

VA SERVICING PURCHASE

10/03/2024

DLS Training Webinar

THE NEW WATERFALL

VA has re-vamped their home retention waterfall to make loss mitigation easier for the borrower.

VA streamlined this process to eliminate document communication issues and delays.

Documents are only needed for the tVAP.

THE NEW WATERFALL

The new waterfall goes as follows:

- Special Forbearance
- Traditional VA Modification (30-year term)
- Traditional VA Modification (40-year term)
- VASP
- tVAP
- Disaster Extend Mod (if effected by PDD)
- Disaster Streamline Mod (if effected by PDD)

BACKGROUND INFORMATION

For Borrowers who state they cannot afford their current payment.

A standard modification could increase their payment due to higher interest rates.

VA has now elected to purchase delinquent loans from servicers. There are two types of purchases.

The VA Servicing Purchase (VASP)- Loan is evaluated by the servicer under streamlined criteria. This option may be available when it is the most appropriate home retention option under VA's Home Retention Waterfall.

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The Traditional VA Purchase (tVAP)- Loan is evaluated by VA on a case-by-case basis when VA determines this option may be in the best interest of both the Veteran and VA.

These are the final options in the waterfall and all the other home retention options must be reviewed first.

VA SERVICING PURCHASE (VASP) PROCESS

VASP allows a servicer to modify a mortgage to terms that are less favorable to the market and VA agrees to purchase that loan from the servicer.

Benefits:

- Borrower gets a lower payment and avoids foreclosure.
- Servicer gets a delinquent loan out of their portfolio and is paid in full, without having to foreclose.

VASP ELIGIBILITY

- The loan is between 3- and 60-months delinquent on the date the servicer submits in VALERI either the VASP TPP event or VASP with No TPP event.
- The property is owner-occupied. Rental or investment properties do not qualify for VASP.
 - Servicers are to confirm occupancy status with the borrower during the VASP review.
 - In the case of a divorce, the criterion of owner-occupancy is met if the individual who received the property through the divorce resides in the property as their primary residence.
 - In a case where the borrower is deployed on military service, hospitalized, or in a long-term care setting, the occupancy requirement can be met if an immediate family member resides in the property.

ADDITIONAL VASP ELIGIBILITY



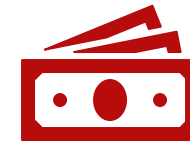
Neither the borrower nor any other obligor is in active bankruptcy at the time of the applicable VASP event submission outlined in section 9.07 and 9.08.



Dismissed or discharged bankruptcies, whether Chapter 13 or Chapter 7, do not preclude the VASP review.



The reason for default has been resolved and the borrower has indicated they can resume making scheduled payments.



The borrower and all other obligors have a stable and reliable source of income.

VASP LIEN POSITION

The VA-guaranteed loan must be in first lien position and the property is not encumbered by any liens or judgments that would jeopardize VA's first lien position.

If during the post-audit process or because of legal challenge, VA finds that the loan did not remain in the first lien position, VA will not reassign the loan to the servicer but will issue a bill of collection to recoup any losses VA incurs.

HOMEOWNER ASSOCIATION FEES

For loans in Super Lien States - Servicers are to confirm that Homeowner Association (HOA) charges are current (Borrower attestation).

If they are not current, servicers are to include any outstanding HOA charges and special assessments in the VASP payoff.

Liens, judgements, or related fees and costs for the past due HOA **cannot** be included in the payoff.

If the loan has a lien or judgement against the property, the loan does not qualify for the VASP.

SUPER LIEN HOA STATES:

- Alabama
- Alaska
- Colorado
- Connecticut
- Delaware
- Florida
- Hawaii
- Illinois
- Maryland
- Massachusetts
- Minnesota
- Missouri
- Nevada
- New Hampshire
- New Jersey
- Oregon
- Pennsylvania
- Rhode Island
- Vermont
- Washington
- West Virginia
- District of Columbia

VASP SEASONING

The borrower has made at least six-monthly payments on the loan since origination. If the loan has been modified, the borrower has made at least six-monthly payments since the most recent modification.

VASP-DIVORCED BORROWERS

All parties obligated on the note are to sign the VASP loan modification, even if one coborrower has executed a quit claim deed to the other obligor(s).

In the case of a divorce, a spouse obligated on the original note can be treated as a borrower under the VASP program, if the spouse received the property in the divorce. No assumption paperwork is necessary, unless required under other federal or state law. A divorced spouse who is not an obligor on the original note but who received the property through the divorce will need to complete an assumption of the loan before the servicer offers VASP. Compliant documents for the latter will show that the spouse fully assumed the loan and is the current legal owner of record on the property

VASP-DECEASED BORROWERS

In the case of a deceased borrower, the surviving spouse obligated on the original note can be treated as a borrower under the VASP program, if the spouse received the property in the distribution of the estate (whether testate or intestate) and continues to occupy the property as a residence. If the surviving spouse is not an obligor on the original note, VASP is only available if—

- (i) the surviving spouse continues to occupy the property,
- (ii) the surviving spouse completes an assumption of the loan before the servicer evaluates the loan for VASP, and
- (iii) all legal owners of record on the property agree to any security instrument securing the assumption (where legally necessary).

VASP TERMS

The borrower must not have suspense funds that are equal to or greater than 1 payment on the loan. Must be applied before the submission.

VASP loans will be modified at a fixed interest rate of 2.5%, with either a 360- or 480-month term.

Servicers will first calculate the payment at 360 months.

If this does not realize at least 20% reduction in the principal and interest portion of the monthly payment, servicers will extend the term to 480 months.

If the borrower cannot afford to resume monthly payments with the term of 480 months, the servicer is to evaluate a short sale or the tVAP

For an adjustable-rate mortgage (ARM), the 20% reduction is determined based on the amount for the current monthly payment due.**

VASP PAYOFF

The servicer must provide the VASP payoff amount. Which includes:

- The sum of the UPB
- Accrued Unpaid Interest
- All Tax and Insurance Payments Paid***
- Any past due HOA payments paid
- Deferred Balances that were deferred without accruing interest and is not secured by 2nd mortgage.
 - VAAM with deferred UPB
 - Pandemic loan deferment (Circular 26-24-03)

Servicer must waive late fees and are only to advance funds for taxes, insurance and assessments that would threaten the VA-guaranteed loan's first lien position. Any other expenses incurred by the servicer will not be reimbursed.

Servicers cannot use funds in escrow account to reduce VASP payoff amount.

***any payments made after the payoff was calculated will be reconciled by VA**

MONTHLY PAYMENTS

All monthly payments on the VASP loan modification are due on the first day of the month.

Servicers are to consult the table to set the first monthly payment due date. The table lists the first monthly payment due date based on the month of the VASP with no TPP or TPP Complete event acceptance. For example, if the VASP event is accepted on June 1, the first payment due date under the VASP loan modification would be October 1.

Month VASP Event Accepted	First Payment Due Date
January	1-May
February	1-Jun
March	1-Jul
April	1-Aug
May	1-Sep
June	1-Oct
July	1-Nov
August	1-Dec
September	1-Jan
October	1-Feb
November	1-Mar
December	1-Apr

VASP TPP

Loans will require a TPP under any one of the following circumstances:

- The loan is 24 months or more delinquent.
- The principal and interest portion of the monthly payment is not reduced by at least 20%. For an adjustable-rate mortgage (ARM), the 20% reduction is determined based on the amount for the current monthly payment due.

However, if a borrower fails three TPPs during a single default episode, the loan no longer qualifies for VASP.

TPP must be released to the borrower no later than 15 days from VA acceptance of VASP.

VASP TPP COMPLETION



The borrower makes each of the three scheduled trial payments on or before the last day of the month in which the payment is due or the TPP is considered failed.



Upon successful completion of the TPP, the servicer submits a request to VA for VASP payment by submitting the TPP Complete event.



Upon failure of the TPP, the servicer proceeds with delinquent loan servicing.

VA SERVICING PURCHASE (VASP) EVENTS-VALERI

The servicer reports all VASP related events in VALERI, using the Event Bulk Upload template to report the three events below:

VASP TPP: Reported when VASP has been offered with a trial payment plan and will be accepted with the successful completion of the plan. This event must be reported within 30 calendar days of the start of the TPP.

VASP TPP Complete: Reported when the TPP is completed, whether successfully or unsuccessfully.

VASP With No TPP: Reported when VASP is offered without a TPP.

VALERI REPORTING

Events must be reported on the most recent version of the VALERI Events Bulk Upload Template. If the correct version is not used, the event spreadsheet will reject.

Once a VASP TPP Complete event or VASP with No TPP event is accepted, VALERI will launch the VASP Payment Process.

An accepted event will have an event status of Accepted or Requires VA Review.

