VA Loan Number	Current Loan Status	Termination Date	Payment Due Date	Servicer Name	Property Address	Property State Name		Property Zip Code	Loss Mitigation Action
434361470996	GuarantyIssued		1/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	BUTTE	95969	NOT APPLICABLE
434361476896	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	BUTTE	95966	NOT APPLICABLE
434361489889	GuarantyIssued		10/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	LAKE	95422	NOT APPLICABLE
434361503161	GuarantyIssued		1/1/2018	FLAGSTAR BANK	[redacted]	California	LAKE	95423	NOT APPLICABLE
434361401529	GuarantyIssued		10/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	LAKE	95422	NOT APPLICABLE
434361348842	GuarantyIssued		1/1/2018	SIWELL INC	[redacted]	California	LAKE	95485	NOT APPLICABLE
444463647767	GuarantyIssued		1/1/2018	360 MORTGAGE GROUP LLC	[redacted]	California	LOS ANGELES	90044	NOT APPLICABLE
444463669960	GuarantyIssued		8/1/2017	360 MORTGAGE GROUP LLC	[redacted]	California	LOS ANGELES	91711	NOT APPLICABLE
444463662321	GuarantyIssued		11/1/2017	360 MORTGAGE GROUP LLC	[redacted]	California	LOS ANGELES	93534	NOT APPLICABLE
444463698961	GuarantyIssued		2/1/2018	BROKER FUNDING SOLUTIONS INC	[redacted]	California	LOS ANGELES	91722	NOT APPLICABLE
444463661406	GuarantyIssued		12/1/2017	CALIBER HOME LOANS INC	[redacted]	California	LOS ANGELES	90260	NOT APPLICABLE
444463660498	GuarantyIssued		1/1/2018	CALIBER HOME LOANS INC	[redacted]	California	LOS ANGELES	91722	NOT APPLICABLE
444463661812	GuarantyIssued		1/1/2018	CALIFORNIA DEPT OF VET AFFAIRS	[redacted]	California	LOS ANGELES	93551	NOT APPLICABLE
444463581485	GuarantyIssued		9/1/2017	CARRINGTON MORTGAGE SVCS LLC	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463699670	GuarantyIssued		10/1/2017	Cenlar	[redacted]	California	LOS ANGELES	90059	NOT APPLICABLE
444463633671	GuarantyIssued		11/1/2017	Cenlar	[redacted]	California	LOS ANGELES	90715	NOT APPLICABLE
444463697679	GuarantyIssued		1/1/2018	Cenlar	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463710512	GuarantyIssued		2/1/2018	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	LOS ANGELES	93534	NOT APPLICABLE
444463645548	GuarantyIssued		2/1/2018	DITECH FINANCIAL LLC	[redacted]	California	LOS ANGELES	90802	NOT APPLICABLE
444463706383	GuarantyIssued		2/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	LOS ANGELES	90059	NOT APPLICABLE
444463663708	GuarantyIssued		10/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	LOS ANGELES	90305	NOT APPLICABLE
444463694883	GuarantyIssued		11/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	LOS ANGELES	90650	NOT APPLICABLE
444463709665	GuarantyIssued		2/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	LOS ANGELES	91331	NOT APPLICABLE
444463697795	GuarantyIssued		10/1/2017	FLAGSTAR BANK	[redacted]	California	LOS ANGELES	90744	NOT APPLICABLE
444463637636	GuarantyIssued		2/1/2018	FLAGSTAR BANK	[redacted]	California	LOS ANGELES	90810	NOT APPLICABLE
444463662481	GuarantyIssued		12/1/2017	FLAGSTAR BANK	[redacted]	California	LOS ANGELES	91364	NOT APPLICABLE
444463689645	GuarantyIssued		9/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	90221	NOT APPLICABLE
444463568667	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	93532	NOT APPLICABLE
444463699489	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	93535	NOT APPLICABLE
444463665931	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463638504	GuarantyIssued		8/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	93550	NOT APPLICABLE
444463675133	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	LOS ANGELES	93551	NOT APPLICABLE
444463585435	GuarantyIssued		1/1/2018	GUILD MORTGAGE CO	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463660574	GuarantyIssued		9/1/2017	HOME POINT FINANCIAL	[redacted]	California	LOS ANGELES	91311	NOT APPLICABLE
444463676475	GuarantyIssued		1/1/2018	HOME POINT FINANCIAL	[redacted]	California	LOS ANGELES	91350	NOT APPLICABLE
444463637287	GuarantyIssued		1/1/2018	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	LOS ANGELES	91791	NOT APPLICABLE
444463702822	GuarantyIssued		1/1/2018	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	LOS ANGELES	91792	NOT APPLICABLE
444463689132	GuarantyIssued		10/1/2017	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	90222	NOT APPLICABLE
