

CHAPTER 12. RECONVEYANCE OF PROPERTY AND QUIT CLAIM DEEDS

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12.01 RECONVEYANCE OF PROPERTY

a. Department of Veterans Affairs (VA) reconveys a property to the servicer for the following reasons:

1. Invalid sale.
2. Improper transfer of custody (TOC).
3. Title problems.
4. For information on event reporting related to property reconveyance, refer to Chapter 2 of this manual.

b. Reconveyance of the property back to the servicer commences after the servicer reports an Improper TOC or Invalid Sale event, or after VA determines the need to reconvey the property. Once the Improper TOC or Invalid Sale event is processed in the VA Loan Electronic Reporting Interface (VALERI), a Bill of Collection (BOC) is initiated to recover the acquisition and/or other additional costs.

1. Information on reports outlining the BOC status can be found in the VALERI Technician User Guide:

https://vbaw.vba.va.gov/homeloans/docs/valeri_technician_user_guide.pdf.

2. If the servicer discovers an Invalid Sale or Improper TOC after reporting the TOC event, they should not report the Invalid Sale or Improper TOC event until VA has certified the acquisition payment. The servicer should notify the VA-assigned technician when they are made aware of the situation.

12.02 TITLE PROBLEMS

a. When VA reconveys a property to the servicer due to title issues, VA's Contract Assurance – Property Management (CA-PM) section is the point of contact and notifies the servicer, by letter, with the reason(s) for the return. CA-PM also notifies the appropriate Regional Loan Center (RLC) of the reconveyance, via email. If VA is advised of an invalid sale or improper transfer of custody, and the servicer has not already reported the appropriate return of custody event, the RLC must manually open the Return of Custody case within two business days.

b. For more information on the Return of Custody process, review the VALERI Technician User Guide:

https://vbaw.vba.va.gov/homeloans/docs/valeri_technician_user_guide.pdf.

1. If an extension is necessary for a servicer to provide an acceptable evidence of title, an extension request must be received by VA's property management contractor via email

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prior to the date title documents are due. All QCD inquiries regarding title reconveyance and execution of said document should be directed to VA's property management contractor. Contact information is provided in section 12.06 of this chapter.

12.03 QUIT CLAIM DEEDS

a. When a servicer elects to convey a property to VA following loan termination, the servicer typically records a deed to the property in VA's name. If the servicer does not provide title evidence timely or if it is deemed unacceptable by VA's NPG, VA's property management contractor handles the preparation of a quitclaim deed to transfer the title of the property back to the servicer. For state title submission due dates, please refer to the Title Documentation, Insurance and Timeframe requirements located at: http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp.

b. If an extension is necessary for a servicer to provide acceptable evidence of title, an extension request must be received by VA's property management contractor via email prior to the date title documents are due. All QCD inquiries regarding title reconveyance and execution of said document should be directed to VA's property management contractor at the link above.

c. The following examples reflect situations when a servicer erroneously records a deed transferring title of the property to VA:

1. A third party was the successful bidder at a foreclosure sale and the servicer deeded the property to VA instead of the third-party bidder.

2. VA denies conveyance of the property, but the servicer previously executed a deed into VA's name.

3. A foreclosure sale was not valid; however, a deed to VA was prepared in advance and recorded.

4. There may also be cases where deeds were recorded to VA on properties securing Federal Housing Administration (FHA) loans.

12.04 REQUESTING A QUIT CLAIM DEED

a. Whenever a servicer or its agent determines that a QCD is needed to transfer any interest previously conveyed to VA, the request will be sent via email to the VA-assigned technician. The email must explain the reason for the request and include an electronic version of the QCD to be executed by VA, along with instructions for transmittal of the executed deed to the party that will handle recordation. The effective date of the QCD must be the same date as the initial transfer of the property to VA. By using the same date as the initial transfer to VA, the QCD essentially demonstrates that VA never accepted title to the property, despite the previously recorded deed. In addition, nominal consideration

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should be shown in the QCD, along with a statement that the property was conveyed in error.

