CONTENTS

CHAPTER 15. POST-AUDIT

PARAGRAPH PAGE

15.01 Post-Audit…………………...……………………………….. 15-2

15.02 VALERI Selection, Notification, and Assignment of Cases………………………………......……………………. 15-2

15.03 Required Documentation (38 C.F.R. 36.4324(d)(5)) .…..…….. 15-3

15.04 Post-Audit Results…………….……………………..……...... 15-5

15.05 Quarterly Post-Audit Reports..…..…………………..……...... 15-5

15.01 POST-AUDIT

a. The post-audit process protects the interests of both the Veteran, and the Government. The primary objectives of the post-audit are to confirm the appropriateness of payments, account for regulatory infractions, and to make adjustments, as necessary. The Department of Veterans Affairs (VA) conducts monthly post-audit reviews on the following types of cases:

1. Repayment Plan. A repayment plan is eligible for post-audit 30 days from the date the incentive payment is confirmed by VA’s Financial Management System (FMS).

2. Special Forbearance. A special forbearance is eligible for post-audit 30 days from the date the incentive payment is confirmed by FMS.

3. Loan Modification. Loan modifications are eligible for post-audit 90 days from the date the incentive payment is confirmed by FMS. Loan modifications for which VA did not pay an incentive are eligible for post-audit 90 days from the date the Default Cured Loan Reinstated event processes.

4. Deed-in-Lieu of Foreclosure (DIL). A DIL is eligible for post-audit 60 days from the date the claim payment is confirmed by FMS.

5. Compromise Sale. A compromise sale is eligible for post-audit 60 days from the date the claim payment is confirmed by FMS.

6. Foreclosure. A foreclosed loan is eligible for post-audit 60 days from the date the claim payment is confirmed by FMS.

7. Partial Release of Security. A partial release of security is eligible for post-audit 60 days after the VA Loan Electronic Reporting Interface (VALERI) receives the Partial Release of Security event.

##### 15.02 VALERI SELECTION, NOTIFICATION, AND ASSIGNMENT OF CASES

a. On a bi-monthly basis, VALERI selects a random sample of eligible cases for post-audit review. When necessary, VA Central Office (VACO) may identify an additional pool of cases for post-audit review.

b. VALERI automatically assigns, and distributes cases nationwide to technicians for review. VALERI does not distribute a post-audit case to the same technician who was originally assigned the loan.

c. Once cases are selected, servicers are notified of the selected cases on the Post-audit Selection Report on the first, and fifteenth day of each month.

##### 15.03 REQUIRED DOCUMENTATION (38 C.F.R. 36.4324(d)(5))

a. Servicers are required to retain records for 3 years, and provide supporting documentation on cases selected for post-audit within 30 days. VA does not routinely give servicers additional time to submit documents without detailed justification to support a servicer’s extension request. If the servicer uploads a document after day 30, but before the VA-assigned technician concluded their review, the document will be used to complete the post-audit. If the servicer did not submit the required document, but the information can be clearly, and unquestionably verified by an alternative source, it is acceptable to use another document to validate the field.

b. A deficiency waiver letter is required to be sent to the borrower no later than 15-calendar days after VA certficiation of the guaranty claim payment on all loans where VA paid a maximum guaranty claim, and the property was conveyed to VA. NOTE: VA does not require the deficiency waiver letter if the borrower filed bankruptcy during the default period. The deficiency waiver letter must include the date, and amount of the indebtedness that has been waived. In the event a servicer fails to provide evidence validating a deficiency waiver notice was sent covering all regulatory requirements, a regulatory infraction with no monetary value will be added during the post-audit review.

c. VALERI lists the supporting documentation servicers are required to submit in the Servicer Web Portal (SWP) under the Submit Documents link.

d. The following provides a definition for each post-audit document required:

1. Appraiser's invoice. Invoice from appraiser identifying the property that was appraised.

2. Attorney's notice of procedural errors. Document from an attorney explaining what

procedural error caused either a delay in the foreclosure process, or an invalid sale.

3. Bill and evidence of payment. An invoice outlining work completed.

4. Closing Disclosure. Document prepared by a closing agent describing a real estate

transaction, including the escrow deposits for taxes, commissions, loan fees, points, and hazard insurance.

5. Deficiency waiver letter. Notification from the holder to the borrower that they would be held harmless from the unguaranteed portion of the loan. Must include dollar amount being waived, and the date the letter was sent.

6. Electronic bankruptcy docket report. A Docket Report for each bankruptcy filed during the default period.

7. Evidence of third party's failure to consummate sale. In the case of a successful third party bid, a document that shows the third party was unable to remit funds bid at sale to complete the transaction.

8. Foreclosure debt analysis. The document used to calculate total debt to determine bid type at time of foreclosure.

9. Foreclosure document (per state requirements). Requirement document(s) providing results of sale.

10. Insurance adjuster's report. An insurance adjuster's settlement recommendations for

insurance claims, or claims for damages. Copy of document(s) providing evidence that an insurance claim was filed. This evidence will also provide information on the approval, or denial of the insurance claim.

11. Insurance proceeds check (copy). A copy of the check issued by an insurance company to cover property damage.

12. Itemized attorney invoice. Invoice for any services provided by an attorney towards the

termination of a loan.

13. Itemized invoice for service provided related to property preservation, and work completed. Invoices for all services, work completed, and materials used.

14. Ledger/loan payment history. All ledger/payment histories from the first uncured default

showing all debits/credits to the account, including refunds for tax, and insurance. This includes running balances for principal, escrow, and suspense/unapplied accounts.

15. Loan modification agreement. The executed loan modification agreement between the

Servicer, and the borrower that changed one or more terms of an existing mortgage loan such as the interest rate, number of years allowed for repayment, or amount of monthly payment.

16. Mortgage note. The note, including variable mortgage addendums if applicable, is a written agreement between the borrower, and servicer signed at closing to repay a loan. The note is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be paid. The note also states the actual amount of the debt secured by the mortgage, and renders the mortgagor personally responsible for repayment.

17. Property inspection verification. A document that includes at minimum the following: date of the property inspection, cost of the inspection, and occupancy status.

18. Recorded deed from the homeowner to servicer. The recorded legal document that was used to transfer ownership from the borrower to the servicer on a DIL.

19. Repayment plan agreement. The written repayment plan agreement between the borrower, and servicer.

20. Sheriff’s appraisal/notice of value (NOV). A document that shows the "as-is" value of the property, which is used to determine the bid amount for a foreclosure sale, or alternative to foreclosure.

21. Special forbearance agreement. The written special forbearance agreement between the borrower, and servicer.

##### 15.04 POST-AUDIT RESULTS

a. Results of the post-audit review can be found on the Post Audit Detail Results Report. Regulatory infractions issued on the post-audit may impact the servicer’s performance for tier ranking purposes. If the final results reveal an overpayment, VA will issue a bill of collection (BOC), which can be found on the BOC Status, and Offsets report.

##### 15.05 QUARTERLY POST-AUDIT REPORTS

a. Every quarter, VACO analyzes system-generated reports to identify patterns, trends, or common mistakes to determine if there are servicer specific issues. If the error trend continues on a regular basis, VACO may increase the number of cases selected for post-audit. Servicer consequences of continued negative post-audit findings include:

1. Adversely affected tier ranking.

2. Mandatory training.

3. Full on-site audit.

4. Referral to the Office of the Inspector General.