## Chapter 9. Bill of Collection

#### Overview

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| In this Chapter | This chapter contains the following topics.   |  |  |  | | --- | --- | --- | | Topic | Topic Name | See  Page | | 1 | Objective | 9-2 | | 2 | Payment | 9-3 | | 3 | Administrative Loan and Accounting Center | 9-4 | | 4 | Issuing Bill of Collection | 9-5 | | 5 | Writing Off a Bill of Collection | 9-7 | |

#### 1. Objective

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| Change Date | January 25, 2016, Change 1   * This entire section has been updated. |

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| a. Primary Objectives of BOC | The Bill of Collection (BOC) is the method used to recover the Department of Veterans Affairs’ (VA) losses incurred on egregious loans. Should an egregious loan go in default within 5 years from the date of guaranty, resulting in VA rendering monies to the servicer, VA will issue a BOC to recover such losses. |

#### 2. Payment

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| **Change Date** | January 25, 2016, Change 1   * This entire section has been updated. |

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| a. Collection in Installments | Per [C.F.R Title 38 § 1.914](http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=4&SID=708f4f41e5a2729791c60c5b1013bd45&ty=HTML&h=L&r=SECTION&n=38y1.0.1.1.2.0.23.155), *Collection in Installments*, VA shall collect the total amount of the debt in one lump sum. However, in certain cases, VA may work out a compromise with the lender as outlined in [C.F.R Title 38 § 1.931](http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=5&SID=708f4f41e5a2729791c60c5b1013bd45&ty=HTML&h=L&r=SECTION&n=38y1.0.1.1.2.0.24.168) |

#### 3. Administrative Loan and Accounting Center

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| **Change Date** | January 25, 2016, Change 1   * This entire section has been updated. |

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| a. Administrative Loan and Accounting Center | Loan Guaranty Service (LGY) - Quality Assurance (QA) works with the Administrative Loan and Accounting Center (ALAC) in Austin, Texas to issue the BOC letter. The lenders will submit payment to ALAC, not directly to Loan Guaranty Central Office (LGYCO). |

#### 4. Issuing Bill of Collection

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| **Change Date** | January 25, 2016, Change 1   * This entire section has been updated. |
| a. Identify BOC Needed Cases | Follow the steps below to identify cases in need of a BOC:   * Locate the active indemnified cases in the indemnification tracking log. * Search and review each loan status and VA payment history in the LGY servicing current system of record (currently Centralized Property Tracking System [CPTS]). * Search and review any foreclosed loans in the LGY property current system of record (currently VA Loan Electronic Reporting Interface [VALERI]). * Properties resold or sold as a compromised sale require a BOC. * If paid in full, then verify in the current system of record (currently webLGY) that there is no new loan or there is an Interest Rate Reduction Refinance Loan (IRRRL). * If there is an IRRRL, look up the new loan in the current system of record (currently VALERI). * Document the loan status and all loan info (including VA payment history in VALERI) on the [Active Indemnification Agreements](file:///\\vbaCOfpc2\shared\LGY-26\26%20MON\IA%20Tracking%20Files) tracking spreadsheet. * Go to CPTS from the Veteran Information Portal. Enter the loan number in the “Main Module.” * Properties resold in CPTS (Case Stage 9), or sold as a compromise sale in VALERI, require a BOC. * Print out the HUD-1 settlement statement for applications taken prior to October 3, 2015 or “Know Before You Owe” mortgage disclosures for loans originated on or after aforementioned date. * Print out the Finance Summary from CPTS. |

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#### 4. Issuing Bill of Collection, continued

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| b. Verify Lender/Vendor Status | Prior to issuing the BOC, verify the lender’s status as follows:   * Verify the lender’s status (as active) and current address. * ALAC must have vendor information in order to collect payment. * Verify with ALAC that the lender is vendorized. **Note**: Major lenders are vendorized, but some small lenders may not be vendorized. * If the lender is not vendorized,   + Contact the RLC of jurisdiction.   + Email the RLC a copy of the [SF 3881, Automated Clearing House (ACH) Vendor/Miscellaneous Enrollment form](http://www.fms.treas.gov/pdf/3881.pdf).   + Request they forward it to the lender immediately. |
| c. Calculate Loan Amount | Using information in LGY servicing and property management systems of record, complete the indemnification tracking log. The formula in the indemnification tracking log will calculate the loss amount. The BOC amount should include the following:  Acquisition + Claim + Incentive + Property Management Losses After Resale. |

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| d. Obtain BOC Number | Complete a Billing Document Request (BDR-1) form and email the form to ALAC (see [Standard Operating Procedures (SOP) for current contact](https://vaww.portal2.va.gov/sites/Loan%20Guaranty%20Service/oversight/quality_assurance/SOPs/Shared%20Documents/Forms/AllItems.aspx)) to obtain a BOC number. |

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| e. Prepare BOC Letter | In order to issue a BOC letter:   * Prepare the BOC letter on VA letterhead to the lender. * Make a copy and attach the corresponding indemnification agreement (see Appendix C). |

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| f. Final steps | The final steps of issuing a BOC includes:   * BOC information is recorded in appropriate logs as instructed in the [BOC SOP.](https://vaww.portal2.va.gov/sites/Loan%20Guaranty%20Service/oversight/quality_assurance/SOPs/Shared%20Documents/Forms/AllItems.aspx) * Send a letter with the attached indemnification agreement (IA) to the lender. * Update the active IA tracking logs with the BOC number. * Email a copy of the letter to ALAC (see [SOP for current contact](https://vaww.portal2.va.gov/sites/Loan%20Guaranty%20Service/oversight/quality_assurance/SOPs/Shared%20Documents/Forms/AllItems.aspx)). |

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| g. Follow–Up | QA conducts regular follow-ups with ALAC to update the status of each active BOC. |

#### 5. Writing Off a Bill of Collection

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| a. Determine if Debt is Collectible | Complete the following steps to determine if the lender is operating:   * Conduct thorough research to determine if the lender is still in business and originating VA loans. * Document research findings. * Determine if debt collection is necessary. |

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| b. Memo to LGY Director | Quality Assurance (QA) Chief notifies LGYCO Director of BOC by completing the following steps.   * Prepare a memo from QA Chief (264A) to the LGYCO Director (26) through Administrative (26A1) and LGY Deputy Director (26A). * Memo must include:   + Loan information   + BOC information   + Current status of the loan   + Current status of the property   + Current lender status |

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| c. Memo to ALAC | ALAC memo regarding the BOC is prepared per the following steps:   * Prepare a memo from the LGY Director to the division Chief of ALAC. * Body of the memo is identical to the memo to the LGY Director. |

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| d. Concurrence | Follow these steps to obtain LGY concurrence of the BOC:   * Submit both memos to the LGY Director for concurrence. * The LGY front office staff returns memos to the QA chief. |

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| e. Final Steps | To complete the final steps for delivery and recording of BOC memos,   * Forward the LGY Director approved memo to ALAC. |