b. Any request for a QCD on a VA-guaranteed loan not assigned to a VA technician will be sent to the Loan Administration Officer (LAO) at the VA Regional Loan Center (RLC) of jurisdiction. If the LAO finds that the need for a QCD is the result of a prior default, the request will be forwarded for handling to the LAO of the previously VA-assigned technician. The LAO will verify VA has no interest in the property and review the deed in accordance with the following paragraph:

1. The VA-assigned technician will review the request for the execution of the QCD, fully document case notes with their review and recommendation, and forward the request to the LAO. If the loan is not assigned to a technician in VALERI, the LAO will document the case notes. In either case, the LAO will review the deed to ensure that it conveys only the interest VA had in the property without any type of warranty.

12.05 EXECUTING A QUIT CLAIM DEED

a. Execution of the QCD ensures the property is transferred from VA's name to the correct holder of the property. If the deed appears acceptable under the general guideline described above, it will be sent to the Loan Administration Officer (LAO) for execution and transmittal in accordance with the request. Under 38 C.F.R. §36.4345(b), the LAO has the authority to execute deeds in any area of the country on behalf of the Secretary of Veterans Affairs. Execution of the QCD must be completed within seven business days to avoid delays in the servicer's ability to respond to liens, code violations, taxes, etc. that may have been assessed on the property and remove VA's name promptly from the title.

b. In some cases, there may be a delay or no request from the servicer for a QCD when conveyances are not accepted or the QCD to VA may have been erroneously recorded without any notice to VA. VA's first notice may be in the form of a tax bill or a code violation from local authorities. In such cases, after determining that VA should not be the owner of a property, the responsible LAO will ensure that contact is initiated with the servicer to prepare a QCD for VA's execution. If the servicer delays the preparation of the QCD, the RLC will prepare and execute a QCD back to the servicer.

c. Per 38 C.F.R. §36.4345, "Delegation of Authority," employees filling certain positions are authorized to sign documents related to real estate transfers on behalf of the Secretary. Designated positions include, who are authorized to sign documents for properties nationwide. Anytime a VA employee signs a document on behalf of the Secretary, the document should include a signature block that cites the delegation of authority. Above the line for the signature should be something similar to the following "(Name of employee, position) on behalf of the Secretary of Veterans Affairs, an Officer of the United States, pursuant to the delegation of authority at 38 C.F.R. §36.4345, but subject to the limitations of 38 C.F.R. §36.4323." This signature will describe the authority of the individual signing the document, and also serve as notice that whatever the document may state, VA retains

its right to determine acceptability of title to the property and to reconvey if title is not acceptable.

d. Any document requiring an address for VA, use “Secretary of Veterans Affairs, an Officer of the United States of America, successors and assigns, at (insert address of VA office of geographic jurisdiction [may be different than the office of the assigned VALERI technician]).” For a listing of VA RLC geographic jurisdictions, and the address for the appropriate RLC to be inserted into the conveyance information in the preceding sentence, please refer to <http://www.benefits.va.gov/homeloans/rlcweb.asp>. If an in-state address is required in a particular state, contact the RLC of geographic jurisdiction for the address of the VA Regional Office in the state. If a personal name is required for the Secretary, use the official name of the current Secretary of VA.

12.06 RECONVEYANCE DISPUTES

a. Servicers can notify VA’s property management contractor of any concerns pertaining to the reconveyance of an asset due to untimely or unacceptable title. The dispute must be emailed to the designated contact at VA’s property management contractor at title-va-reconveyance@vrmco.com and must be received directly from the servicer (not the foreclosure attorney). The email submission must include the following information:

1. Email Subject Line: Reconveyance Dispute.
2. Title Package Due Date.
3. Copy of Pre-Reconveyance or Incomplete Letter.
4. Copy of Final Reconveyance Letter.
5. Proof of compliance in resolving any/all noted deficiencies by the due date in either the Pre-Reconveyance or Incomplete Letter.
6. Reason for Dispute.

b. Reconveyance Disputes must be submitted within 10 business days of receipt of the Final Reconveyance Letter. VA will respond to disputes within 72 hours of receipt through VA’s property management contractor.