

CHAPTER 1. LOAN GUARANTY OVERVIEW AND SERVICING OBJECTIVES

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## 1.01 OBJECTIVES OF THIS MANUAL

a. The purpose of this manual is to provide operational policies and procedures for Department of Veterans Affairs (VA) employees using the VA Loan Electronic Reporting Interface (VALERI) system. It also discusses roles and responsibilities for Loan Administration (LA) staff and servicers. A supplement to this manual is M26-4, VA Servicer Handbook, used by servicers to manage their participation in the VA Home Loan program.

b. This manual is written as a tool for all VA employees. This manual does not change or supersede any regulation, or law affecting the VA Home Loan program. If there appears to be a discrepancy, please refer to the related regulation or law.

c. This manual has three primary objectives:

1. Provide LA employees the tools needed to manage the program.
2. Describe LA regulations, policies, and procedures.
3. Supplement the content provided to servicers in VA Servicer Handbook, M26-4, and the VALERI Technician User Guide.

## 1.02 OVERVIEW OF THE VA HOME LOAN PROGRAM

a. Private lenders, such as banks, savings and loans, or mortgage companies, provide financing for VA-guaranteed loans to eligible Veterans for the purchase of a home for personal occupancy as outlined in VA regulation Title 36, Code of Federal Regulations. To obtain a loan, a Veteran must apply to a lender. If the loan is approved, VA may then guarantee a portion of the loan. This guaranty protects the lender against loss up to the amount guaranteed and allows a Veteran to obtain favorable financing terms.

b. Although there is no maximum loan amount set by VA, lenders will generally loan up to four times the Veteran's available entitlement without requiring a down payment. This is due to secondary mortgage market considerations, which typically require a 25 percent backing. In most cases, VA only limits the loan amount to the value of the property and the Veteran's ability to repay.

c. Benefits of the Program. The VA Home Loan program is a Federal benefit program. Specific benefits to the Veteran borrower include:

1. Equal opportunity for all qualified Veterans to obtain a home loan.
2. No down payment, unless required by the lender or the purchase price is more than the reasonable value of the property.
3. Veterans informed of the reasonable value of property being purchased.

4. Negotiable interest rate.
5. Ability to finance the VA funding fee.
6. Reduced funding fees with a down payment of at least five percent.
7. Exemption from the funding fee requirement for Veterans eligible for VA compensation.
8. Closing costs are comparable with other financing types and may be lower.
9. No mortgage insurance premiums.
10. Mortgage fully assumable.
11. Right to prepay without penalty.
12. Assistance to Veteran borrowers in default due to temporary financial difficulty.

d. Components of the VA Home Loan Program. The Veterans Benefits Administration (VBA) administers the VA Home Loan program through eight regional offices that operate under four work streams: Specially Adapted Housing (SAH), Construction and Valuation (C&V), Loan Production (LP), and Loan Administration (LA).

1. SAH and Construction and Valuation. SAH supervises the construction for Veterans with service-connected disabilities and reviews plans and specifications. C&V values properties for Loan Guaranty purposes. Specifically, C&V:

- (a) Handles all matters related to fee appraisers and compliance inspectors.
- (b) Issues Notices of Value (NOV).
- (c) Handles the Lender Appraisal Processing Program (LAPP) and Servicer Appraisal Processing Program (SAPP).
- (d) Handles issues related to builders and construction complaints.
- (e) Assigns VA Loan Identification Numbers.
- (f) For more information on the C&V section visit [https://www.benefits.va.gov/homeloans/appraiser\\_cv.asp](https://www.benefits.va.gov/homeloans/appraiser_cv.asp).

2. Loan Production. LP is responsible for all activities involving the origination of VA home loans, including the following:

- (a) Processes requests from lenders to participate in the VA Loan Guaranty program.

- (b) Processes requests for automatic authority.
- (c) Issues Loan Guaranty Certificates (LGC) on closed VA loans.
- (d) Monitors performance of originating lenders and conducts training of program participants.
- (e) Provides guidance for processing releases of liability, transfers of ownership, and unauthorized transfers of ownership.

(f) For more information on the LP section, visit <https://www.benefits.va.gov/homeloans/lenders.asp>.