444463687892	GuarantyIssued		12/1/2017	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	90713	NOT APPLICABLE
444463624986	GuarantyIssued		11/1/2017	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	91350	NOT APPLICABLE
444463668444	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	91350	NOT APPLICABLE
444463697768	GuarantyIssued		10/1/2017	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463702555	GuarantyIssued		11/1/2017	LOANCARE SERVICING CTR	[redacted]	California	LOS ANGELES	93551	NOT APPLICABLE
444463611572	GuarantyIssued		9/1/2017	M&T MORTGAGE CORP	[redacted]	California	LOS ANGELES	90731	NOT APPLICABLE
444463672499	GuarantyIssued		10/1/2017	M&T MORTGAGE CORP	[redacted]	California	LOS ANGELES	91354	NOT APPLICABLE
444421984765	GuarantyIssued		8/1/2017	MIDFIRST BANK	[redacted]	California	Los Angeles	90805	NOT APPLICABLE
444463639265	GuarantyIssued		9/1/2017	MONEY SOURCE INC	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463593454	GuarantyIssued		9/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	LOS ANGELES	90504	NOT APPLICABLE
444463573367	GuarantyIssued		10/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	LOS ANGELES	91767	NOT APPLICABLE
444463638114	GuarantyIssued		9/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	LOS ANGELES	93534	NOT APPLICABLE
444463576427	GuarantyIssued		12/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	LOS ANGELES	93535	NOT APPLICABLE
444463646324	GuarantyIssued		11/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463652695	GuarantyIssued		12/1/2017	PACIFIC UNION FINANCIAL LLC	[redacted]	California	LOS ANGELES	91390	NOT APPLICABLE
444463685256	GuarantyIssued		1/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	LOS ANGELES	90059	NOT APPLICABLE
444463581541	GuarantyIssued		2/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	LOS ANGELES	90247	NOT APPLICABLE
444463681497	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	LOS ANGELES	90303	NOT APPLICABLE
444463651848	GuarantyIssued		1/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	LOS ANGELES	91306	NOT APPLICABLE
444463701541	GuarantyIssued		1/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	LOS ANGELES	93550	NOT APPLICABLE
444463638407	GuarantyIssued		12/1/2017	QUICKEN LOANS INC	[redacted]	California	LOS ANGELES	90605	NOT APPLICABLE
444463604825	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90043	NOT APPLICABLE
444463665048	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90240	NOT APPLICABLE
444463638873	GuarantyIssued		1/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90255	NOT APPLICABLE
444463676111	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90745	NOT APPLICABLE
444463674006	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90805	NOT APPLICABLE
444463678940	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90810	NOT APPLICABLE
444463664542	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	LOS ANGELES	90814	NOT APPLICABLE
444463682972	GuarantyIssued		10/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	LOS ANGELES	90221	NOT APPLICABLE
444463647114	GuarantyIssued		1/1/2018	SUN WEST MORTGAGE INC	[redacted]	California	LOS ANGELES	93551	NOT APPLICABLE
444463650780	GuarantyIssued		9/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	LOS ANGELES	93551	NOT APPLICABLE
444463705521	GuarantyIssued		2/1/2018	U S BANK HOME MORTGAGE	[redacted]	California	LOS ANGELES	93536	NOT APPLICABLE
444463617994	GuarantyIssued		8/1/2017	VANDERBILT MORTGAGE & FINANCE	[redacted]	California	LOS ANGELES	90501	NOT APPLICABLE
444463642415	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	LOS ANGELES	90008	NOT APPLICABLE
444463687444	GuarantyIssued		10/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	LOS ANGELES	90043	NOT APPLICABLE
444463651778	GuarantyIssued		1/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	LOS ANGELES	90250	NOT APPLICABLE
444463592560	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	LOS ANGELES	90703	NOT APPLICABLE
444463666168	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	LOS ANGELES	93535	NOT APPLICABLE
434361465335	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	MENDOCINO	95437	NOT APPLICABLE
434361412354	GuarantyIssued		1/1/2018	GUILD MORTGAGE CO	[redacted]	California	NEVADA	95602	NOT APPLICABLE
434361458160	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	NEVADA	95945	NOT APPLICABLE
