## Chapter 4. Events After Guaranty

#### Overview

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#### 1. Conduct a Review After Guaranty Is Issued

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

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| a. Types of Reviews | There are different types of file reviews conducted after the loan is guaranteed, which include:   * Full File Loan Reviews (FFLR) including:   + - Standard Reviews,     - Purchase or Regular (Cash Out) Refinances,     - Interest Rate Reduction Refinance Loans (IRRRLS) and     - Early Payment Default (EPD) Reviews. * Special File Reviews, including:   + - Closing Disclosure (CD)   All file reviews are performed in the FFLR application within WebLGY (VA’s system of record). |

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| b. File Review Timeliness Requirements | The timeliness criteria for acceptable performance for all file reviews is completion of the FFLR within 20-business days at least 95 percent of the time, on a monthly basis. |

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| c. Selection Criteria | Conduct a file review on cases selected by the electronic system at the volume determined by Central Office (CO).  Review Selection Criteria  In addition to the random system-selection , the system will automatically select closed loans for which:   * The Veteran's residual income is below the standard by more than 10 percent; or * The Veteran's debt-to-income ratio is 45 percent or greater and the residual income does not exceed the VA standard by at least 20 percent; or * Loans guaranteed more than 60-calendar days after closing.   In addition to the system selected cases, Regional Loan Centers (RLCs) may identify specific lenders whose loan submissions are frequently of such poor quality that a file review (standard or special) is necessary.  A standard file review must be performed on loans submitted during the 1-year probationary period of a non-supervised lender granted automatic authority by VA, selected as follows:   * The first 15 loans closed automatically by the lender, and * 50 percent of the next 50 loans.   Thereafter, cases will be selected as with any other lender.  EPDs are performed to identify credit underwriting deficiencies by reviewing newly closed loans where six or fewer payments have been made and the loan has gone into default. All EPDs must be fully reviewed to verify whether the lender approved a possibly egregious loan.  The only exceptions for EPD reviews are cases in which:   * A standard file review was previously completed with a close-out date in WebLGY, or * A VA Loan Electronic Reporting Interface (VALERI) system update error occurred.   RLCs must place detailed comments in the notes section of the loan number within WebLGY. |

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| c. Selection Criteria, continued | CD file reviews are performed in accordance with 38 CFR 36.4313(d)(1), to ensure that Veterans only pay, or are charged, certain specific fees. Many of these fees are third party fees, i.e., collected from the Veteran by the lender on behalf of other parties to the transaction. The complete list of these fees may be found in our regulations, at [38 CFR 36.4313](https://www.ecfr.gov/cgi-bin/text-idx?SID=485862a51209461e92dbb27637604e7b&tpl=/ecfrbrowse/Title38/38cfr36_main_02.tpl).  Upon completion of a CD review, the RLC may determine that the review be escalated to a standard review. RLC management will follow the guidance in CD User Instructions to internally escalate the special CD review to a standard file review. |

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| d. How to Conduct a File Review | Follow these steps on each loan selected for a file review:   |  |  | | --- | --- | | Step | Action | | 1 | Verify all required documents have been submitted in the proper order to WebLGY. Chapter 5, Topic 3 of the VA [Lender's Handbook](http://benefits.va.gov/warms/pam26_7.asp) provides lists of documents required for different types of loan submissions. | | 2 | If the lender’s submission is incomplete or not in the proper stacking order, process the file as an improper submission error in FFLR. | | 3 | Review the loan file following the file review process. For more detailed instructions of the review process, please refer to the [FFLR User Instructions](http://vbacolgy2/lgy_release/user_instructions.asp) and/or CD User Instructions. | | 4 | For prior-approval loans, determine whether the closed loan is identical to the proposed loan on which the Certificate of Commitment was based. If not, determine whether the variations are allowable per Chapter 5, Topic 4 of the VA [Lender’s Handbook](http://benefits.va.gov/warms/pam26_7.asp). | | 5 | For prior-approval loans on which a conditional Certificate of Commitment was issued, determine whether all required conditions or certifications have been satisfied or provided.  See Chapter 5, Topic 4 of the VA [Lender’s Handbook](http://benefits.va.gov/warms/pam26_7.asp). | |

#### 2. Review Findings

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

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| a. What are Possible Review Findings? | Upon completion of the file review, the Loan Specialist will have one of the following determinations:   * No negative findings/deficiencies * Ineligible Loan, * Deficiencies, and/or * Egregious Loan Referral.   CO tracks the determinations listed above and will make any necessary referrals to the Monitoring Unit for a possible audit of the lender. |

