

**U.S. Department of Veterans Affairs
VA Loan Electronic Reporting Interface Project
Servicer Implementation Guide**



Updated April 15, 2008

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1 Summary

The U.S. Department of Veterans Affairs (VA) completed a project where we redesigned all loan servicing regulations, processes, and reporting requirements. The new regulatory environment is being implemented through process changes, organizational changes, and a new application service that replaces our current loan servicing system, Loan Servicing and Claims (LS&C). The new application service is called the VA Loan Electronic Reporting Interface (VALERI).

To accomplish an orderly transition to VALERI, we have prepared an implementation guide to provide the servicing industry with specific guidance on how to transition to VALERI.

1.1 Purpose

The purpose of this document is to introduce the servicing community to the VALERI implementation activities. This document:

- Introduces the data quality initiative
- Describes the activities that must be completed prior to the “blackout period”
- Provides a description of what you will need to do “Day 1”
- Illustrates the features of the VALERI servicer web portal (SWP) including basic uses and navigation
- Describes how to contact VA
- Provides an implementation checklist
- Provides guidance for reporting events on “transition” loans

2 Data Quality

Prior to your implementation date, VA will ask you for an extract of identifying loan data, including the matching criteria so that we can conduct data quality analysis. This will include loan data on all your VA-guaranteed loans that are of loan type 2 or type 6 except for loans where the mortgage purpose type (also called the loan purpose) is for a manufactured home not affixed to a permanent foundation. We will compare your data against our origination system to identify discrepancies and report them to you. We will work with you to identify issues and resolve them prior to your implementation date. One of the ways we help you resolve data quality deficiencies is by performing the "reverse lookup" process. This is a process we use to "guess" the correct VA loan identification number (LIN) from loan data provided in your data quality file.

The data quality process helps us to be sure that you can report properly in the new environment and that your loans will be accepted in our system. This is an essential step to ensure a smooth implementation.

If you are a Fidelity or Fiserv servicing system user, your service bureau is already working with us to ensure you can provide the extract file required for the data quality analysis. However, we still ask that you work with your service bureau to provide us with your data quality file. If you have a proprietary servicing system or use a different service bureau, we will work closely with you to ensure we can perform the data quality analysis well in advance of your implementation date. All Servicers will have ample opportunity to scrub their data prior to implementation.

VA anticipates that you would provide a file of your loan data at least one month prior to your go-live date. You will need to provide your loan data in a semi-colon delimited flat-file with line breaks per the criteria stipulated in section 2.2 Data Quality File Specification.

2.1 Match Criteria

VA has four match criteria for your loans. We compare all initialized loans (i.e. all loans subject to the new requirements, reported to VA at go-live) against these criteria. After initialization and on an ongoing basis in production, we compare your daily change files (or events) against the match criteria to ensure only matching loans and events are accepted in VALERI. The match criteria are:

- VA Loan Identification Number (LIN) – we compare the LIN on your loans against the LIN in our origination system to ensure you are reporting a valid VA LIN. This must be an exact match.
- Original loan amount – we compare your original loan amount against the original loan amount in our origination system. Your original loan amount must be no more than \$5000 dollars above the VA original loan amount.
- Date of loan – we compare the origination date of the loan to identify your loan. Your date of loan must be within 90 calendar days of the VA date of loan.
- Property state – we use the property state abbreviation as a final check to ensure we have correctly identified your loan. This must be an exact match to the two-digit state abbreviation code.

All four criteria must match per the stated criteria for your data to be accepted into our system. When your loans match on all four criteria, no action will be required. For those loans that do not match the VA LIN in our system, we perform an analysis to determine if the non-matching VA LIN can be identified by another process. We call this process the "reverse lookup" process. If we are able to identify the VA LIN using the reverse

lookup process, we call this loan a "reverse lookup match." The result of this process is a file that provides a suggested correct VA LIN. If, after receiving the suggested correct VA LIN, you choose to update your data, VA anticipates that this will increase the number of matching loans.

