

Updates to the VA Property Management and Servicing Contract

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

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) through disposition, which includes management, marketing, and disposition activities. VA has often sold those acquired properties with seller loan financing, known as a 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 loans (4600 or loans repurchased under 38 C.F.R. 36.4600) and refunded loans (loans acquired under 38 Code of Federal Regulations [C.F.R.] 36.4320), respectively. VA also makes direct loans to Native American Veterans on trust lands under the Native American Direct Loan (NADL) program. VA contracts for the servicing of its RPSC by a private contractor. This contract was awarded to Vendor Resource Management (VRM) on June 1, 2017, with an effective date of July 1, 2017, for up to 10 years. This contract also includes the facilitation and management of United States Department of Agriculture (USDA) properties. Through this contract, VRM subcontracts the mortgage servicing of VA's National Portfolio. Effective December 1, 2017, mortgage servicing will be subcontracted by VRM to BSI Financial Services.

3. **Submission of Title Documents.** Title documents for new properties conveyed to VA under 38 C.F.R. 36.4323 shall be emailed to 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 Requirements link on the VA Loan Electronic Reporting Interface (VALERI) webpage (http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp).

4. **Insurance on Conveyed Properties.** VA regulation 38 C.F.R. 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. 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.

5. **Purchasing VA REO.** VRM is responsible for the disposition of VA REO. VA REO inventory can be found at <https://listings.vrmco.com/>.

6. Submission of NADL, Repurchase (4600), and Vendee Custodial Documents by the VA Regional Loan Centers (RLCs) for all National Portfolio Loans. VRM is responsible for maintaining the custodial file for all National Portfolio Loans in accordance with VA's Record Control Schedule. Documents typically found in the custodial file include, but is not limited to, the following: Note, Deed/Mortgage, Modification Agreements, origination documents, closing documents, Assignments, as applicable. RLCs shall ship all documents within 90 days of loan boarding to BSI Financial Services, Attn: Collateral Department (VRM), 314 South Franklin Street, 2nd Floor, Titusville, PA 16354. 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 Agreements, Assignments, Origination Documents (Application, Letters to Borrower, 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@vrmco.com prior to shipment. RLCs shall email both addresses when unable to ship the files within 120-days of loan boarding, and every 30 days thereafter, providing status and justification for the delay.

7. Submission of Refunded Custodial Documents by VA Servicers to the RLCs and from the RLCs to BSI Financial. Servicers are required to submit the original Refund Custodial documents to the RLCs within 60 days of refund approval. At that time, VA requires servicers to also submit an electronic copy of the documents, in pdf format, for timely and efficient loan boarding. Documents typically found in the custodial file include, but is not limited to the following: Note, Deed/Mortgage, Modification Agreements, origination documents, closing documents, Assignments, as applicable. Upon receipt, custodial documents will be inventoried by the RLC and organized in a loan file in the following stacking order prior to shipment: Note, Recorded Mortgage/Deed, Loan Modification(s), Assignments. RLCs will then ship original documents to BSI Financial Services Attn: Collateral Department (VRM), 314 South Franklin Street, 2nd Floor, Titusville, PA 16354. 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, Recorded Mortgage/Deed, Loan Modification(s), Assignments. RLCs will email shipment tracking information and inventory, including borrower name, loan identification number, and documents, information to va-docs@vrmco.com prior to shipment.

8. Concerning the boarding of NADL, Refunded, and Repurchased Loans. Prior to approving a NADL, Refunded or Repurchased loan, RLCs must collect the requisite custodial documents. These documents are used to validate the setup sheet that is manually completed by the RLCs and then forwarded to ALAC so that the loan can be boarded. Effective immediately, the setup sheet will be accompanied by an electronic custodial file. Any setup sheet not accompanied by a complete custodial file, or found to be incomplete or determined unacceptable, will not be boarded by ALAC and will be returned to the RLC for further processing and review.

9. 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 BSI Financial Services ISAOA/ATIMA, PO BOX 961260, Fort Worth, TX 76161. 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).

10. Reconveyance Implications. VA presently pays for a property upon acceptance of the Transfer of Custody (TOC) event in VALERI 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's 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 in VALERI. Those expenses will gradually increase over time, as provided in Appendix A. 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 or deemed unacceptable, then the more likely that additional expenses will be incurred and 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 to claims, acquisition and/or incentive payments.

11. 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.

12. Application to become a VRM partner. VRM directly hires subcontractors including, but not limited to, property inspectors, appraisers, property managers, home repair contractors, attorneys, among other professions to fully satisfy RPSC contractual requirements. To learn more about becoming a VRM subcontractor, and to 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.

13. Questions. REO questions may be directed to pm.vbaco@va.gov. Loan servicing questions may be directed to nashpm.vbaco@va.gov.

14. Rescission: The following Circulars are rescinded, effective July 1, 2017: 26-12-5, 26-12-5 Change 1, and 26-12-5 Change 2. Circulars 26-15-7 and 26-17-16 are rescinded, effective immediately. This Circular is rescinded January 1, 2020.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director, Loan Guaranty Service