3. Loan Administration (LA). LA is responsible for all activities involving VA-guaranteed loans from origination until the loan is paid in full or terminated including the following:

- (a) Monitors servicer activities and intervenes as needed during the delinquency and foreclosure process.
- (b) Reviews cases and provides additional assistance to borrowers on an exception basis.
- (c) Handles borrower and servicer inquiries on current and delinquent loans.
- (d) Reviews exceptions on acquisitions, incentives and claims prior to payment.
- (e) Conducts post audits.
- (f) Conducts industry and employee training by VA Central Office.
- (g) Servicers looking for more information on the LA section visit, <https://www.benefits.va.gov/homeloans/servicers.asp>.

e. Servicer Point of Contact. The VA Central Office Servicer Liaison (COSL) is the servicer's point of contact for general program, administrative, and training questions. If a question is received from a servicer regarding these topics, they may be referred to the COSL. Any questions from servicers related to a loan that is assigned to a technician should be referred to the technician for assistance and guidance. Technicians should also be prepared to handle any case-specific inquiries on current loans that are not yet assigned, regardless of property location.

### 1.03 OVERVIEW OF SERVICER RESPONSIBILITIES

a. Servicers play a critical role in the VA Home Loan program, as many essential loan management activities are delegated to them. Among the activities delegated completely, or in part, are:

1. Delinquent loan servicing.

2. Loss mitigation activities.
3. Appraisal review and determination of fair market value.
4. Determination of net value.
5. Determination of bid type and bid amount at foreclosure.
6. Loan assumptions and releases of liability.
7. Partial releases of security.

b. It is important to note that servicers who do not have automatic authority cannot process releases of liability. Also, authority to review appraisals and issue an NOV on a loan requires automatic authority and participation in the SAPP.

c. Given the number and importance of these activities, servicers have a responsibility to both the Veteran and VA. Specifically, VA asks servicers to:

1. Act in the best interest of Veterans and the Government.
2. Service VA loans to the highest standard.
3. Respond timely to Veteran and VA requests.
4. Pursue collection and loss mitigation efforts with a focus on home retention.
5. Provide timely and accurate data to VA.
6. Comply with all applicable laws, regulations, handbooks, and formal guidance.
7. Retain documents required for post audit.

#### 1.04 OVERVIEW OF VALERI

a. VALERI is VA's web-based system and supports both LA employees and servicers. VALERI is central to VA operations, and helps monitor servicers and the success of the VA Home Loan program. VA uses VALERI to monitor the servicing of VA loans, generate loss mitigation recommendations, review the adequacy of servicing, review non-routine acquisitions, claims and incentives, and conduct post audits. VALERI also houses reporting tools for Loan Guaranty managers and servicers. More detail about VALERI is included throughout this manual.

b. The VALERI Servicer Web Portal (SWP) enables servicers to report events by using a template, request pre-approvals, file claims and appeals, and upload documents for VA access

and review. Servicers may also report data through their servicing systems. This process creates and sends an electronic file to VALERI which triggers required events to generate.

c. VA users may access VALERI at the following site: <https://va.my.salesforce.com>.

d. All cases must be completed within the VALERI-established time frame and are reflected in RLC performance.

#### 1.05 ORGANIZATION OF THIS MANUAL

a. Each chapter in this manual includes policy guidance for completion of work and the authority of the actions by each user. VA technicians must also be familiar with the material provided in the VA Servicer Handbook, M26-4, and all VALERI User Guides. This manual is organized into core chapters that correspond to the major activities technicians participate in, conduct, or manage. They are:

1. Chapter 2: Introduction to VALERI.
2. Chapter 3: General Loan Servicing.
3. Chapter 4: Delinquent Loan Servicing.
4. Chapter 5: Loss Mitigation.
5. Chapter 6: Pre-Approval.
6. Chapter 7: Incentive Payment.
7. Chapter 8: Foreclosure.
8. Chapter 9: Refunds.
9. Chapter 10: Appraisals.
10. Chapter 11: Property Conveyance.
11. Chapter 12: Reconveyance and Quitclaim Deeds.
12. Chapter 13: Indemnified Loan Agreements.
13. Chapter 14: Claims.
14. Chapter 15: Post Audit.
15. Chapter 16: Appeals.

16. Chapter 17: Bill of Collection.
17. Chapter 18: Regulatory Infractions.
18. Chapter 19: Disasters.
19. Chapter 20: Servicing Loans with Bankruptcy

b. Appendices. This Manual also contains appendices to supplement information provided in the chapters or provide additional material to reference when performing oversight activities. They are:

1. Appendix A: Acronyms.
2. Appendix B: Glossary.
3. Appendix C: Texas Veterans Land Board Loans.
4. Appendix D: Additional VA Contact Information.
5. Appendix E: Property Preservation Requirements and Fees.