After the VASP Payment Process is launched, servicers will have 4 business days to upload the required VASP documentation to the loan in the VALERI SWP.

VA SERVICING PURCHASE (VASP) PAYMENT PROCESS AND LOAN MODIFICATION

Servicers are responsible for uploading electronic copies of all required documents into VALERI not later than 6 business days after the VASP Payment Process is launched.

The VASP Payment Process will not be presented to a VA-assigned technician for review until all documents have been received.

If VA identifies an issue with the VASP payoff statement, they will request a corrected statement. The servicer has 5 business days to provide the corrected statement.

VA SERVICING PURCHASE (VASP) PAYMENT PROCESS AND LOAN MODIFICATION

The required documents are:

1. Ledgers/payment histories for the current default episode.
2. Tax and insurance escrow information, including the most recent escrow analysis.
3. Payoff statement with payoff date valid through the last day of the month preceding the interest to due date, excluding interest that would be included in the first payment under the VASP loan modification, as outlined in section 9.08(c)(2) of this chapter. For example, if the first payment on the VASP loan modification is due in August, interest would be included through the last day of June on the payoff statement.

VA SERVICING PURCHASE (VASP) PAYMENT PROCESS AND LOAN MODIFICATION

The required documents are:

4. Copies of the note, recorded mortgage, recorded deed of trust, and any other documents to support borrowers are on the title.
5. A copy of a title search showing the VA-guaranteed loan is in first lien position and that the property is not encumbered by any liens or judgments that would jeopardize VA's first lien position.
6. A copy of the TPP offered to the borrower, if applicable.
7. Evidence of bankruptcy court's approval or acquiescence to the VASP loan modification, if the borrower filed a Chapter 13 Bankruptcy during a TPP.

VASP FINAL STEPS

VA will review the case after documentation is received. The VASP payment will be issued for the VASP payoff amount. Servicers can review the payment details on the VA Servicing Purchase Status report.

Once VA has certified the VASP payment, servicers are to draft a VASP loan modification with the appropriate terms, as outlined in section 9.05 of chapter.

The VASP loan modification amount should equal the VASP payment.

Within 15 calendar days of the VASP payment certification, servicers are to send the VASP loan modification documents to the borrower to execute and return.

If the VASP did not need a TPP, servicers are to complete an escrow analysis before drafting the VASP loan modification agreement.

If the borrower does not return the VASP loan modification documents within 45 days from the date of the VASP payment certification, servicers are to notify the assigned VA technician. VA will attempt to contact the borrower and assist the servicer in obtaining the executed documents.

VA SERVICING PURCHASE (VASP) SERVICING TRANSFER

Once VA has certified the VASP payment, servicers have a timeline of 122 days to complete a standard servicing transfer to VA's contractor.

Once the servicer has transferred the loan to VA's contractor, servicers are to report the Servicing Transfer (Transferring Servicer) event in VALERI.

Servicers are not to begin the servicing transfer process until the VASP payment has been certified.

Any funds in the escrow account will be transferred to VA's contractor, as part of the servicing transfer.

