

# VALERI Servicer Newsflash

Wednesday, January 18, 2012

## IMPORTANT - SPECIAL ANNOUNCEMENT

The VALERI application will be unavailable from 9:00 PM ET on Friday, January 20, 2012, until 12:00 PM ET on Sunday, January 22, 2012. The environment will be undergoing a hardware upgrade during this maintenance window.

### Q&A on Circular 26-11-22, Final Loan Modification Regulation Revision

Q1. Will servicers be required to provide a breakdown of capitalized expenses at Early Payment Default (EPD) or Post Audits?

A1. VA expects to continue the same documentation requirements as presently exist for completed modifications. Documents (including the loan modification worksheet) will be required at post-audit and for review of early payment defaults. In addition, VA will review modifications when any of the conditions listed in paragraph 5.2.3.4 of the VA Servicer Guide exist.

Q2. If an expense is higher than the max allowable, what should the servicer do?

- a. Write off any excess expenses
- b. Collect from borrower as part of the mod stipulation
- c. Leave on the account and only collect at time of payoff
- d. Would VA request an overage to be applied to the unpaid principal balance if found at Post Audit or EPD review?

A2. VA expects servicers to comply with 38 CFR 36.4315(a)(10) and (11), as originally published February 7, 2011, and modified as indicated in bold italics on December 20, 2011, and effective January 19, 2012:

“(10) Only the following items may be included in the modified indebtedness: unpaid principal; accrued interest; deficits in the taxes and insurance impound accounts; amounts incurred to pay actual legal fees and foreclosure costs related to the canceled foreclosure ***(subject to the maximum amounts prescribed in § 36.4314)***; the cost of a title insurance policy endorsement or other update for the modified loan; and advances required to preserve the lien position, such as homeowner association fees, special assessments, water and sewer liens, etc. Late fees and other charges may not be capitalized;

“(11) The holder will not charge a processing fee, and all unpaid late fees will be waived. Any other actual costs incurred and legally chargeable, but which cannot be capitalized in the modified indebtedness, may be collected directly from the borrower as part of the modification process or waived, at the discretion of the servicer....”

Q3. On current loans - there are times the servicer cannot pull from the Ginnie Mae pool. The circular indicates a trial mod, could the servicer do a trial mod with no negative reporting to credit bureaus and make the loan delinquent so that they can purchase from the pool? (paragraph 7)

A3. The circular describes potential options to address imminent default situations. It conveys VA understanding of how Ginnie Mae requirements may be satisfied, but it is incumbent on servicers to confirm if this is acceptable.