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| b. What to do with an Ineligible Loan | Pursuant to [38 CFR 36.4328(a)](http://www.ecfr.gov/cgi-bin/text-idx?SID=485862a51209461e92dbb27637604e7b&tpl=/ecfrbrowse/Title38/38cfr36_main_02.tpl) and [38 U.S.C. 3721](https://www.gpo.gov/fdsys/search/pagedetails.action?collectionCode=USCODE&searchPath=Title+38%2FPart+III%2FChapter+37%2FSUBCHAPTER+II&granuleId=USCODE-2010-title38-partIII-chap37-subchapI-sec3703&packageId=USCODE-2010-title38&oldPath=Title+38%2FPart+III%2FChapter+37%2FSUBCHAPTER+II&fromPageDetails=true&collapse=false&ycord=1595), any evidence of guaranty or insurance issued by the Secretary shall be conclusive evidence of the eligibility of the loan for guaranty or insurance. Once the funding fee is paid, the loan is considered a VA-guaranteed loan. The only exceptions are:   * An ineligible Veteran. * An ineligible loan purpose. * Fraud or material misrepresentation.   The loan guaranty shall never be canceled for the following reasons:   * The lender cannot sell the loan to an investor or the secondary market. * The lender has failed to respond to non-compliant letters. If the loan is ineligible based upon the noted deficiencies, then the loan guaranty shall be canceled. However, if it is not an ineligible loan, then the loan must be sent through CO Front Office for an egregious loan review for possible indemnification. * The lender does not want the loan insured.   **Examples of Ineligible Loans:** The Veteran is ineligible for the home loan benefit; the Veteran intends to use the loan to purchase a business property; an Interest Rate Reduction Refinancing Loan proceeds are used to pay another/subordinate lien; maximum loan amount is exceeded; Notice of Value (NOV) conditions affecting the basic livability of the property cannot be satisfied; the escape clause is not in the contract; the loan has a term which exceeds the remaining economic life of the property, or 30 years and 32 days. |

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2. Review Findings, Continued

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| b. What to do with an Ineligible Loan, continued | Consult CO Loan Policy if some doubt exists as to whether the loan is eligible for guaranty through an email to the Loan Policy mailbox ([LoanPolicy.VBAVACO@va.gov](mailto:VAVBAWAS/CO/Loan%20Policy%20%3cLoanPolicy.VBAVACO@va.gov%3e)). Contact the lender by mail and telephone to try to resolve the problem. Place detailed notes from the telephone contact in the loan records, within WebLGY, and the lender’s record within the Stakeholder Information Management system (SIM). Include the name, title, and telephone number of the person contacted.  Follow these steps with ineligible loans when the lender cannot, or fails to, correct the problem within 30-calendar days:   |  |  | | --- | --- | | **Step** | **Action** | | 1 | Send the lender the letter in Topic 7 of this chapter, stating clearly that the loan is not guaranteed, VA will not pay any subsequent claim on the loan, and that the lender should not foreclose the loan because of denial of guaranty and that such action could subject the lender to VA sanctions, signed by the Loan Production Officer (LPO). | | 2 | Refund the VA funding fee, if paid (see “Refunding Overpayments to the Veteran” in Chapter 8, Topic 8(j) of the VA [Lender’s Handbook](http://benefits.va.gov/warms/pam26_7.asp)). | | 3 | Restore the Veteran’s entitlement for the loan following the steps in M26-1, Chapter 7, Topic 10. | | 4 | The LPO or Assistant Loan Production Officer (ALPO) must code the loan as a canceled loan in the VA system of record and provide a thorough explanation in the notes section of the loan, within WebLGY. Additionally, documentation from the lender must be uploaded into the correspondence section of the loan file. | | 5 | Send the Veteran a letter explaining why he or she does not have a VA-guaranteed loan and upload a copy of the letter into the loan file. The RLC must use the letter in Topic 6 of this chapter and the letter must be signed by the LPO. |   Once the guaranty is canceled, the ineligible loan is no longer a VA-guaranteed loan. |