For those loans that are not identified using the "reverse lookup" process, we will notify you so that you are aware that these loans will fail the match criteria verification and therefore will be rejected. VA will work with you to research and resolve these discrepancies. Lastly, if you can provide copies of the original loan documents to confirm your original loan amount, the date of loan, and/or property state are correct, VA will review the documents and correct the loan data in VA's origination system to permit a match.

2.2 Data Quality File Specification

For VA to complete data quality analysis, you will need to provide us with an extract of the following loan data for all your VA loans that meet the previously mentioned criteria in a semi-colon delimited flat file with line breaks. Please refer to Exhibit 1 for the specification. Specifically, you will need to provide VA with the following data on all your VA loans:

- VA Loan Identification Number (LIN) – the VA issued 12-digit loan identification number
- Obligor Last Name – the last name of the primary obligor
- State Abbreviation – the 2-digit state abbreviation
- Loan origination amount – the loan origination amount in integer format
- Loan origination date – the loan origination date
- Payment due date – the payment due date on the loan
- First principal balance – the unpaid principal balance (UPB) on the loan
- Servicer Name – your company name
- VA Servicer ID – your VA Servicer ID (this is a six-digit number issued by VA)
- Old Servicer ID – the previous Servicer ID if the loan was acquired from another servicer (if available)
- Old Servicer Number – the previous Servicer client number if the loan was acquired from another servicer (if applicable)
- Old Loan Number – the previous Servicer loan number (if available)
- Client Number – used by servicing bureaus as an internal identifier to subdivide servicing operations by client (if applicable)
- Loan Number – your loan number for each VA loan
- Obligor Social Security Number – the nine-digit social security number of the primary obligor

Exhibit 1 (Total Bytes: 234)

- 1) VA-LIN PIC X (12). (The VA loan numbers is a 12-digit numeric field)
- 2) MTGR-LAST-NAME PIC X (20). (Example: SMITH)
- 3) STATE-ABBR PIC X (2). (Example: CA)
- 4) ORIG-MTG-AMT PIC S9 (9). *Note - no decimals should be included and it just be loaded with zeros on the left. (Example: \$50,000 would be represented as 000050000)
- 5) LOAN-DATE - **MMDDYY** (Example: 010199 for January 1, 1999)
- 6) DUE-DATE - **MMDDYY** (Example: 010199 for January 1, 1999)
- 7) FIRST-PRIN-BAL PIC - Implied decimal (9V99) for a total of 11positions (note no decimal point should be included) (Example: 50,000 would be = 00005000000)
- 8) SERVICER-NAME PIC X (36).
- 9) VA-SERVICER-ID PIC X(24).
- 10) OLD-SERVICER-NO PIC X(3).
- 11) OLD-LOAN-NO PIC X(15).
- 12) CLIENT-NO PIC X(3).
- 13) LOAN-NO PIC X(13).
- 14) MTGR-SS-NO PIC 9(9)-.
- 15) FILLER PIC X (50).

*NOTE: For those fields that are not applicable, you can provide an empty string. The total number of bytes must equal 234.

2.3 Acquisition of VA Loans

If you acquire VA loans after you go-live in VALERI that have not had data quality analysis completed, you must notify VA. It will be necessary to complete a data quality analysis on these newly acquired loans to ensure that all four match criteria are met. Once again, these loans will need to be provided per the specification in Section 2.2 Data Quality File Specification. This process is important to you so that you can maintain an ongoing data quality level that is acceptable to VA and the servicer.

3 Blackout Period

A “blackout period” has been established to facilitate the transition from LS&C to VALERI. Prior to the blackout period, VA will complete the following activities:

- Prepare for the transfer of loans from LS&C to VALERI
- Initialize loans from servicers and VA systems
- Conduct employee and servicer training
- Validate servicer and vendor identification numbers
- Collect servicer contact information

VA will require your assistance to complete these activities prior to the blackout period. Blackout periods are planned to be only three days long for each group of Servicers as they migrate from LS&C to VALERI.