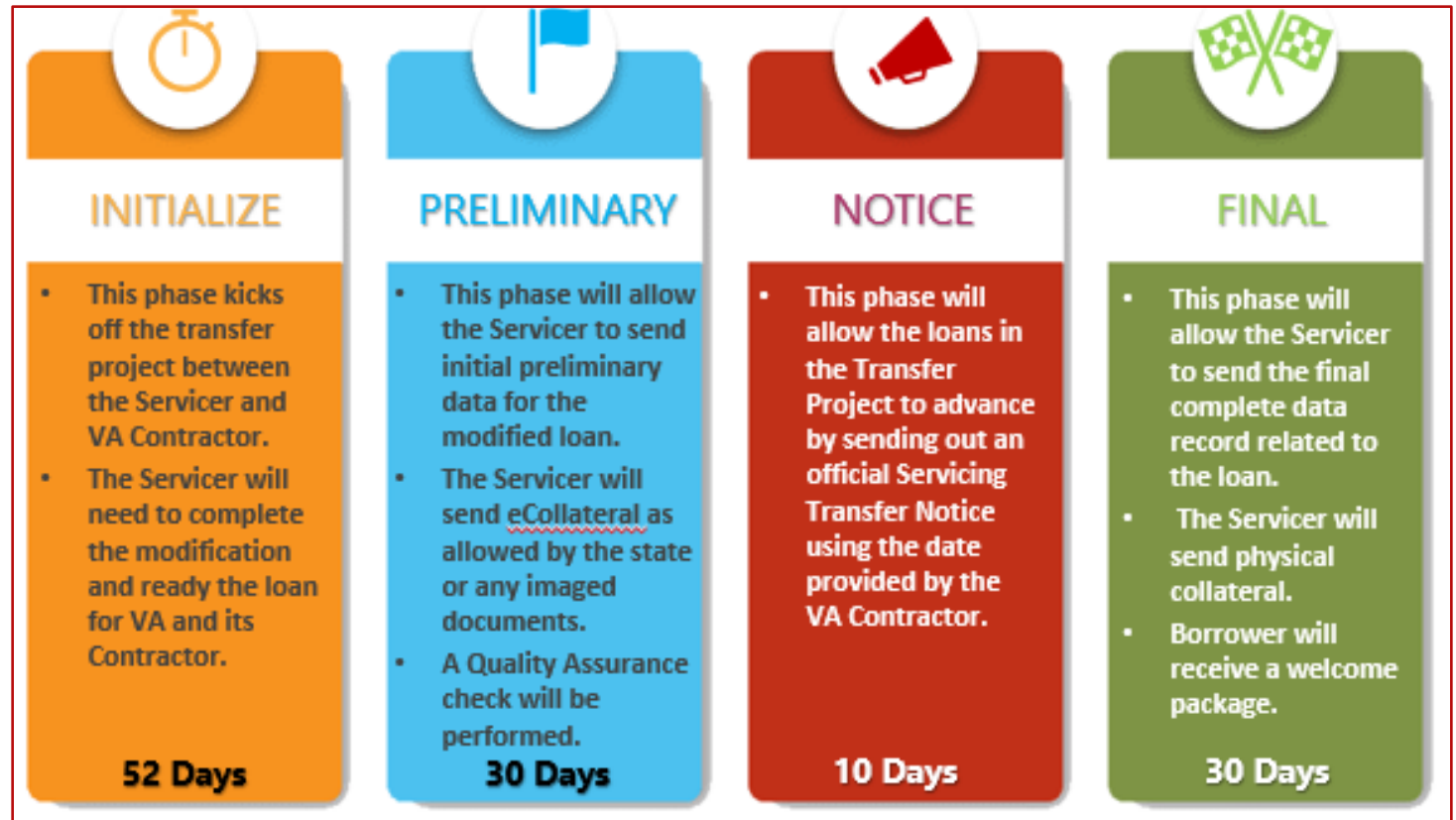
RECORDING MOD & ASSIGNMENT

Per VA the servicer will not be responsible for recording the modification or the assignment.

The transferee will be responsible for this portion of the VASP.

PHH Mortgage is VA's servicing agent.

PHH'S TIMELINE OF EVENTS FOR SERVICING TRANSFER



PHH SERVICING TRANSFER

Initiation Phase:

- PHH will contact Servicer to initiate the transfer and provide instructions
- Servicer is expected to provide:
 - Assignment of mortgage
 - Executed Modification Agreement OR
 - Approval from VA to transfer loan as delinquent

Preliminary Phase:

- Servicer to provide preliminary data based on boarding file template
- Servicer to provide preliminary documents
- PHH will perform initial QC:
 - Status check
 - Critical Data Alignment
 - Illogical Data check
 - Document Verification
 - Loan Boarding file test and mapping

PHH SERVICING TRANSFER

Notice Phase:

- Servicer must provide a sample “Goodbye Letter” for approval
- Final reconciliation of loans being transferred

Final Phase:

- PHH will notify Servicer when this phase achieved
- Servicer must delivery:
 - Final Data per boarding file template
 - Data file with list of loans with “Goodbye” letters sent and date mailed
 - Final documents – imaged and original
 - Wire Reconciliations

NOTE: More detail can be found in the Servicing Transfer Instructions provided by PHH and VA

TRADITIONAL VA PURCHASE (TVAP)

Initiating tVAP Consideration

Either the servicer or the VA-assigned technician may initiate a request for tVAP evaluation.

In initiating a tVAP, the servicer does not review any qualifying loan criteria, and simply refers the loan to VA to conduct a review.