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| c. What to do with Fraud or Deficiencies | Consider sanctions against a lender who attempts to accelerate the loan, particularly if the ineligibility of the loan was due to the lender's error.  **Evidence exists that fraud or material misrepresentation may have occurred**   * Request additional information necessary to make a preliminary assessment of whether fraud or material misrepresentation may have occurred. Take care not to alert the parties responsible for the possible fraud or misrepresentation that they are under investigation. * If, after receipt of any additional information requested, it appears that fraud or material misrepresentation may have occurred, forward a detailed request for investigation to IG.   **Deficiencies Found through the FFLR Process**   * Request any supplementary information or documentation that is essential to a proper determination as to: * Whether the loan meets statutory credit and /or income requirements, * Whether only allowable closing costs were charged to the Veteran, or * Whether other statutory or regulatory requirements were met.   If these efforts fail to resolve the problem(s) after 60-calendar days from the initial file review complete date, review for non-compliance. |

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| c. What to do with Fraud or Deficiencies, continued | Review the situation and actions already completed with the ALPO or higher authority if necessary. Ensure the following has been done prior to sending the letter for persistent non-compliance:   * Must make an effort to correct systemic problems. * If problems appear to be local, contact lender management and discuss concerns about the lender’s process or problems and determine if further intervention is necessary. * As determined by RLC management, offer assistance by providing training at the RLC, the lender's office, or through other electronic media.   The Loan Specialist must fully document WebLGY with:   * Actions taken by the Loan Specialist, * Facts concerning the lender's willingness to correct deficiencies. |

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| d. How to Handle Non-Compliant Lenders | The Loan Specialist must send the system generated non-compliant letter that is created in WebLGY, for this purpose. The letter must be sent if the lender has not responded to the second deficiency letter. If no lender response to the non-compliant letter the LPO/ALPO must send the letter for persistent non-compliance, in Topic 5, to the lender’s senior level management 30- to 60-calendar days after the non-compliant letter.  **Note:** Non-compliance for not receiving the loan file for review will be handled by CO. |

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| e. What to do with Egregious Findings | If, after all attempts have been made to obtain additional documentation as noted above or the documentation provided does not resolve the issue, the lender has still not resolved the significant deficiencies regarding income and/or credit, determine whether the deficiencies are serious enough to consider the loan egregious. To be egregious, you must determine that the lender flagrantly disregarded VA’s credit underwriting standards. For example, the lender used income, but did not provide any documentation to support that income, or the lender considered the Veteran a good credit risk when the credit report clearly showed that the credit accounts were derogatory.  When deficiencies are not specific to egregious underwriting or an ineligible loan, and the lender fails to cure the deficiencies, the RLC will follow the steps listed in Topic 2(d) of this chapter. Examples of items that are not egregious, include, but are not limited to, NOV items that do not affect the eligibility of the loan.  After determining that the loan should be considered as an egregious loan, forward the case to the LPO, ALPO, or higher authority for a second review. If the LPO, ALPO, or higher authority is in agreement that the loan is egregious, follow the steps indicated below:   |  |  | | --- | --- | | Step | Action | | 1 | Ensure that all supporting documentation of the review and response(s) by the lender are uploaded into the correspondence section of the loan in WebLGY. | | 2 | Draft a memo to the Director of Loan Guaranty Service, signed by the RLC Loan Guaranty Officer that provides justification for the referred egregious loan. | | 3 | Email the signed memo to the main LGY mailbox ([LGY.VBACO@va.gov](mailto:LGY.VBACO@va.gov)) with “Potential Egregious Loan” in the subject line. |     CO will make a determination whether indemnification is warranted, and provide a written response to be sent to the RLC within 60-calendar days. In the event the loan is determined to be egregious, CO will flag WebLGY and send a memo with the indemnification agreement to the RLC. The RLC must send a letter and the two indemnification agreements to the lender, for signature. Copies of a sample letter and an indemnification agreement are in Topics 8 and 9. |

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| e. What to do with Egregious Findings, continued | The RLC's experience and proper documentation may be the basis for withdrawal of automatic processing authority. Refer to Chapter 5, Topic 7 of the M26-1, for complete details. |

#### 3. RLC Procedures for Ordering Credit Reports

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

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| a. General Credit Report Requirements | RLCs may contract with a credit reporting agency, or with agencies, to obtain credit reports.  Generally, "in-file" credit report(s) obtained through this method will satisfy most RLC objectives. An “in-file” credit report is computer-generated and contains credit and legal information from one of the main credit bureaus.  In certain cases, a full credit report will be needed. The credit report must be ordered using procedures that the LPO has established based upon the contract that RLC has in place.  Costs of establishing and maintaining any such service must be paid for out of RLC funds. |

