

## **AWARD OF VA PROPERTY MANAGEMENT AND SERVICING CONTRACT**

1. **Purpose.** This Circular provides details concerning the award of the U.S. Department of Veterans Affairs (VA) Real Estate Owned (REO) and Portfolio Servicing Contract (RPSC) to Vendor Resource Management (VRM), and operational matters related to VA's REO and direct loan portfolio, also known as VA's National Portfolio.

2. **Background.** In connection with the termination of loans guaranteed by VA, servicers have the option to convey to VA the properties acquired at liquidation sales. VA manages these properties (known as REO) thru disposition, which includes management, marketing, and disposition activities. VA has often sold those acquired properties with seller loan financing, known as the vendee loan, 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. These loans are known as repurchase (4600 or loans repurchased under 38 CFR 36.4600) loans and refunded loans, respectively. 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. VA consolidated these two contracts in the REO (Real Estate Owned) and Portfolio Servicing Contract (RPSC) and awarded the work to Vendor Resource Management (VRM), <http://www.vrmco.com/> in 2012. During this contract, VRM subcontracted Ditech Financial LLC to provide mortgage servicing of the National Portfolio. This contract was also amended to facilitate a pilot whereby a portion of USDA properties are managed under this award. VA recompeted RPSC as a contract of up to 10 years, which was subsequently awarded to VRM on June 1, 2017, with an effective date of July 1, 2017. VRM has continued the subcontracting relationship with Ditech Financial, LLC which will continue providing mortgage servicing of VA's National Loan Portfolio.

3. **Transition Period.** The new contract will be effective on July 1, 2017, at which point the changes herein are also effective. Any matter not explicitly addressed within this Circular remains unchanged, in accordance with statutes, or previously provided regulations, Circulars, policies and procedures.

4. **Submission of Title Documents.** Title documents for new properties conveyed to VA shall be emailed to [title-va@vrmco.com](mailto:title-va@vrmco.com). 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, Insurance and Timeframe link on the VA Loan Electronic Reporting Interface (VALERI) webpage ([http://www.benefits.va.gov/HOMELOANS/servicers\\_valeri.asp](http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp)).

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. Endorsement requests should be sent to [insurance-va@vrmco.com](mailto:insurance-va@vrmco.com). 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 email address in this paragraph. Notices of cancellation on homeowners or

force-placed policies will be handled in a similar manner. If insurers cancel policies, servicers must properly account for any unearned premiums refunded by the insurer.

6. Purchasing VA REO. VRM is responsible for the disposition of VA REO. VA REO inventory can be found at [www.listings.vrmco.com](http://www.listings.vrmco.com).

7. Submission of Custodial Documents by the VA Regional Loan Centers (RLCs) for all National Portfolio Loans, including NADL, Repurchase (4600), Refunded and Vendee loans. VRM is responsible for maintaining the custodial file in accordance with VA's Record Control Schedule. Documents typically found in the custodial file include, but is not limited to the Note, Deed/Mortgage, Modification Agreements, any document modifying the security instrument, origination documents and closing documents, as applicable. Department of Veterans Affairs Regional Loan Centers (RLCs) shall ship all documents within 90 days of loan boarding to Ditech Financial, LLC., Attn: Conversion (VRM), Mailstop T310, 2100 East Elliot Rd, Bldg. 94, Tempe, AZ 85284. Applicable custodial documents will be inventoried by the RLC, placed in loan specific files, and organized in the following stacking order prior to shipment. Note/Installment Contract, Mortgage/Deed, Loan Modification, Assignments, Origination Documents (Application, Letters to Borrower, Refunding approval, HUD-1 or TRID), disclosures, prior Loan History to date, Past Escrow Analysis, followed by any other documents that can be obtained. RLCs will email shipment tracking information and inventory, including borrower name, loan identification number, and documents, information to [va-docs@vrm.com](mailto:va-docs@vrm.com) and cc: [PLOU.vbaco@va.gov](mailto:PLOU.vbaco@va.gov). RLCs shall email both addresses provided when unable to ship the files within 120-days of loan boarding. For these exceptions, the RLCs will email the addresses above with the targeted shipment date for each loan.

8. Insurance on 4600 and Refunded Loans. Insurance policies on loans refunded (acquired) or repurchased by VA will be endorsed to the Secretary of Veterans Affairs, c/o Ditech Financial, LLC, P.O. Box 979282, Miami, FL 33197. Copies of letters requesting endorsement may be included with the title packages sent to the VA Loan Technician (refunded loans) or the St. Paul RLC (4600 loans).

9. 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. VA incurs expenses and fees, known as a Management and Marketing Fee (MMF) and a Property Preservation Fee (PPF), as soon as a conveyance is accepted. Those expenses will gradually increase over time, as provided in the table below. Holders should be prepared to reimburse VA for the fees provided in the table below, any expenses incurred and 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 a future payment, including, but not limited too, subsequent claims and/or acquisition payments.

10. Concerning Vendee Mortgage Trust (VMT) Securitized Loans. VRM does not provide servicing of VMT loans. All VMT loan-level questions, including Assignment of Mortgage, Lost Note Affidavit, chain of title matters, etc., should be directed to [VendeeResearch@carringtonms.com](mailto:VendeeResearch@carringtonms.com).

11. Application to become a VRM partner. VRM directly hires subcontractors including, but not limited too, property inspectors, appraisers, property managers, home repair contractors, attorneys,

among other professions to fully satisfy RPSC requirements. To learn more about becoming a VRM subcontractor and submit an application, please visit <http://www.vrmco.com/join-our-network/>. Questions concerning VRM subcontracting can be emailed to VRM at [VRM-supplier@vrmco.com](mailto:VRM-supplier@vrmco.com).

12. Questions. REO questions may be directed to [pm.vaco@va.gov](mailto:pm.vaco@va.gov). Loan servicing questions may be directed to [PLOU.vbaco@va.gov](mailto:PLOU.vbaco@va.gov).

13. Rescission: The following Circulars are rescinded, effective July 1, 2017: 26-12-5, 26-12-5 Change 1, 26-12-5 Change 2. This Circular is rescinded July 1, 2020.

By Direction of the Under Secretary for Benefits

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