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***BULLETIN NO. 2006-06***

**February 15, 2006**

**TO: ALL SERVICERS AND HOLDERS**

**SUBJ: CONVEYANCE OF PROPERTIES TO VA**

**PURPOSE**

This circular provides guidance on procedures for conveyance of properties to VA, including (1) clarification about insurance requirements; (2) timeframes for submission of title documents to the Property Management service provider, Ocwen Loan Servicing LLC (Ocwen); and (3) VA policies on Bills of Collection (BOC) for reconveyed properties.

**INSURANCE REQUIREMENTS ON CONVEYED PROPERTIES**

VA regulation 4320(h)(2) (title 38, Code of Federal Regulations (CFR), section 36.4320(h)(2)) requires the prior approval of VA to cancel any insurance in force at the time of property acquisition by the holder. VA as a matter of policy will not authorize prior approval to cancel insurance, and instead expects holders to follow the further instructions in 38 CFR 36.4320(h)(2) to obtain endorsements on all such policies naming as an assured the Secretary of Veterans Affairs, c/o Ocwen Loan Servicing LLC, Attention: VA REO Title Department, 12650 Ingenuity Drive, Orlando, Florida 32826. In addition, information about the insurance policy should appear in the appropriate spaces on VA Form 26-8903, Notice for Election to Convey and/or Invoice for Transfer of Property, as VA offices will e-mail or fax copies of each form to Ocwen. Holders should include endorsements with the title packages on properties conveyed to VA, or, if endorsements are received after title packages have already been submitted, they may be identified with the VA loan number and sent to Ocwen at the address above. Notices of cancellation on homeowners or force-placed policies may be handled in a similar manner.

**TIMEFRAME FOR SUBMISSION OF TITLE DOCUMENTS**

Holders shall submit title documents to Ocwen Loan Servicing LLC, Attn: VA REO/Title Review, 12650 Ingenuity Drive, Orlando, FL 32826. Documents must be provided no later than 60 days after the liquidation sale in most jurisdictions. In some cases, due to redemption periods, confirmation hearings after sales, and/or delays in recorders' offices, other timeframes after the sale will apply for submission of title documents, as shown below:

State	Days Allowed	State	Days Allowed
Alabama	90	Minnesota	180
California	120	New Jersey	90
Colorado	135	New Mexico	120
Connecticut	120	Ohio	120
Delaware	90	Pennsylvania	120
Illinois	120	Puerto Rico	90
Indiana	120	South Carolina	90
Kansas	150	South Dakota	180
Kentucky	90	Virginia	90
Maryland	120	Wyoming	150
Michigan	180		

In all deed in lieu of foreclosure cases, the title documents must be submitted to Ocwen within 60 days of the deed recordation. Lists of title documents required are included with bidding instructions or on the web sites of the Regional Loan Centers.

#### **REASONS FOR RECONVEYANCE**

If a holder/servicer is unable to provide acceptable title evidence timely, or if VA Regional Counsel determines that title is not acceptable, then VA will reconvey the property. VA will also reconvey a property when it is later discovered that a sale was not valid (which may mean that the holder failed to properly prosecute the liquidation sale). In some cases, VA has been notified that properties should not have been conveyed because the borrower filed for protection under the Bankruptcy Act the day of the sale, thereby invalidating the sale and conveyance. And there have been cases where a third party was the successful bidder, and yet the holder conveyed the property to VA, which required reconveyance from VA. Since a holder has up to 15 days after a liquidation sale for VA to receive notice of its election to convey a property, that should allow time to discover a bankruptcy or other reasons that would indicate the property should not be conveyed to VA.

#### **RECONVEYANCE IMPLICATIONS**

VA presently pays for properties at the time they are conveyed and then waits for acceptable title documents to be provided. Since holders should be able to verify the validity of sales prior to conveyance, upon reconveyance of a property VA will demand reimbursement of the amount paid for the property *and* all expenses incurred by VA and its contractors while the property was in VA custody. This policy will continue with little variation. At a minimum, VA incurs expenses of \$570 as soon as a conveyance is accepted, so holders should be prepared to reimburse at least that amount in addition to the amount paid for conveyance of the property. The longer the time until an erroneous conveyance is discovered, or it is determined that acceptable title documents cannot be provided, then the more likely that additional expenses will be owed to VA.

### **BILL OF COLLECTION (BOC)**

When a property is to be reconveyed due to missing documents or unsatisfactory title, VA's Property Management Oversight Unit (PMOU) will enter notes about the reason for reconveyance in LS&C and notify the Regional Loan Center (RLC) to initiate a BOC. The RLC will reverse the payment in LS&C. If the RLC is first to receive notice of an invalid sale, it will provide written advice to the PMOU, which will notify Ocwen to cease further property management activities in an effort to avoid additional expenses. As soon as the RLC learns of an invalid sale or unacceptable title, it will submit a BOC to the holder for the amount of acquisition and VA's initial \$570 property management expenses, plus any other known expenses as of that date. If a claim has already been paid and is voidable in whole or part as a result of the reconveyance, an appropriate amount will be included in the BOC. When Ocwen completes its accounting on the reconveyed property and submits an invoice for other than the initial \$570, the PMOU will submit a BOC to the holder for that additional amount and place a note in the LS&C case record. If any BOC is not paid timely, the amount due will be offset from a subsequent claim or acquisition payment.

### **VA PROCEDURES**

Both RLCs and the PMOU will review the preceding paragraphs to ensure that the stated procedures are followed and all case records appropriately documented with all actions related to reconveyances. In addition, upon acceptance of a Notice of Election to Convey, RLCs will transmit a copy to Ocwen, preferably via e-mail to [vatitleinfo@ocwen.com](mailto:vatitleinfo@ocwen.com) or it may be faxed to 407-737-5663. For any notices of invalid sales received at RLCs, e-mail advice to the PMOU should be sent to [nash.pm@vba.va.gov](mailto:nash.pm@vba.va.gov).

### **DEEDS OF RECONVEYANCE**

If a holder/servicer is unable to provide acceptable title evidence timely, or if VA Regional Counsel determines that title is not acceptable, then Ocwen will prepare and record a deed of reconveyance to the former holder. Invalid liquidation sales (whether invalid due to bankruptcy or other issues) may or may not require instruments of reconveyance, depending on the action and the local jurisdiction, and RLCs will coordinate with holders, Regional Counsels, and PMOU as needed to ensure appropriate action is taken to reconvey or void the sale when necessary. In cases where properties were not assigned to Ocwen (such as late elections to convey declined by RLCs, or other cases where the decision not to accept custody precluded assignment to Ocwen), the RLC will ensure that a deed of reconveyance is provided in accordance with procedures developed in consultation with local Regional Counsels.

### **CONTACTS**

Any Property Management questions about this circular may be directed by e-mail or telephone to Hilda Pena at 202-273-6457. Loan Administration questions may be directed to Carl Wasson, telephone 202-273-7345.

**RESCISSION**

This bulletin is rescinded April 1, 2008.

R. BIAGIOLI  
Loan Guaranty Officer