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| b. Uses for the Credit Reports Obtained | Uses for the credit reports may include:   * Review of questionable original credit report used by the lender (potentially egregious loan and/or EPD). * Credit underwriting on release of liability and substitution of entitlement requests. * Additional scrutiny of questionable prior-approval applications. * Native American Direct loans.   Do not use the in-file credit report as a sole basis for rejection - clarify inconsistencies with the lender. |

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| c. Safeguard the Interests of Applicants | Obtain a written agreement with the credit-reporting agency that it will comply with the [Fair Credit Reporting Act](https://www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0111-fair-credit-reporting-act.pdf). The Act contains provisions which ensure a consumer has access to their credit information and the right to dispute any such information.  Refer applicant complaints of Fair Credit Reporting Act violations by credit reporting agencies to the Federal Trade Commission. |

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| c. Safeguard the Interests of Applicants, continued | Protect the privacy of applicants and prevent improper use of this service by following these procedures:   * Investigate all credit inquiries that cannot be verified as having been requested for an authorized purpose. * Ensure that billings for credit inquiries are checked against a master record to verify that the inquiries were for a legitimate purpose.   Ensure that a different employee, other than the one who initiated the inquiry, approves payment for the inquiry. |

#### 4. Annotation of Loan Files Concerning Inspector General, Federal Bureau of Investigation, or Other Investigations of the Veteran

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

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| a. Annotated File | Annotate the electronic system of record, if the case has been referred for investigation or there is an Inspector General (IG), Federal Bureau of Investigation (FBI), or other investigative report, or a Monitoring Unit report, which indicates the Veteran may have participated in activities that could cause a claim under the guaranty or other loss to the Government. All documentation regarding the investigation must be safeguarded and detailed notes indicated in the electronic system of record.  Advise the CO Chief of Quality Assurance regarding a potential investigation. The notification sent to CO should include the Veteran name, VA loan number, property address, and which federal agency is investigating. |

#### 5. Sample Letter to Lender for Persistent Non-Compliance

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

Name In replies refer to: Mail Routing #

Title VA Loan Number

Company Veteran’s First and Last Name

Address

Dear Mr./Ms. Last name:

The insert RLC name Regional Loan Center completed a review on the VA loan file listed above on insert date and sent deficiency letters regarding our underwriting concerns. Unfortunately, the insert RLC name Regional Loan Center has not received a response to the initial deficiency letter or subsequent follow-up letters. As a result, this loan has been forward to VA Central Office for possible administrative sanctions against the lender.

**Lender Responsibility**

Lender participation in the VA Home Loan program is conditioned upon lenders complying with the governing laws, regulations, and policy guidance regarding the processing of VA loans. Lenders are responsible for ensuring that loans meet VA requirements. When VA notifies the lender of loan deficiencies, this responsibility includes responding to the notice with information addressing the deficiencies to show that VA requirements were met.

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#### 5. Sample Letter to Lender for Persistent Non-Compliance, Continued

**Potential Consequences of Noncompliance**

VA may cite loan deficiencies that do not materially affect loan qualification and are provided primarily as a training notice for the lender to correct on future loans. However, some deficiencies are such that they compromise the guaranty of the loan and must be addressed. A lender’s failure, either one-time or on a repetitive basis, to show that loans meet VA requirements could result in any of the following:

* VA may suspend random sampling reviews and require that all loans closed by a lender be submitted to VA for full review.
* VA may suspend a lender’s automatic authority and require that all loans be submitted on a

prior-approval basis.

* VA may require the lender to indemnify VA against loss on a loan.
* VA may determine that a loan is ineligible for guaranty.
* VA may impose other administrative sanctions, such as suspending the ability to perform functions within WebLGY

**What Should You Do?**

We are requesting that you respond, by uploading in to WebLGY, the necessary information previously requested within **30-calendar days** from this notice. If the response is not received, VA may suspend your account within WebLGY and you will be unable to perform any functions within the WebLGY system. If you have any questions, please contact insert name, Loan Production Officer, at insert phone number or insert name, Assistant Loan Production Officer, at insert phone number.

Sincerely,

Insert Name

Chief of Loan Policy

VA Central Office

Washington, DC

#### 6. Sample Letter Cancelling Loan Guaranty to Veteran

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

Veteran’s Name In replies refer to: Mail Routing #

Address VA Loan Number

Dear Mr./Ms. Last name:

We are notifying you that the Department of Veterans Affairs (VA) has canceled the guaranty on this VA insert purchase/refinance loan.