444463686152	GuarantyIssued		8/1/2017	BROKER FUNDING SOLUTIONS INC	[redacted]	California	ORANGE	92865	NOT APPLICABLE
444463695856	GuarantyIssued		9/1/2017	Cenlar	[redacted]	California	ORANGE	92694	NOT APPLICABLE
444463670973	GuarantyIssued		12/1/2017	FLAGSTAR BANK	[redacted]	California	ORANGE	92694	NOT APPLICABLE
444463666046	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	ORANGE	92627	NOT APPLICABLE
444463692957	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	ORANGE	92845	NOT APPLICABLE
444463667589	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	ORANGE	92867	NOT APPLICABLE
444463631512	GuarantyIssued		8/1/2017	LOANCARE SERVICING CTR	[redacted]	California	ORANGE	90630	NOT APPLICABLE
444463685122	GuarantyIssued		12/1/2017	LOANCARE SERVICING CTR	[redacted]	California	ORANGE	90631	NOT APPLICABLE
444463653403	GuarantyIssued		8/1/2017	M&T MORTGAGE CORP	[redacted]	California	ORANGE	92708	NOT APPLICABLE
444463632426	GuarantyIssued		11/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	ORANGE	92673	NOT APPLICABLE
444463645999	GuarantyIssued		1/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	ORANGE	92833	NOT APPLICABLE
444463678146	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	ORANGE	90620	NOT APPLICABLE
444463659602	GuarantyIssued		1/1/2018	SIWELL INC	[redacted]	California	ORANGE	92708	NOT APPLICABLE
444463684111	GuarantyIssued		1/1/2018	SUN WEST MORTGAGE INC	[redacted]	California	ORANGE	92688	NOT APPLICABLE
444463650018	GuarantyIssued		12/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	ORANGE	92691	NOT APPLICABLE

444463615008	GuarantyIssued		12/1/2017	WELLS FARGO HOME MORTGAGE	[redacted]	California	ORANGE	92694	NOT APPLICABLE
444463012142	GuarantyIssued		8/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	Orange	92688	NOT APPLICABLE
777765235542	GuarantyIssued		12/1/2017	360 MORTGAGE GROUP LLC	[redacted]	California	RIVERSIDE	92220	NOT APPLICABLE
777765301662	GuarantyIssued		11/1/2017	360 MORTGAGE GROUP LLC	[redacted]	California	RIVERSIDE	92532	NOT APPLICABLE
777765250744	GuarantyIssued		1/1/2018	360 MORTGAGE GROUP LLC	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765130036	GuarantyIssued		12/1/2017	BAC HOME LOAN SVC LP	[redacted]	California	RIVERSIDE	92201	NOT APPLICABLE
777765121250	GuarantyIssued		10/1/2017	BAC HOME LOAN SVC LP	[redacted]	California	RIVERSIDE	92582	NOT APPLICABLE
777765236663	GuarantyIssued		11/1/2017	BROKER FUNDING SOLUTIONS INC	[redacted]	California	RIVERSIDE	92595	NOT APPLICABLE
777765221692	GuarantyIssued		11/1/2017	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92223	NOT APPLICABLE
777765262910	GuarantyIssued		10/1/2017	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765298772	GuarantyIssued		1/1/2018	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92545	NOT APPLICABLE
777765257456	GuarantyIssued		9/1/2017	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92555	NOT APPLICABLE
777765280081	GuarantyIssued		12/1/2017	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765276743	GuarantyIssued		2/1/2018	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92582	NOT APPLICABLE
777765276361	GuarantyIssued		8/1/2017	CALIBER HOME LOANS INC	[redacted]	California	RIVERSIDE	92587	NOT APPLICABLE
777765214249	GuarantyIssued		2/1/2018	CALIFORNIA DEPT OF VET AFFAIRS	[redacted]	California	RIVERSIDE	92571	NOT APPLICABLE
777765288694	GuarantyIssued		2/1/2018	CALIFORNIA DEPT OF VET AFFAIRS	[redacted]	California	RIVERSIDE	92595	NOT APPLICABLE
777765210579	GuarantyIssued		9/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92223	NOT APPLICABLE
777765262444	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	RIVERSIDE	92557	NOT APPLICABLE
777765303051	GuarantyIssued		10/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765213646	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765191940	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	RIVERSIDE	92583	NOT APPLICABLE
777765142419	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765177121	GuarantyIssued		10/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765261098	GuarantyIssued		8/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765305300	GuarantyIssued		11/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765301451	GuarantyIssued		9/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765303060	GuarantyIssued		10/1/2017	Cenlar	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765201610	GuarantyIssued		11/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	RIVERSIDE	92509	NOT APPLICABLE
