

APPENDIX B. GLOSSARY

- a. 4600 Repurchase. A loan VA sells to a private lender under the terms of 38 C.F.R. 36.4600. Under this regulation, VA will repurchase this loan if the loan is six full installments or more in default.
- b. Abandonment. The release of right to a property with the intention of terminating ownership and without giving it to anyone else. A property status indicating the property is vacant, is not being maintained, and is not offered for sale or rent.
- c. Accrued Unpaid Interest. The interest earned for the period of time that has elapsed since interest was last paid.
- d. Adequacy of Servicing Review. When a VA-technician reviews the servicer's attempts to avoid foreclosure on a loan at the 120th day of delinquency.
- e. Adjustable-Rate Mortgage. A mortgage that permits the holder to adjust its interest rate periodically on the basis of movement in a specified index.
- f. Advance. An amount the servicer pays on behalf of the borrower for the maintenance or repair of the security, payment of accrued taxes, special assessments, ground or water rents, and premiums on casualty insurance against loss or damage to the property.
- g. Alternative to Foreclosure. Loss mitigation options considered by the servicer to avoid foreclosure, after deeming home retention options are not feasible. Alternatives to foreclosure include, short sales and deed-in-lieu (DIL) of foreclosure.
- h. Amortization. Gradual reduction of the mortgage debt through periodic payments scheduled over the mortgage term.
- i. Appeal. A request made by the servicer to have a case reviewed again when they disagree with a VA decision.
- j. Automatic Lender. A VA designation that allows eligible lenders to conduct the processing and closing of loan applications without VA's prior review. See the VA Lender's Handbook for more information.
- k. Basis Point. One-hundredth of a percentage point. For example, 50 basis points equal one-half percent.
- l. Bill of Collection (BOC). A bill set up by VA to recover funds from a servicer.
- m. Borrower Contact. Contact made by a VA loan technician with a borrower, or representative of the borrower, regarding a VA-guaranteed home loan.

- n. Central Office Servicer Liaison. The servicer's point of contact for general program, administrative, and training questions.
- o. Claim Payment. The payment of advances, expenses, and any interest due to a servicer once a VA-guaranteed loan has terminated.
- p. Confirmation of Sale. A hearing in which the court confirms the foreclosure sale unless valid objections are raised.
- q. Consent Judgment Foreclosure. This involves the court entering a judgment of foreclosure, satisfying the mortgage debt, by vesting title of the property to the servicer, free and clear of all claims and liens (except liens of the United States). The borrower signs a stipulation consenting to the judgment and waives his or her rights to reinstatement/redemption and the servicer agrees to waive all rights to a deficiency judgment. Consent judgments are applicable when there are subordinate liens against the property that would make a DIL unacceptable.
- r. Construction and Valuation (C&V). Loan Guaranty section responsible for valuing property and issuing Notices of Value.
- s. Conveyance. The written instrument by which title to real property is transferred from one party to another.
- t. DIL. An alternative to foreclosure where the borrower voluntarily transfers the property to the holder for a release of all obligations under the mortgage.
- u. Default. When the borrower fails to make a mortgage payment or comply with the terms of the original loan documents signed at closing.
- v. Default Resolution Rate (DRR). Measures to gauge the effectiveness of joint efforts by loan servicers and VA to help Veterans with delinquent loans receive the most advantageous resolution option. The DRR is calculated by taking the sum total of successful repayment plans, special forbearances, loan modifications, cured defaults without intervention, short sales, deeds in lieu of foreclosure, refunds, and defaults loans that have paid in full, divided by the sum total of successful repayment plans, special forbearances, loan modifications, cured defaults without intervention, short sales, deeds in lieu of foreclosure, refunds, defaults loans that have paid in full, and foreclosures (less any reported invalid foreclosure sales).
- w. Delinquency. The failure to make a mortgage payment (or payments) when due. Delinquency occurs when all or part of the borrower's monthly installment of principal, interest and, where applicable, escrow is unpaid after the due date.
- x. Delinquency Letter. Notice required by VA that is sent to the borrower by the servicer no later than calendar day 30 of delinquency. The letter informs the borrower of the seriousness of the delinquency, and the amount due.

- y. Department of Housing and Urban Development (HUD). A cabinet-level agency of the U.S. Government that is responsible for the implementation, and administration of housing and urban development programs.
- z. Department of Veterans Affairs. A cabinet-level agency of the U.S. Government that is in charge of administering various Veterans programs. One program is the guarantee of residential mortgage loans made by lending institutions to qualified Veterans of the United States armed forces or their surviving spouses.
- aa. Early Payment Default (EPD). A situation where the borrower defaults on a loan within 6 months of loan origination or modification.
- bb. Electronic Default Notification (EDN). The notice containing specified loan data that servicers are required to report electronically to VA once the loan becomes 61 days delinquent.
- cc. Equity. An amount equal to the difference between the appraised value and the unpaid principal balance (UPB), interest delinquency, and escrow delinquency.
- dd. Escrow. Escrow includes all funds collected to cover expenses to be paid under the mortgage including, but not limited to, taxes, special assessments, ground rents, and other charges that are or may become first liens on the mortgaged premises, as well as property insurance premiums and mortgage insurance premiums. Amounts held by a mortgagee (or mortgagee's agent) which belong to the mortgagor, but are collected to ensure future payment of items such as property taxes and insurance.
- ee. Event. A significant action or decision made by the servicer. Servicers report most events through their service bureau or manually via the Servicer Web Portal. On an exception basis, servicers report events by telephone call, email, fax, or letter.
- ff. Expense. Fees incurred by the servicer to complete the termination of a mortgage loan. Expenses include, but are not limited to, attorney fees (including bankruptcy), property inspections, filing fees, and court costs.
- gg. Fair Credit Reporting Act. The law that sets forth legal standards governing the collection, use, and communication of credit data and certain other information about consumers.
- hh. Fair Market Value. The price established for the current value of the property.
- ii. Funding Fee. A fee collected at closing assessed by VA to originate or assume a loan made after January 1, 1990. This fee will vary depending upon the type of VA loan and whether this is the first use of VA entitlement. VA does not require disabled Veterans or surviving spouses of Veterans who died in service or from a service-connected disability to pay a funding fee.

jj. Government National Mortgage Association (Ginnie Mae). A wholly owned U.S. Government corporation within HUD. Ginnie Mae was created to support a secondary market in government-insured and guaranteed mortgage loans, and guarantees the timely payment of principal and interest on its securities. The full faith and credit of the Government guarantee these payments.

kk. Hazard Insurance. Provides eligible compensation to the insured or the lien holder (mortgagee) for physical damage by fire, wind, or other natural disasters to the property.

ll. Home Retention Options. Loss mitigation options that enable borrowers to retain homeownership. Home retention options include repayment plan, special forbearance, and loan modification.

mm. Incentives. Payments to servicers for successfully completed loss mitigation options.

nn. Indemnification Agreement. An agreement established with originating lenders following a VA audit that determines egregious underwriting procedures.

oo. Insoluble. The determination that a default cannot be cured. This determination should only be made after the servicer has exhausted all reasonable efforts to cure the default.

pp. Insurable Loss. Property damages that result in an insurance claim being filed by the borrower or servicer.

qq. Invalid Sale. A foreclosure sale deemed as not legally valid based upon local law.

rr. Judicial Foreclosure. Foreclosure through court action rather than by a power of sale.

ss. Lien. A legal hold or claim of one person on the property of another as security for a debt or charge.

tt. Loan Administration (LA). Loan Guaranty section responsible for monitoring the servicing of VA loans and intervening, as needed.

uu. Loan Identification Number. The twelve-digit VA loan number that identifies the VA office of origin, jurisdiction, loan type, and the individual loan number.

vv. Loan Modification. A permanent change in one or more of the terms of a loan, and typically includes re-amortization of the balance due.

ww. Loan Production (LP). The Loan Guaranty section responsible for monitoring activities involved in VA home loan origination.

- xx. Loan Termination. The date of the legal termination under foreclosure law, the date a DIL of foreclosure is recorded or sent to be recorded, repossession, or paid in full date.
- yy. Loss Mitigation Letter. The letter that VA requires servicers to send that informs the borrower of the loss mitigation options available and the potential entitlement loss as a result of a foreclosure action.
- zz. Manufactured Housing. Moveable dwelling units designed and constructed for year-round occupancy by a single family, on land, containing permanent eating, cooking, sleeping, and sanitary facilities.
- aaa. Maximum Guaranty. The obligation of VA to repay a specified percentage of a loan upon the default of the primary debtor. The guaranty means the lender is protected against loss if the Veteran or a subsequent borrower fails to repay the loan.
- bbb. Mortgage. Pledge of real property as security for the repayment of a debt, or the document that creates, and represents the lien upon the real property that secures the debt.
- ccc. Mortgage Loan. Debt that is evidenced by a mortgage note, therefore it is secured by a mortgage.
- ddd. Mortgage Note. The note is evidence of the debt that is secured by a mortgage.
- eee. Net Proceeds. The sales price less the seller's expenses.
- fff. Net Value. The fair market value of property, minus the VA Net Value Cost Factor.
- ggg. Net Value Cost Factor. A percentage that represents the estimated cost to VA of acquiring and disposing of the property.
- hhh. Net Value Bid. The amount that servicers bid when the net value of the property is greater than the unguaranteed portion of the indebtedness, but less than the total indebtedness.
- iii. Non-Judicial Foreclosure. The authority to terminate a loan through the power of sale.
- jjj. Offset. The result of a servicer's failure to satisfy a BOC. Future payments to the servicer will be reduced until the amount of the BOC is satisfied.
- kkk. Paid in Full. A loan is paid in full when the loan obligation has been fully satisfied by receipt of funds and not a servicing transfer.
- lll. Partial Payments. A remittance on a loan in default of any amount less than the full amount due under the loan terms in effect when the payment is tendered.

mmm. Partial Release of Security. When a portion of a secured property is released from the lien.

nnn. Potential Claim Savings. The projected savings to the government when a borrower avoided foreclosure by successfully completing a loss mitigation option.

ooo. Post Audit. VA review of the supporting documentation for selected cases.

ppp. Prepayment. The payment of all, or a portion of the mortgage debt, before it is due.

qqq. Private Sale. The sale of a property which covers the total amount owed on the loan.

rrr. Property Preservation Expenses. Expenses incurred by the servicer throughout a delinquency to protect, and preserve a vacant property.

sss. Quality Assurance. Loan Guaranty section that performs Regional Loan Center (RLC) station audits.

ttt. Real Estate Settlement Procedures Act (RESPA). Federal law which regulates the settlement practices within the real estate industry. This law requires the provision of Good Faith Estimates of Closing Costs, prohibits kickbacks for referrals of related services, standardizes the closing with a required form and format, and mortgage servicing activities.

uuu. Reconveyance. The transfer of legal title and maintenance responsibility from VA back to the servicer.

vvv. Redemption Period. A period of time established by state law during in which a property owner has the right to redeem the property from a forced, public foreclosure sale.

www. Reinstatement. A loan is considered to be reinstated when the loan status changes from a delinquent to current state, and the loan has a due date in the future.

xxx. Release of Liability. A formal agreement absolving a borrower from responsibility under a mortgage because another party has agreed to assume the obligations.

yyy. Repayment Plan Agreement. A written agreement for reinstatement of the loan in which the borrower agrees to pay the normal monthly payment, plus a portion of the delinquency each month.

zzz. Servicer Appraisal Processing Program (SAPP). A program that allows approved servicers to review VA liquidation appraisals and establish the fair market value of a property.

aaaa. Servicer Contact. Contact made by a VA loan technician with a loan servicer regarding a VA-guaranteed home loan.

bbbb. Servicer Web Portal (SWP). A link within the VA Loan Electronic Reporting Interface (VALERI) application that enables servicers to report information to VA. The SWP is a primary means for servicers to communicate with VA.

cccc. Servicing History. Documented case notes including, but not limited to, contacts with the borrower, current servicing, collection, loss mitigation, and foreclosure actions performed by the servicer.

dddd. Servicemembers Civil Relief Act (SCRA). A Federal law that provides relief for Veteran-borrowers called to active military service on loan obligations incurred prior to their current period of service.

eeee. Short Sale. An alternative to foreclosure that allows borrowers to settle the mortgage debt by selling their home even though the sale proceeds are less than the total indebtedness.

ffff. Special Forbearance Agreement. Special forbearance is a written agreement between the servicer and borrower where the servicer agrees to temporarily suspend, or reduce payments for one or more months.

gggg. Staff Appraisal Reviewer. A servicer's employee that is certified to review VA appraisals, determine the fair market value, and issue a Notice of Value (NOV) on the property.

hhhh. Supplemental Claim. A claim a servicer submits to account for expenses not included in the initial claim.

iiii. Tier Ranking. VA's four-tiered ranking system to evaluate servicer performance. A servicer's tier ranking affects incentive payment amounts.

jjjj. Total Debt Bid. The amount a servicer bids if the net value of the property exceeds the total indebtedness.

kkkk. Total Eligible Indebtedness (TEI). TEI consists of the unpaid principal balance, allowable accrued interest, allowable liquidation advances, and expenses, less any credits.

llll. Total Indebtedness. The total amount of debt owed to the servicer by the borrower.

mmmm. Texas Veteran's Land Board Loan. This is a "two note loan" which is underwritten as a co-first lien utilizing one deed of trust. This program is administered by the Veterans Housing Assistance program.

nnnn. Transfer of Custody. The acknowledgement by a servicer to transfer responsibility for a property from one party to another.

oooo. Transfer of Ownership. A transfer of ownership occurs when the title holder of a property changes. A transfer of ownership may not occur on a loan 61 or more days delinquent unless the transfer cures the delinquency.

pppp. Unauthorized Transfer of Ownership. When a transfer of ownership is made on a loan originated on or after March 1, 1988, without the prior approval of VA or a VA automatic lender.

qqqq. Unguaranteed Portion of Indebtedness. The amount of the borrower's debt not covered by the maximum claim payable under the guaranty.

rrrr. VALERI. Loan Administration's web-based system that supports VA employees and servicers in the oversight and servicing of guaranteed loans.

ssss. VA Loan. Residential mortgage loan made to Veteran borrowers under the VA Loan Guaranty program.

tttt. VA Purchase. VA option to purchase a loan in default from a servicer and take over the servicing by VA's subcontractor. This is also referred to as Refunding throughout the manual.

uuuu. WebLGY. The Web-enabled Loan Guaranty System utilized by VA LP and C&V to manage loan origination and liquidation data.

vvvv. Write-Off. An amount deducted from the indebtedness so that the net value is greater than the unguaranteed portion of the indebtedness.