

Servicer Loss Mitigation Letters on Delinquent Loans

1. Purpose. This Circular provides guidance and instructions to mortgage loan servicers concerning servicer collection letters on Department of Veterans Affairs' (VA) guaranteed home loans to delinquent borrowers in accordance with Title 38, Code of Federal Regulations (CFR) 36.4350.

2. Background. VA has a longstanding policy of encouraging servicers to work with borrowers to explore all reasonable options to help them retain their homes, or when that is not feasible, to mitigate losses by pursuing alternatives to foreclosure. In an effort to help homeowners avoid foreclosure, VA regulation requires servicers to establish contact with a delinquent borrower during various stages of delinquency. Under CFR 36.4317(c), Servicers are required to report to the Secretary specific loan events in accordance with the timeframes described for each event. Unless otherwise specified, servicers are required to report these events monthly.

3. Guidance. Below is the guidance for sending VA required loss mitigation letters to the borrower.

a. The servicer sends the required VA loss mitigation letter to the borrower as required by CFR 36.4350(g)(1)(iv) when the following occurs:

- (1) in the case of a default occurring within the first 6 months following loan closing or the execution of a modification agreement pursuant to CFR 36.4315, within 45 calendar days after such payment was due; or
- (2) in the case of any other default, within 75 calendar days after such payment was due.

b. The required VA loss mitigation letter shall:

- (1) provide the borrower with a toll-free telephone number and, if available, an e-mail address for contacting the servicer;
- (2) explain loss mitigation options available to the borrower;
- (3) emphasize that the intent of servicing is to retain home ownership whenever possible; and
- (4) must contain the following language:

The delinquency of your mortgage loan is a serious matter that could result in the loss of your home. If you are the veteran whose entitlement was used to obtain this loan, you can also lose your entitlement to a future VA home loan guaranty. If you are not already working with us to resolve the delinquency, please call us to discuss your workout options. You may be able to make special payment arrangements that will reinstate your loan. You may also qualify for a repayment plan or loan modification.

VA has guaranteed a portion of your loan and wants to ensure that you receive every reasonable opportunity to bring your loan current and retain your home. VA can also answer any questions you have regarding your entitlement. If you have access to the Internet and would like to obtain more information, you may access the VA web site at www.benefits.va.gov. You may also speak to a VA Loan Technician by calling 1-877-827-3702.

The last sentence in the above required language has been updated to reflect the correct telephone number for Veteran borrowers to call. Mortgage servicers will include the updated information to better serve Veterans.

4. Additional Guidance for Servicers. Mortgage servicers of VA-guaranteed loans are required to report that the loss mitigation letter has been mailed to the borrower and the date the letter was mailed.

a. There are three options to provide confirmation of the loss mitigation letter for VA review at the time of the Adequacy of Servicing (AOS) process. They are as follows:

(1) The servicer shall upload the servicer case notes with the required documentation as part of the AOS process. The case note shall either be highlighted or uploaded as a separate document for easy identification in the VA Loan Electronic Reporting Interface (VALERI) application.

(2) Servicers may include confirmation that the loss mitigation letter has been mailed in addition to the date the letter was mailed as a part of the first AOS question.

(3) Servicers may upload a copy of the loss mitigation letter into VALERI and title the document "Loss Mitigation Letter." The presence of the loss mitigation letter in the VALERI application will be confirmed at the time the AOS process is completed.

b. All Post Audits performed on terminated VA-guaranteed loans will now include a copy of the loss mitigation letter as a required document. The loss mitigation letter will be uploaded into the VALERI application as part of the post audit package. The letter will be clearly titled as "Loss Mitigation Letter."

5. Guidance for VA Loan Technicians.

a. VA Loan Technicians will verify servicers have documented that the loss mitigation letter has been mailed to the borrower and the date the loss mitigation letter was sent in servicer case notes or as part of the response to AOS question number one.

b. If the servicer opts to upload the mitigation letter into the VALERI application, the Loan Technician shall verify that the letter has been uploaded as part of the AOS process. The presence of the uploaded document, or lack thereof, will not be a determining factor of adequate servicing.

c. Loan Technicians will, as part of the post audit process, verify that the loss mitigation has been uploaded by the servicer.

d. Servicers who fail to meet the requirements as described above, will receive a regulatory infraction for violating CFR 36.4317(c) and CFR 36.4350(g)(1)(iv).

6. Effective Date. This requirement is effective October 1, 2019.

7. Contact Information. Inquiries may be directed to valerihelpdesk.vbaco@va.gov.

8. Rescission: This Circular is rescinded October 1, 2020.

By Direction of the Under Secretary for Benefits

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