After reviewing the loan file, we have determined that the loan is ineligible for VA guaranty because insert the specific reason for the canceled guaranty. Your lender has been notified of the action taken by VA.

**What Action We Took**

*(Optional Paragraph)*

As a result of the canceled guaranty, a refund of your funding fee in the amount of $amount has been authorized. Since you paid the funding fee in cash at closing, the refund will be mailed to you by the U.S. Treasury Department within 60-calendar days from the date of this letter.

*(Optional Paragraph)*

As a result of the canceled guaranty, a funding fee refund in the amount of $amount has been authorized. Since you financed the funding fee into your loan, the refund will be sent to your current mortgage holder. Your mortgage holder was given instructions to apply $amount to the unpaid principal balance of your current loan account. A copy of our letter to your mortgage holder is attached.

You should allow approximately 45- to 60-calendar days from the date of this letter before confirming the receipt of the refund by your mortgage holder.

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*(Optional Paragraph)*

As a result of the canceled guaranty, a funding fee refund in the amount of $amount has been authorized. Since you paid cash for a portion of the funding fee at closing and the rest was financed into the loan, the refund will be a split payment. A refund, in the amount of $amount (the portion you paid in cash), will be mailed to you by the U.S. Treasury Department within 60-calendar days from the date of this letter.

Additionally, a refund, in the amount of $amount (the portion you financed into the loan), will be sent to your current mortgage holder. Your mortgage holder was given instructions to apply $amount to the unpaid principal balance of your current loan account. A copy of our letter to your mortgage holder is attached.

You should allow approximately 45- to 60-calendar days from the date of this letter before confirming the receipt of the refund by your mortgage holder.

Additionally, VA has restored the entitlement that was used to guaranty the loan. Your current basic entitlement available for possible future use is $amount.

If you have any questions, please contact insert name, Loan Production Officer, at insert phone number or insert name, Assistant Loan Production Officer, at insert phone number.

Sincerely,

Loan Production Officer

#### 7. Sample Letter Canceling Loan Guaranty to Lender

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

Name In replies refer to: Mail Routing #

Title VA Loan Number

Company Veteran’s First and Last Name

Address

Dear Mr./Ms. Last name:

We are notifying you that the Department of Veterans Affairs (VA) has canceled the guaranty on this VA insert purchase/refinance loan. After reviewing the loan file, we have determined that the loan is ineligible for VA guaranty because insert the specific reason for the canceled guaranty.

**What Action We Took**

*(Optional Paragraph)*

As a result of the overpayment, a refund in the amount of $amount has been authorized. Since the Veteran paid the funding fee in cash at closing, the refund will be mailed to the Veteran by the U.S. Department Treasury within 60-calendar days from the date of this letter.

*(Optional Paragraph)*

As a result of the overpayment, a refund in the amount of $amount has been authorized and will be sent through a U.S. Treasury check or an electronic wire transfer. Since the Veteran financed the funding fee into their loan, the refund will be sent to you to apply $amount to the unpaid principal balance of the current loan account.

*(Optional Paragraph)*

As a result of the overpayment, a refund in the amount of $amount has been authorized. Since the Veteran paid cash for a portion of the funding at closing and the rest was financed into the loan, the refund will be a split payment. A refund, in the amount of $amount (the portion the Veteran paid in cash), will be mailed to directly to the Veteran by the U.S. Treasury Department within 60-calendar days from the date of this letter.

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Additionally, a refund, in the amount of $amount (the portion financed into the loan), will be sent be sent to you through a U.S. Treasury check or an electronic wire transfer to apply $amount to the unpaid principal balance of the current loan account.

**What You Need To Do**

*(Optional Paragraph)*

You will be receiving a U.S. Treasury check or an electronic wire transfer (within the next 30- to 45-calendar days) in the amount of $ amount, which is to be applied to the Veteran’s account to reduce the unpaid principal loan balance.

Lender participation in the VA loan program is conditioned upon lenders complying with the governing laws, regulations, and policy guidance regarding the processing of VA loans. Lenders are responsible for ensuring that loans meet VA requirements. When VA notifies the lender of loan deficiencies, this responsibility includes responding to the notice with information addressing the deficiencies to show that VA requirements were met.

**Potential Consequences of Ineligible Loans**

When deficiencies are such that they compromise the guaranty of the loan, they must be addressed. Failure, either one-time or on a repetitive basis, to show that loans meet VA requirements could result in any of the following:

* VA may suspend random sampling reviews and require that all loans closed by a lender be submitted to VA for full review.
* VA may suspend a lender’s automatic authority and require that all loans be submitted on the prior-approval basis.
* VA may impose other administrative sanctions.