3.1 Perform LS&C Activities

Prior to the blackout period, one of the primary objectives is to prepare for the transfer of loans from LS&C to VALERI. VA will work with you to ensure that information in LS&C is up-to-date and accurate. VA employees may contact you to obtain information or request your assistance in completing actions on specific loans in LS&C. For example, VA may contact you to request the results of a foreclosure sale that was held recently or to request a HUD-1 for a compromise sale that closed recently.

We urge you to submit any notices and outstanding claims as soon as possible, so we can process them in our current system. VA will continue to input and process any Notices of Default (NOD), Notices of Intent to Foreclose (NOI), Notices of Default and Intent to Foreclose (NOD/NOI), VA Forms 26-8903, and claims that are on hand until close of business four days before the go-live date. (Based on the next go-live date of April 25th, VA will not process anything after close of business on April 21th.) Notices that we do not have time to input will be returned to you, and you must resubmit the data electronically after you are live in VALERI. Claims will be held and processed at the Regional Loan Centers (RLCs) utilizing LS&C to analyze the claim and VALERI to process the payment.

Lastly, we strongly encourage you to complete and report any compromise sales and deeds-in-lieu of foreclosure (DILs) you are processing under the Servicer Loss Mitigation Program (SLMP) program. If you are unable to report events in advance of the blackout period, you will need to electronically report the events in VALERI with the required predecessor events if any. Refer to Annex 10, Transition Period Annex, in the VA Servicer Guide for instructions on reporting on transition loans.

3.1.1 Loan Terminations

VA will not have a moratorium on foreclosure sales, however VA will not issue bidding instructions during the three-day blackout period. VA will issue bidding instructions until close of business four days before the go-live date provided a sale date is set, the required information has been provided to VA, and a Notice of Value (NOV) has been issued. An exception is that VA will not issue “no amount specified” bidding instructions for

sale dates that are after your implementation date. If VA has not issued a bid prior to the blackout period, Servicers will be responsible for determining the bid type and electronically reporting the termination event in VALERI along with any predecessor events.

Additionally, VA will not be able to process VA Form 26-8903 to transfer custody of property to VA during the three-day blackout period. Servicers must electronically report the transfer of custody event and any predecessor events in VALERI. Refer to Annex 10, Transition Period Annex, in the VA Servicer Guide for guidance on reporting on LS&C transition loans in VALERI.

3.1.2 Guidance for bidding at foreclosure sales

VA will not issue any “no amount specified” bids for foreclosure sales that are scheduled after your implementation date. VA will notify you, and after your implementation, you will need to determine bidding instructions in accordance with the new regulations. As stated above, VA will continue to issue total debt and specified amount (net value) bidding instructions until close of business four days before the go-live date. You may complete the sale using the total debt and net value VA-issued bidding instructions even if the foreclosure sale is held after your implementation date. Refer to Annex 10, Transition Period Annex, in the VA Servicer Guide for guidance on reporting on LS&C transition loans in VALERI.

3.1.3 Claims

As part of data clean up, RLCs will complete processing of all claims that have been received. If a claim package is incomplete, the RLC will contact you in an effort to obtain the missing information or document(s) to process and pay the claim. Claims that cannot be processed prior to the blackout period will be analyzed in LS&C and paid through the VALERI system after implementation. You will have one year from the publication date of the new regulations to submit claims on any terminated VA loan. Claims for loans terminated prior to your conversion date will continue to be submitted as paper packages to the RLC that had jurisdiction prior to implementation.

3.1.4 No Activity for Three Days

VA would like to stress again that we will not be able to process any activities in LS&C on VA loans after close of business four days prior to the go-live date. All LS&C loans will be migrated to VALERI prior to your implementation date and therefore no events or data can be processed in LS&C during the blackout period.

3.2 Initialize Loans in VALERI

Prior to your implementation date, VA will initialize data from your servicing system and our VA systems. This helps ensure a smooth transition where we retain all significant data from our current systems while also setting up your loans based on the data in your system. When this activity is complete, VALERI will have a current snapshot of your loan data and will be ready to accept event updates.

We anticipate that you will need to provide us with a data initialization file one week prior to your implementation date. It is important for you to complete the data quality analysis process first.

If you are a Fidelity or Fiserv servicing system user, your service bureau is already working with us to ensure you can initialize your loans with our system. If you have a proprietary servicing system or use a different service bureau, we will work closely with you to ensure we can initialize your

loans well in advance of your implementation date. All servicers will have ample opportunity to test the initialization process prior to implementation assuming you can produce a test initialization file in advance of implementation.

3.3 Verify Servicer Identification Numbers

Prior to implementation, you will need to report to VA all your valid servicer identification numbers and your valid vendor identification numbers. We will compare your servicer identification numbers and vendor identification numbers with the data in our financial system to ensure we have correctly identified you. This will ensure that you receive all payments to which you are entitled and that VA can account for their loans and the payments correctly.

3.4 Collect Servicer Contact Information

You will need to provide contact information for all servicer representatives that will work with VA loans to include name, telephone number, email address, and physical address. Additionally, we will need you to provide contact information by department to include servicing, loss mitigation, foreclosure, claims, etc. The purpose of this activity is to provide VA with the necessary information to be able to contact representatives at your servicing shop when needed.

3.5 Conduct Training

In preparation for the implementation of VALERI, we will provide you with a three-day training session. VALERI training will be a combination of virtual training (using www.gotowebinar.com and teleconference) and computer-based training (CBT). We ask that all of your employees who plan to participate in the training have a phone line to dial in and a PC with Internet Access.

Training for servicers will occur the week of the blackout period. Training for Group 2 is scheduled for Monday, April 14th – Wednesday, April 16th from 9amEST – 6pmEST.

VALERI training will be comprised of 11 servicer-training modules. VA recommends that your employees participate in all modules. However, we realize that, due to their specialty, there may be reasons for your employees to only take a portion of the training. With this in mind, the training course has been divided into mandatory and specialized training modules. At a minimum, we ask that all of your employees attend the following 4 modules:

- Overview – Provides an overview of the training course
- Introduction to VALERI – Provides an overview of the VALERI system and demonstrates the functionality of the Servicer Web Portal, which is the primary tool you use to access loans, report certain events to VA, submit supporting documentation, and access reports.
- Post-Audit – Explains the process VA uses to conduct post-audits on VA loans. This module provides detailed information on post-audit case selection, notice of post-audit selection, document submission, and notice of post-audit results.
- Other Topics and Wrap up – Describes several topics that are necessary for all servicers to understand as they service VA loans, including: pre-approvals, bills of collection, appeals, refunds, and transition period guidance.

The following modules we consider specialties:

- General Loan Servicing - Outlines general loan servicing requirements that apply to all VA loans.
- Delinquent Loan Servicing - Explains VA requirements for servicing delinquent loans.
- Loss Mitigation - Describes the loss mitigation process, including the following topics: repayment plan, special forbearance, loan modification, compromise sale, deed-in-lieu of foreclosure, VA-recommended loss mitigation options, and incentive payments.
- Foreclosure - Discusses pre-foreclosure guidance, including loan reinstatement, federal tax liens, and manufactured home loan guidance. This module also outlines the foreclosure process, including foreclosure referral, the VA adequacy of servicing review, bid amount and sale, and foreclosure sale results reporting.
- Property and Title Transfers - Details the process for transferring property and title to VA, as well as the process VA uses to return custody of properties to servicers.
- Claims - Covers the processes for filing claims for terminated loans and refunded loans. This module also explains when VA may refuse to pay all or a portion of a claim.

3.6 Provide Documentation

VA will provide you with a Servicer Guide. The servicer guide provides you with the procedural guidance needed to service VA loans, including a step-by-step description of activities. It also describes the VA Home Loan Program regulatory requirements and describes the functionality of the VALERI system and how to use it. Lastly, it discusses roles and responsibilities for VA, Loan Administration (LA) staff, and you – the servicer. Note that this manual does not change or supersede any regulation or law affecting the VA Home Loan Program. If there appears to be a discrepancy, please refer to the related regulation or law.

The Servicer Guide and the final regulatory package will be available on the VALERI website at www.homeloans.va.gov/valeri.

4 Day 1 Activities

When you go live in VALERI, you will be able to access the Servicer Web Portal (SWP) at www.vbavaleri.com to report events, make revisions or cancel events, and get status and feedback on your loans. You can submit documents; submit appeals; and obtain reports that will provide information and instructions on the VA loans in your portfolio. If you use a data provider with which we have a direct connection, most events will be provided directly from your servicing system.

4.1 Uses and Features of the Servicer Web Portal

The VALERI Servicer Web Portal (SWP) is a primary means of communicating with VA about your loans. VALERI is a web application service available over the Internet to any authorized user. You report events and perform revisions and cancellations on the portal or through your data provider. We provide status and feedback on your loans through reports on the portal. You also use the SWP to submit documents and submit appeals. You will be granted user privileges prior to your implementation.

4.1.1 Event Submission

You will use the SWP or your data provider to submit significant event updates to VALERI. If you use a service bureau/data provider with which we have established a direct connection, most events will be submitted by your data provider through a nightly process. Otherwise, you will use the servicer web portal to submit your events until we have had the opportunity to establish an optional direct connection with your service bureau or company.

4.1.2 Event Revision and Withdrawal

You use the SWP or your servicing system to make changes to previously reported events and cancel events that you erroneously reported. You will be able to revise or withdraw events through the third day from the date you report the event. After the third day, you must contact the VA technician assigned that specific loan, and the technician may cancel the event for you. Events must be canceled or withdrawn in reverse chronological order.

4.1.3 Bulk Update

The system also allows the submission of a “bulk” update for multiple loans. We provide this feature for servicers that have chosen not to have a direct connection with our system but would like to take advantage of the ability to submit events for more than one loan at a time. The bulk upload feature is also commonly used by servicers with a data provider for claims and transfers of custody.

4.1.4 Event Review

The SWP allows you to view all events submitted for loans in your portfolio including the disposition of all business rules. This feature is particularly useful for loans that transition from LS&C to VALERI.

4.1.5 Document Submission

You use the SWP to submit required documents. You will be required to submit documents when your case is selected for post-audit; you submit an appeal; or you submit a supplemental claim.

4.1.6 Appeal Submission

The SWP allows you to submit appeals if you disagree with a disallowance VA has made on any of your payments, a denied payment, a late acquisition, a bill of collection, or a regulatory infraction.

4.1.7 Reports

We provide status, updates, and feedback on your loans through reports on the SWP. You will have a total of 11 servicer operational reports available to you. These include:

- **VA Contact Information Report** - This report provides you with the contact information for the VA technician assigned to each loan in your portfolio for which you have reported an Electronic Default Notification (EDN) and for all LS&C transition loans.
- **Claim Payment Status Report** - This report provides a list of all claim payment activities. It provides a status of all claim payments, specifically the date the payment was certified and the total amount certified.
- **Claim Status Report** – This report provides a high-level description of all claims that have been certified.
- **Incentive Payment Status Report** - This report provides a list of incentive payment activities on your loans. It also provides the date VA certified the incentive payment and the total amount certified
- **Acquisition Payment Status Report** - This report provides a list of acquisition payment activities on your loans. It also provides the date VA certified the acquisition payment and the total amount certified.
- **Payment Denial Report** – This report notifies you of any incentive, acquisition, or claim payment that VA denied. Note that if VA denies an acquisition payment, you still have custody of that property.
- **Refund Status Report** - This report notifies you that VA is considering a refund and provides the status of VA refund considerations.
- **Reconveyance Status Report** - This report provides you with a list of the properties VA reconveyed to you. It includes the date of reconveyance and the reason the property was reconveyed.
- **Bill of Collections Status and Offsets Report** - This report provides detailed description on all BOC activities including specific line items, reason for the BOC, and dollar amounts. This report also summarizes amounts collected and offsets.
- **Appeal Status Report** - This report provides you with a list of the appeals that you have filed, the status of the appeals, and the results of VA’s review. It also provides the dollar amounts associated with the appeals.

- **Post-Audit Selections and Results Report** - This report provides you with a detailed list of the cases VA selected for post-audit, what documentation you must submit, and the results of VA's completed post-audit reviews.
- **Servicer Events Report Log** - This report provides you with a list of all event submissions and whether they were accepted or rejected. If they were rejected, this report provides the fatal business rule that failed which caused the event to be rejected.

5 Contact VA

This section provides you with information on who to contact at VA based on the type of inquiry you may have.

5.1 VA Technicians

If you have loan specific questions, you will contact the technician assigned to the loan. To determine which VA technician is assigned to your loan, you will need to go to the SWP and access the VA Contact Information Report. We assign technicians to all loans that are at least 61 calendar days delinquent. For inquiries on all other loans, contact the RLC of jurisdiction.

5.2 VALERI Help Desk

The VALERI Help Desk will provide you with support for training, basic system, and regulatory questions. If you have questions regarding SWP functionality, such as, entering data into the SWP, reviewing disposition of business rules, using servicer operational reports, and/or setting up user in the SWP, you would contact the VALERI Help Desk. You would also contact the VALERI Help Desk if you have questions related to application defects and system outages. The VALER Help Desk is staffed by knowledgeable VA technicians who are here to serve you throughout the implementation process.

The Help Desk telephone number and email address is 1-877-309-6947 and valerihelpdesk@ccsin.com.

5.3 VALERI website

The VALERI website (www.homeloans.va.gov/valeri) will host the following types of VALERI documentation:

- Servicer Guide
- Implementation Documents
- Regulatory Reference Documents
- Servicer Reporting Requirements
- Business Rules for Servicer Events
- Maximum Allowable Fees and Expenses
- Help Desk Documentation
- Frequently Asked Questions and Answers
- VA Points of Contact

6 Implementation Checklist

The implementation checklist guides servicers through the implementation activities.

Reference No.	Activity	Dates
1	Provide data scrub file of VA loans for data quality analysis	30-45 days prior to go-live
2	VA provides data quality results	2 day turnaround from date of receipt
3	VA conducts research on non-matchers and provides ongoing feedback	Ongoing until go-live
4	Conduct LS&C pre-blackout activities	Three weeks prior to go-live
5	Validate valid servicer/vendor identification numbers	30-45 days prior to go-live
8	Attend VALERI servicer training	Week of go-live
9	Report activity on VA loans in LS&C (last day)	Four days prior to go-live
10	LS&C loans migrated to VALERI	Three days prior to go-live
11	Provide contact information to VA for servicer representatives/departments	One week prior to go-live
12	Provide initialization file	Three days prior to go-live
13	Begin daily change file exchange (if interface set up between servicer and VA)	Day after initialization file is provided

14	Able to access Servicer Web Portal, VALERI is "live"	Go-live date
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7 Guidance for LS&C Loans

This section provides you with guidance for handling transition loans. Transition loans are any Type 2 or Type 6 loans for which you previously reported a default to VA prior to transitioning to VALERI. Loans that are paid in full at the time of your transition to VALERI are not migrated to VALERI and therefore are not transition loans.

Loans that terminate prior to the VALERI conversion date are subject to the 38 CFR 36.4300 series of regulations to service VA loans. Loans that terminate after the VALERI conversion date are subject to the new 38 CFR 36.4800 series of regulations. The different requirements between the 4300 and 4800 series mean that servicers must identify issues related to transition loans and resolve them accordingly. This section provides you with background information on the transition process and the guidance to resolve each of the issues that may affect a transition loan.

This section covers the following transition issues:

- Event reporting guide for transition loans.
- Non-routine payments.
- Claims for transition loans that terminated prior to transition.
- Returns of custody for properties VA acquired prior to transition.
- Servicing transfers during transition period.