777765218290	GuarantyIssued		9/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765140665	GuarantyIssued		2/1/2018	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765219946	GuarantyIssued		9/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765292605	GuarantyIssued		8/1/2017	CIS FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765305335	GuarantyIssued		11/1/2017	CIS FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765281687	GuarantyIssued		1/1/2018	CIS FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92881	NOT APPLICABLE
777765233058	GuarantyIssued		10/1/2017	DITECH FINANCIAL LLC	[redacted]	California	RIVERSIDE	92567	NOT APPLICABLE
777765222067	GuarantyIssued		12/1/2017	DITECH FINANCIAL LLC	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765276967	GuarantyIssued		8/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765291049	GuarantyIssued		1/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	RIVERSIDE	92587	NOT APPLICABLE
777765282395	GuarantyIssued		9/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	RIVERSIDE	92860	NOT APPLICABLE
777765291456	GuarantyIssued		9/1/2017	FLAGSTAR BANK	[redacted]	California	RIVERSIDE	92240	NOT APPLICABLE
777765298958	GuarantyIssued		1/1/2018	FLAGSTAR BANK	[redacted]	California	RIVERSIDE	92586	NOT APPLICABLE
777765292315	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92201	NOT APPLICABLE
777765302033	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92211	NOT APPLICABLE
777765234652	GuarantyIssued		8/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92234	NOT APPLICABLE
777765238235	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92504	NOT APPLICABLE
777765302542	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92506	NOT APPLICABLE
777765236187	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92543	NOT APPLICABLE
777765289342	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765301224	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765207167	GuarantyIssued		10/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92557	NOT APPLICABLE
777765272915	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765285155	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765285311	GuarantyIssued		9/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765164522	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765209603	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765285060	GuarantyIssued		10/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765254343	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92582	NOT APPLICABLE
777765269466	GuarantyIssued		10/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92582	NOT APPLICABLE
777765201919	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765282620	GuarantyIssued		9/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765279626	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92585	NOT APPLICABLE
777765283183	GuarantyIssued		9/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92585	NOT APPLICABLE
777765140199	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92587	NOT APPLICABLE
777765292556	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765152500	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765246832	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92595	NOT APPLICABLE
777765181608	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765258306	GuarantyIssued		8/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765246805	GuarantyIssued		1/1/2018	GUILD MORTGAGE CO	[redacted]	California	RIVERSIDE	92530	NOT APPLICABLE
777765206822	GuarantyIssued		8/1/2017	GUILD MORTGAGE CO	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765269031	GuarantyIssued		12/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92530	NOT APPLICABLE
777765297850	GuarantyIssued		11/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92545	NOT APPLICABLE
777765292998	GuarantyIssued		9/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92551	NOT APPLICABLE
777765289722	GuarantyIssued		1/1/2018	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92585	NOT APPLICABLE