TRADITIONAL VA PURCHASE (TVAP) GENERAL REQUIREMENTS

- Borrower did not qualify for VASP.
- The servicer has made the final decision to foreclose.
- The borrower certifies the intention to retain the home and occupy it as their residence.
- The borrower overcame the reasons for default and regained the ability to resume monthly payments or will have that ability in the reasonably foreseeable future.
- The VA-assigned technician determines the borrower and all other obligors on the loan had an acceptable credit history prior to default and can verify current or future income is stable and reliable.
- The borrower is the current legal owner of record on the property.
- The borrower and all other obligors on the loan agree to the modification offered by VA
- The VA-guaranteed loan is in first lien position and the property is not encumbered by any liens or judgments that would jeopardize VA's first lien position.

TRADITIONAL VA PURCHASE (TVAP) PRELIMINARY REVIEW

The servicer is responsible for providing VA with the following information:

- The Total Eligible Indebtedness
- The borrower's and other obligors' monthly gross income
- The expected monthly escrow amount.

The VA-assigned technician will review and evaluate the loan and any potential modifications to the guaranteed loan terms.

DLS is highly experienced in calculating this information and can provide you a streamlined packet to submit to the VA Technician.

TRADITIONAL VA PURCHASE (TVAP) FULL TVAP REVIEW

If the VA-assigned technician decides to pursue further consideration, the technician will notify the servicer and request suspension of all efforts to terminate the loan.

The servicer will obtain a title search and provide required loan data to VA including:

- All tax and insurance information
- Copies of the mortgage note and recorded security instrument
- Amounts of any outstanding Homeowner Association (HOA) charges and special assessments

TRADITIONAL VA PURCHASE (TVAP) FULL TVAP REVIEW

The VA-assigned technician will notify the borrower and request the following financial information from the borrower and all obligors:

- Proof of income
- Hardship letter
- VA Form 26- 5655
- Financial Status Report
- VA Form 26-6807A
- Supplemental Certification for Financial Statement.

TRADITIONAL VA PURCHASE (TVAP) FULL TVAP REVIEW

Upon receipt of all documentation, VA will conduct an analysis and complete the tVAP decision process.

VA will notify both the servicer and the borrower of the final decision.

PROCESSING TVAP LOANS

Upon approval of the tVAP, servicers are required to submit the Basic Claim event for the tVAP, with supporting invoices, ledgers, and other documentation in (VALERI), not later than the settlement date provided in VA's approval letter.

VA cannot issue the tVAP claim payment until the event has been submitted.

VA's systems do not allow for supplemental or appeal tVAP claims.

REQUIRED TITLE

Servicers are to provide the following for a complete and acceptable title and loan package:

- Original mortgage or security instrument, with all assignments and any subordination agreements. VA will accept copies certified by a local authority.
- Original note endorsed to the Secretary of Veterans Affairs, an Officer of the United States.
- Recorded assignment of mortgage to the Secretary of Veterans Affairs, an Officer of the United States, or copies certified by a local authority.
- Original or copy of the mortgagee's title insurance policy, naming the Secretary of Veterans Affairs, an Officer of the United States as a co-insured, and an updated policy or endorsement naming the Secretary of Veterans Affairs, an Officer of the United States as insured as of the date the assignment was recorded.

REQUIRED TITLE CONT.

After receiving the complete title and loan package, VA will conduct a final title review. If VA accepts the title, VA will process the Purchase Claim and prepare a tVAP set-up sheet. VA does not certify claim payment until the title has been accepted.

VA will also send an electronic copy of the final title package to VA's portfolio contract servicer (contractor), to prepare the loan modification agreement using the terms outlined in the tVAP set-up sheet. If the title is not acceptable, VA may decline the tVAP and reassign the loan to the servicer.

The contractor prepares the tVAP loan modification agreement for signature. After VA receives the borrower's executed loan modification agreement, the tVAP is finalized. If the borrower fails to return the executed modification agreement and arrearages remain unpaid, the loan will remain in a delinquent status and the contractor may initiate immediate foreclosure action.

DISCLOSURE

DLS Servicing is committed to providing accurate and comprehensive information regarding the new VA Servicing Purchase (VASP) program. However, please be aware of the following:

- 1. Informational Purpose Only:** The content presented during this webinar is for informational purposes only and should not be construed as legal, financial, or regulatory advice.
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- 5. Sources of Information:** The information shared during this webinar is derived from reputable sources, including:
 1. Chapter 9 VA Purchase
 2. VA Servicing Purchase Servicer User Guide
 3. PHH'S Servicing Transfer Package Draft

WHAT
QUESTIONS DO
YOU HAVE?

Please feel free to reach out!

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