7.1 Event Reporting Guide for Transition Loans

After the transition to VALERI, VA requires you to report events to VA according to the 38 CFR 36.4800 series of regulations. VA has developed specific event reporting guidelines for transition loans. This guidance applies when you need to take one of the following actions:

- **Transfer custody of a property to VA:** VALERI accepts the Transfer of Custody event only on loans for which a “terminating event” has been reported. A terminating event is an event that informs VALERI of the loan’s terminated status. For loans that terminated shortly before your VALERI go-live date, and for which a Notice of Election to Convey form was not already processed, you may report the Transfer of Custody event in VALERI. The Transfer of Custody event can only be reported after either the Results of Sale or Deed-in-lieu Complete events. Please note that a valid NOV must have been issued for the loan in order for VA to accept any transfer of custody.
- **File a claim:** For loans that terminated on or after your VALERI go-live date, you file a claim by reporting the Basic Claim event in VALERI. VALERI will not accept the Basic Claim event unless the appropriate terminating event was previously reported (Compromise Sale Complete, Deed-in-lieu Complete, Results of Sale, Confirmed Sale Date with no Transfer of Custody), and a valid Notice of Value exists in VALERI.
- **Report an invalid sale or improper transfer of custody:** VALERI will not accept the Invalid Sale Results or Improper Transfer of Custody events for loans where VA acquired the property prior to your go-live date. Therefore, you should not report these events electronically in VALERI. Instructions for processing invalid sales and improper transfers of custody on these loans will be discussed in detail later in this document.

Note that service bureaus are not able to retroactively report any events that were not created at migration. Refer to event reporting guidance in the VA Servicer Guide, Annex 10.

7.2 Non-Routine Payments

VA requires technician review of any payment for any transition loan including incentive payments, claims, and acquisition payments. This section covers the following topics:

- Incentive payments
- Claim payments
- Acquisition payments

7.2.1 Incentive Payments

When you are eligible for an incentive payment on a transition loan, a VA technician reviews the case to determine whether or not VA pays you an incentive payment, a SLMP bonus and/or processing fee. VA uses the following guidance to determine your eligibility:

- If you initiate a repayment plan, special forbearance, or loan modification and the loan reinstates prior to your transition to VALERI, VA does not pay an incentive.
- If you complete a repayment plan, special forbearance, or loan modification and the loan reinstates after your transition to VALERI, VA pays an incentive.
- If you initiate a compromise sale or deed-in-lieu prior to transitioning to VALERI, and complete the compromise sale or deed-in-lieu after transitioning to VALERI, VA pays you the greater of the SLMP amount or the incentive amount.
- If you complete a compromise sale or record a deed-in-lieu prior to transitioning to VALERI, and you participated in the SLMP program, VA pays you the SLMP processing fee. In addition to the SLMP processing fee, you will receive a bonus of \$200 per month for every month a compromise sale was completed prior to the 38 CFR 36.4819f cutoff date. The cutoff date differs by state. If you apply a full monthly payment after the day that VA establishes the cutoff date, the cutoff date will be advanced by one month. The full \$200 bonus will be paid on partial months provided at least 15 days have elapsed.
- If VA initiated the loss mitigation option, VA does not pay an incentive.

Sample Calculation for a Compromise Sale Initiated Prior to a Servicer's Transition to VALERI:

On December 1, 2007, VA issues a cutoff date of May 31, 2008, in response to a request for determination of insolvency. The Servicer applies two full payments during December and January, which advances the cutoff date two months to July 31, 2008. The SLMP compromise sale closes on February 13, 2008.

In this case, the Servicer initiated the compromise sale prior to transitioning to VALERI, making the Servicer eligible for the SLMP bonus and processing fee. However, since the sale was completed after the Servicer transitioned to VALERI, the Servicer is also eligible for an incentive payment in VALERI. In this case, VA will compare the incentive payment generated by VALERI and the SLMP calculation and pay the greater amount.

The total fee payable to the Servicer under SLMP can be calculated as follows:

February 13 through March 12th	\$200
March 13 th through April 12 th	\$200
April 13 th through May 12 th	\$200
May 13 th through June 12 th	\$200
June 13 th through July 12 th	\$200
July 13 th through July 31 st (19 days)	\$200
Processing Fee	\$200
Total Fee Payable	\$1,400

7.2.2 Claim Payments

For all transition loans, VA may make adjustments in the following situations:

- Interest payable – VA may adjust the number of days for which interest is paid. VA gives you the benefit of the interest timeframe that is most favorable.
- Credit to indebtedness – VA modifies the credit to the indebtedness in the following situations:
 - You notify VA of a results of sale change from the holder as successful bidder to third party. In this case, VA adjusts the credit to the indebtedness to be the actual proceeds of sale or other appropriate value depending on the circumstances surrounding the sale.
 - VA adjusts the credit to the indebtedness in the event that VA chose to grant prior approval for a compromise sale where the amount of proceeds is less than net value. In this case, VA adjusts the credit to indebtedness to be the actual proceeds of the sale.
- Incentive payments – If you complete a compromise sale after transitioning to VALERI and the amount of the SLMP bonus is greater than the incentive payment, VA will adjust the line item so that it matches the higher amount.

7.3 Claims for Transition Loans that Terminated Prior to Transition

VA uses a paper claim process for transition loans that terminated prior to transition. For these loans, you must access the VA Contact Information Report on the Servicer Web Portal to determine if the loan is assigned to a VA technician. If the loan is assigned to a VA technician, you submit all appropriate paper claim forms and supporting documentation to the technician assigned to the loan. If the loan is not assigned to a VA technician,

you submit all appropriate paper claim forms and supporting documentation to the RLC of jurisdiction. To find information on the RLC of jurisdiction, refer to Annex 9, Additional VA Contact Information. You do not file the Basic Claim Information event in VALERI for these loans.

7.4 Returns of Custody for Properties VA Acquired Prior to Transition

The return of custody process is different if VA acquired the property prior to your transition to VALERI. In these cases, you may not report the Invalid Sale Results or Improper Transfer of Custody events electronically to VA because VALERI will not be able to process them properly.

If you need to report that an invalid sale or improper transfer of custody occurred on a loan in which VA acquired the property prior to transitioning to VALERI, you must contact the technician assigned to the loan via telephone call, e-mail, fax, or letter. VA will issue a bill of collection (BOC) for the return of custody of the property. For information on how VA determines the BOC amount, refer to Chapter 8, Property and Title Transfers.

Your responsibilities for ensuring that VA can properly process the return of custody are different depending on whether the reason for the return of custody is:

- Invalid sale, or
- Improper transfer of custody.

7.4.1 Invalid Sale

If the reason for the return of custody is an invalid sale, you:

- Report the invalid sale to the VA technician assigned to the loan within seven calendar days of discovering that the sale results were invalid.
- Inform the VA technician of the date that the sale results were invalidated.
- Inform the VA technician of the reason why the sale results were invalidated. Acceptable reasons are bankruptcy, procedural errors (including title problems), contested foreclosure, or a third party failure to consummate the sale.
- Report events sufficient to allow the new Results of Sale event to be accepted by VALERI. Refer to Annex 10 in the VA Servicer Guide for event reporting guidance.

7.4.2 Improper Transfer of Custody

If the reason for the return of custody is an improper transfer of custody, you:

- Report the improper transfer of custody to the VA technician assigned to the loan within seven calendar days of discovering that an improper transfer of custody occurred.
- Inform the VA technician of the date you discovered that the transfer of custody to VA was improper.

- Inform the VA technician of the reason why the transfer of custody to VA was improper. Acceptable reasons are that a third party successfully bid on the property, or the holder chose to retain the property.

7.5 Servicing Transfers during Transition Period

During the transition period, a loan may be transferred from a Servicer operating under the old 38 CFR 36.4300 series of regulations to a Servicer operating under the new 38 CFR 36.4800 series of regulations. In these cases, the receiving Servicer should report any events that may have occurred previously on the loan. If the loan is 61 or more days delinquent, the receiving Servicer should report the EDN and the Servicing Transfer (receiving servicer) events. For a complete list of all of the significant events and their associated predecessors, refer to Annex 10 in the VA Servicer Guide.

A loan may also be transferred from a Servicer operating under the new 38 CFR 36.4800 series of regulations to a Servicer operating under the old 38 CFR 36.4300 series of regulations. In these cases, the receiving Servicer must submit a Notice of Default and service the loan under the old 38 CFR 36.4300 series of regulations. The transferring Servicer should submit the Servicing Transfer (transferring servicer) event.