payment is confirmed by FMS.

3. Loan Modification. Loan modifications are eligible for post audit 90 days from the date the incentive payment is confirmed by FMS. Loan modifications for which VA did not pay an incentive are eligible for post audit 90 days from the date the Default Cured Loan Reinstated event processes.

4. Deed-in-Lieu of Foreclosure (DIL). A DIL is eligible for post audit 60 days from the date the claim payment is confirmed by FMS. If the servicer does not file a claim, the DIL is eligible for post audit 425 days after the loan termination date.

5. Compromise Sale. A compromise sale is eligible for post audit 60 days from the date the claim payment is confirmed by FMS. If the servicer does not file a claim, the compromise sale is eligible for post audit 425 days after the loan termination date.

6. Foreclosure. A foreclosed loan is eligible for post audit 60 days from the date the claim payment is confirmed by FMS. If the servicer does not file a claim, the case is eligible for post audit 425 days after the loan termination date. A total debt case that was either holder-retained or a third-party bid is eligible for post audit 120 days after the loan termination date.

7. Partial Release of Security. A partial release of security is eligible for post audit 60 days after the VA Loan Electronic Reporting Interface (VALERI) receives the Partial Release of Security event.

##### 15.02 VALERI SELECTION, NOTIFICATION, AND ASSIGNMENT OF CASES

a. On a bi-monthly basis, VALERI selects a random sample of eligible cases for post-audit review. When necessary, VA Central Office (VACO) may identify an additional pool of cases for post-audit review.

b. VALERI automatically assigns and distributes cases nationwide to technicians for review. VALERI does not distribute a post-audit case to the same technician who was originally assigned the loan.

c. Once cases are selected, servicers are notified of the selected cases on the Post Audit Selection Report on the first and fifteenth day of each month.

##### 15.03 REQUIRED DOCUMENTATION (38 CFR 36.4324(d)(5))

a. Servicers are required to retain records for 3 years and provide supporting documentation on cases selected for post audit within 30 days. VA does not routinely give servicers additional time to submit documents without detailed justification to support a servicer’s extension request. If the servicer uploads a document after day 30, but before the VA-assigned technician concluded their review, the document will be used to complete the post audit. If the servicer did not submit the required document, but the information can be clearly and unquestionably verified by an alternative source, it is acceptable to use another document to validate the field.

b. A deficiency waiver letter is required to be sent to the borrower no later than 15-calendar days after receipt of the guaranty claim payment on all loans where VA paid a maximum guaranty claim and the property was conveyed to VA. The deficiency waiver letter must include the amount of the indebtedness that has been waived. In the event a servicer fails to provide evidence validating a deficiency waiver notice was sent covering all regulatory requirements, a regulatory infraction with no monetary value will be added during the post audit review. The absence of a deficiency waiver letter does not increase or decrease VA’s liability.

c. VALERI lists the supporting documentation servicers are required to submit in the Servicer Web Portal (SWP) under the Submit Documents link.

d. The following provides a definition for each post-audit document required:

1. Analysis for bid calculation or credit to indebtedness (includes analysis of equity). The document used for comparison of the net value, the total eligible indebtedness, and the unguaranteed portion of the loan to determine the bid type for alternatives to foreclosure and foreclosures.

2. Appraisal for partial release of security. A VA 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 an appraiser identifying the property that was appraised,

completion date, and amount due.

4. Attorney's notice of procedural errors. Document from an 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 servicer compromise sale approval letter that was

sent to the borrower.

7. Copy of check for insurance proceeds. A copy of the check issued by an insurance company to cover property damage.

8. Deficiency waiver letter. Notification from the servicer to the borrower that they would be

held harmless from the unguaranteed portion of the loan.

9. DIL approval letter. The servicer 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 property.

11. Evidence of third party's failure to consummate the sale. 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 (could be servicing case notes if no other documentation is available).

12. Financial information. 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 from the servicer to an attorney to authorize

foreclosure proceedings.

14. HUD-1. Executed 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 an attorney towards the

termination 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 from the first uncured default

showing all debits/credits to the account, including refunds for tax and insurance. This includes running balances for principal, escrow, and suspense/unapplied accounts.

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.

23. Loan modification approval letter. The servicer’s 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. Documentation supporting the loss mitigation or alternative to

foreclosure decision. This would include documentation showing the compromise sale or DIL completed was a cost savings to VA over foreclosure.

26. Loss mitigation letter. The servicer’s letter sent to borrower explaining loss mitigation

options.

27. Military documentation showing active duty status. A copy of the mortgagor's military

orders, which include the date and duration of the active-duty status.

28. Mortgage note. The note, including variable mortgage addendums if applicable, is a written agreement between the borrower and servicer signed at closing 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 required document to

complete the foreclosure process.

30. Official notice providing evidence of unusual property circumstance. Documentation

supporting an unusual property circumstance (i.e., demolition, methamphetamine lab, police seizure).

31. Public Access to Court Electronic Records (PACER) report. A Docket Report from PACER for each bankruptcy filed during the default period.

32. Partial release of security instrument. The legal document used for releasing a portion of

the security.

33. Payment return letter. The servicer’s letter to the borrower explaining the reason for the

returned payment.

34. Property inspection report. A report that includes at minimum the following: date of the

property inspection, cost of the inspection, occupancy status, and property condition.

35. Public/official notice of contested foreclosure. A document filed that shows the borrower

has contested the foreclosure action.

36. Public/official notice of postponed/cancelled foreclosure sale. State required document

showing a foreclosure sale has been either postponed or canceled.

37. Public/official notice of scheduled foreclosure sale. Document giving legal notice of the

date, time, and place of sale.

38. Purchase agreement. The executed legal agreement detailing the sale of the property,

including the price and terms of the sale.

39. Recorded deed from the homeowner to servicer. The recorded legal document that was used to transfer ownership from the borrower to the servicer on a DIL.

40. Release of liability. A formal agreement absolving a mortgagor from responsibility under

a mortgage because another party has agreed to assume the mortgage obligation.

41. Repayment plan. The written repayment plan agreement that was signed by the borrower

and servicer.

42. 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.

43. Sheriff’s appraisal/notice of value (NOV). A document that shows the "as-is" value of the property, which is used to determine the bid amount for a foreclosure sale or alternative to foreclosure.

44. Title company invoice. Invoices showing work completed, date completed, and amount

due.

45. 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.

46. Written executed special forbearance agreement. The written special forbearance

agreement that was signed by the borrower and servicer.

##### 15.04 POST-AUDIT RESULTS

a. Results of the post-audit review can be found on the Post Audit Detail Results Report. Regulatory infractions issued on the post audit may impact the servicer’s performance for tier ranking purposes. If the final results reveal an overpayment, VA will issue a bill of collection (BOC), which can be found on the BOC Status and Offsets report.

##### 15.05 QUARTERLY POST-AUDIT REPORTS

a. Every quarter, VACO analyzes system-generated reports to identify patterns, trends, or common mistakes to determine if there are servicer specific issues. If the error trend continues on a regular basis, VACO may increase the number of cases selected for post audit. Servicer consequences of continued negative post-audit findings include:

1. Adversely affected tier ranking.

2. Mandatory training.

3. Full on-site audit.

4. Referral to the Office of the Inspector General.