If you have any questions, please contact insert name, Loan Production Officer, at insert phone number or insert name, Assistant Loan Production Officer, at

Insert phone number.

Sincerely,

Loan Guaranty Officer

#### 8. Sample Egregious Loan Letter

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

Name In replies refer to: Mail Routing #

Title VA Loan Number

Company Veteran’s First and Last Name

Address

Dear Mr./Ms. Last name:

We reviewed the VA loan file listed above on insert date and sent deficiency letters regarding our underwriting concerns. On insert date, we indicated that the above loan file was forwarded to Loan Guaranty Central Office for possible egregious underwriting. As a result of Central Office’s final review, the loan is deemed to have egregious underwriting.

**What is Required of Your Firm as a Result of this Audit?**

You should sign and return the enclosed indemnification agreements on insert lender name and ID number, VA# insert loan number.

Please comply with the above requirement within 30-calendar days from the date of this letter. You should mail evidence of compliance to insert appropriate RLC address.

**Who Should You Contact for Additional Information**

If you have any additional questions, please contact insert LPO name and phone number.

We appreciate your participation in the VA Home Loan Program and believe you will take the necessary steps to improve your firm's compliance with our loan guaranty requirements.

Sincerely,

Loan Guaranty Officer

Enclosure:

Indemnification Agreements

#### 9. Sample Indemnification Agreement

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| Change Date | May 23, 2017, Change 5   * This section has been updated in its entirety. |

INDEMNIFICATION AGREEMENT

NOW, THEREFORE, the United States Department of Veterans Affairs (VA), pursuant to the authority at 38 U.S.C. 3720(a), and Lender agree as follows:

1. Lender agrees to indemnify VA for losses, which have or may be incurred on the following loans, if the loans or subsequent VA interest rate reduction refinancing loans go into default, as defined in 38 C.F.R. 36.4301, within five years of the date of guaranty:

Lender: Lender Number VA LIN xx-xx-x-xxxxxxx, Veteran Name

Indemnification shall be made in accordance with the following terms:

(a) Where, as of the date of signing of an Indemnification Agreement (Agreement), a claim under guaranty has not been submitted to VA, the property will not be conveyed to VA and no claim under guaranty shall be submitted by Lender. All VA requirements for servicing and payment of loan fees will be observed in respect to such mortgage. In the event of a claim under guaranty from a transferee of a mortgage covered by this Agreement, indemnification will be in accordance with paragraph (b) or (c), whichever applies.

(b) Where a VA guaranty claim is pending or has been paid in full and the property is owned by VA, conveyance of the property will be accepted by Movement Lender and indemnification will be made to VA for its investment. VA's investment includes, but is not limited to: the amount VA paid to the holder when the holder conveyed the property to VA; the full amount of the guaranty claim; all taxes and assessments; all maintenance and operating expenses, including costs of rehabilitation and preservation; and all sales expenses, where applicable. In the event VA does not convey the property to Lender, VA's loss will be calculated in accordance with paragraph (c).

(c) Where a VA guaranty claim has been paid in full and the property has been sold by VA to a third party, the amount of indemnification is VA's investment as defined in paragraph (b), minus the sales price of the property.

(d) In the event that VA determines that reimbursement is due from Lender under the terms of this Agreement, VA shall make a demand upon Lender by certified mail, return receipt requested. Lender shall then have 30 days from the date such demand was mailed to remit such sum to VA in full. If full payment is not received within such time frame, Lender shall also be liable for interest on any unpaid balance from the date of mailing of VA’s demand until the date the payment is received by VA. Interest shall be at the rate determined by the Secretary of the Treasury pursuant to section 11 of the Debt Collection Act of 1982 (31 U.S.C. § 3717) representing the Current Value of Funds Rate used in assessing interest on debts due to the United States.

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2. Any material breach of the terms and conditions of the Agreement shall constitute independent grounds for imposing administrative sanctions by VA against Lender pursuant to regulations 38 C.F.R Parts 2 and 36.

WHEREFORE, the parties hereto have duly executed this Agreement, effective when signed and dated by the parties set forth below.

Lender name UNITED STATES DEPARTMENT

OF VETERANS AFFAIRS

BY:                               BY:

Printed Name/Title:                            Printed Name/Title:

DATED:                            DATED: