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CHAPTER 1. LOAN GUARANTY OVERVIEW AND SERVICING OBJECTIVES

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* 1. OBJECTIVES OF THIS HANDBOOK

 a. The purpose of this handbook is to provide operational policies and procedures for servicers who participate in the Department of Veterans Affairs (VA) Home Loan program and service VA-guaranteed loans through the VA Loan Electronic Reporting Interface (VALERI) system. It also discusses roles and responsibilities for VA Loan Administration (LA) staff and servicers.

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

 c. This handbook has two primary objectives:

 1. Provide servicers the tools needed to manage the program.

 2. Describe LA regulations, policies, and procedures.

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 38 C.F.R. Part 36, Loan Guaranty. 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 downpayment. 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 downpayment, unless required by the lender, or the purchase price is more than the

reasonable value of the property.

 3. Veterans informed of reasonable value of property being purchased.

 4. Negotiable interest rate.

 5. Ability to finance the VA funding fee.

 6. Reduced funding fees with a downpayment of at least 5 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 Regional Loan Center (RLC).The Veterans Benefits Administration (VBA) administers the VA Home Loan program through eight RLCs, and one Regional Office with loan activities. Each RLC has three components: Construction and Valuation (C&V), Loan Production (LP), and LA.

 1. C&V. This section oversees the valuation of properties for Loan Guaranty purposes and

supervises the construction of Specially Adapted Housing (SAH) for Veterans with disabilities. Specifically C&V:

 (a) Handles all matters related to fee appraisers and compliance inspectors.

 (b) Issues Notices of Value (NOV).

 (c) Reviews plans and specifications.

 (d) Handles the Lender Appraisal Processing Program (LAPP) and Servicer Appraisal

Processing Program (SAPP).

 (e) Handles issues related to builders and construction complaints.

 (f) Assigns VA Loan Identification Numbers.

 2. LP. This section 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 (LGCs) 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.

 3. LA. This section 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.

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. Any questions related to a loan assigned to a technician should be referred directly to that technician for assistance and guidance. VA technicians will also be available 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 SAPP.

 c. Given the number and importance of these activities, servicers have a responsibility to both the Veteran, and VA. Specifically, VA requires 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, manuals, and formal guidance.

 7. Retain documents required for post-audit.

1.04 OVERVIEW OF VALERI

 a. VALERI is VA’s web-based system that supports both servicers and LA employees.

 b. VALERI is central to VA operations and helps monitor servicers and the success of the VA Home Loan program. VALERI also houses reporting tools for servicers and Loan Guaranty managers.

 c. The Servicer Web Portal (SWP), within the VALERI application, enables servicers to report events, 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 a file to VALERI which will generate required events.

 d. VA and servicers may access VALERI at: <https://www.vbavaleri.com/GSM2.0/default.aspx>.

1.05 ORGANIZATION OF THIS HANDBOOK

 a. Each chapter in this handbook includes policy guidance for servicing VA-guaranteed loans and the authority of those actions. Servicers must also be familiar with the material provided in the VALERI Users Guide.

 b. This handbook is organized into core chapters that correspond to the major activities servicers 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: Property Acquisitions.

 10. Chapter 11: Reconveyance of Property.

 11. Chapter 12: 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: Training.

 19. Chapter 20: Servicer Performance.

 20. Chapter 21: Disasters.

 c. Appendices. This handbook also contains appendices to supplement information provided in the chapters, or provide additional material to reference when servicing VA loans. They are:

 1. Appendix A: Acronyms.

 2. Appendix B: Glossary.

 3. Appendix C: State and Territory Tax Due Dates.

 4. Appendix D: Military Base Cutbacks or Closings and Homeowners Assistance program.

 5. Appendix E: Texas Veteran Land Board Loans.

 6. Appendix F: Additional VA Contact Information.

 7. Appendix G: Property Preservation Requirements and Fees.

 d. **Note**: All references to days refer to calendar days unless otherwise noted.