777765244098	GuarantyIssued		12/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765282308	GuarantyIssued		2/1/2018	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	RIVERSIDE	92882	NOT APPLICABLE
777765269101	GuarantyIssued		1/1/2018	INTERCAP LENDING INC	[redacted]	California	RIVERSIDE	92882	NOT APPLICABLE
777765268081	GuarantyIssued		12/1/2017	JAMES B NUTTER & CO	[redacted]	California	RIVERSIDE	92555	NOT APPLICABLE
777765254800	GuarantyIssued		8/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92262	NOT APPLICABLE
777765303286	GuarantyIssued		12/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765183688	GuarantyIssued		11/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92545	NOT APPLICABLE
777765208634	GuarantyIssued		9/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765261507	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765203228	GuarantyIssued		10/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765266177	GuarantyIssued		9/1/2017	LOANCARE SERVICING CTR	[redacted]	California	RIVERSIDE	92882	NOT APPLICABLE
777765302155	GuarantyIssued		1/1/2018	M&T MORTGAGE CORP	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765130470	GuarantyIssued		12/1/2017	M&T MORTGAGE CORP	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765259173	GuarantyIssued		11/1/2017	M&T MORTGAGE CORP	[redacted]	California	RIVERSIDE	92879	NOT APPLICABLE
777765228042	GuarantyIssued		8/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92203	NOT APPLICABLE
777765280419	GuarantyIssued		10/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92234	NOT APPLICABLE
777765299514	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92505	NOT APPLICABLE
777765218507	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92507	NOT APPLICABLE
777765300189	GuarantyIssued		12/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92509	NOT APPLICABLE
777765302423	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92555	NOT APPLICABLE

777765168101	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765264144	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765179101	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765203878	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765213918	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765226942	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765228251	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765216809	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92570	NOT APPLICABLE
777765241298	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92570	NOT APPLICABLE
777765157291	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765217786	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765264058	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765272535	GuarantyIssued		12/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765308930	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765183386	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92586	NOT APPLICABLE
777765199154	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765274436	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92591	NOT APPLICABLE
777765138268	GuarantyIssued		12/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765180757	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765277484	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765152093	GuarantyIssued		10/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92880	NOT APPLICABLE
777765161905	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	RIVERSIDE	92880	NOT APPLICABLE
777765182692	GuarantyIssued		12/1/2017	NAVY FED CREDIT UNION	[redacted]	California	RIVERSIDE	92236	NOT APPLICABLE
777765281137	GuarantyIssued		2/1/2018	NAVY FED CREDIT UNION	[redacted]	California	RIVERSIDE	92595	NOT APPLICABLE
777765269339	GuarantyIssued		8/1/2017	NEW PENN FINACIAL LLC	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765258805	GuarantyIssued		12/1/2017	PACIFIC UNION FINANCIAL LLC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765189126	GuarantyIssued		10/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	RIVERSIDE	92543	NOT APPLICABLE
777765196060	GuarantyIssued		11/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	RIVERSIDE	92555	NOT APPLICABLE
777765187482	GuarantyIssued		9/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765274616	GuarantyIssued		12/1/2017	QUICKEN LOANS INC	[redacted]	California	RIVERSIDE	92557	NOT APPLICABLE
777765211972	GuarantyIssued		9/1/2017	ROUNDPOINT MORTGAGE SVC CORP	[redacted]	California	RIVERSIDE	92220	NOT APPLICABLE
777765275055	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	RIVERSIDE	92508	NOT APPLICABLE
777765182243	GuarantyIssued		1/1/2018	SIWELL INC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765280660	GuarantyIssued		11/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765278542	GuarantyIssued		8/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765197041	GuarantyIssued		11/1/2017	U S BANK HOME MORTGAGE	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765281417	GuarantyIssued		1/1/2018	WELLS FARGO HOME MORTGAGE	[redacted]	California	RIVERSIDE	92253	NOT APPLICABLE
777765214025	GuarantyIssued		1/1/2018	WELLS FARGO HOME MORTGAGE	[redacted]	California	RIVERSIDE	92563	NOT APPLICABLE
777765128594	GuarantyIssued		1/1/2018	WELLS FARGO HOME MORTGAGE	[redacted]	California	RIVERSIDE	92584	NOT APPLICABLE
777765188726	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92532	NOT APPLICABLE
777765212545	GuarantyIssued		10/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92532	NOT APPLICABLE
777765121919	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765130152	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92544	NOT APPLICABLE
777765185878	GuarantyIssued		1/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92562	NOT APPLICABLE
777765142276	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92582	NOT APPLICABLE
777765294483	GuarantyIssued		12/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92587	NOT APPLICABLE
777765281073	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92592	NOT APPLICABLE
777765153319	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92595	NOT APPLICABLE
777765116455	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	RIVERSIDE	92596	NOT APPLICABLE
777765204162	GuarantyIssued		2/1/2018	360 MORTGAGE GROUP LLC	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765274519	GuarantyIssued		2/1/2018	360 MORTGAGE GROUP LLC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
774462107253	GuarantyIssued		12/1/2017	BAC HOME LOAN SVC LP	[redacted]	California	San Diego	92054	NOT APPLICABLE
774463005789	GuarantyIssued		12/1/2017	BAC HOME LOAN SVC LP	[redacted]	California	San Diego	92064	NOT APPLICABLE
774463022210	GuarantyIssued		1/1/2018	BAC HOME LOAN SVC LP	[redacted]	California	San Diego	92105	NOT APPLICABLE
777765295547	GuarantyIssued		12/1/2017	BROKER FUNDING SOLUTIONS INC	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765248810	GuarantyIssued		10/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	91911	NOT APPLICABLE
777765292882	GuarantyIssued		2/1/2018	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92003	NOT APPLICABLE
777765264447	GuarantyIssued		8/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92020	NOT APPLICABLE
777765267822	GuarantyIssued		9/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92024	NOT APPLICABLE
777765221056	GuarantyIssued		11/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765290763	GuarantyIssued		10/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765291300	GuarantyIssued		9/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92057	NOT APPLICABLE
777765276756	GuarantyIssued		12/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92065	NOT APPLICABLE
777765298476	GuarantyIssued		12/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92101	NOT APPLICABLE
777765215842	GuarantyIssued		8/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SAN DIEGO	92105	NOT APPLICABLE
777765117074	GuarantyIssued		10/1/2017	CARRINGTON MORTGAGE SVCS LLC	[redacted]	California	SAN DIEGO	91977	NOT APPLICABLE
777765126840	GuarantyIssued		1/1/2018	CARRINGTON MORTGAGE SVCS LLC	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765197975	GuarantyIssued		1/1/2018	Cenlar	[redacted]	California	SAN DIEGO	91902	NOT APPLICABLE
777765291160	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	SAN DIEGO	91910	NOT APPLICABLE
777765227578	GuarantyIssued		10/1/2017	Cenlar	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765241764	GuarantyIssued		8/1/2017	Cenlar	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765267639	GuarantyIssued		11/1/2017	Cenlar	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765289796	GuarantyIssued		2/1/2018	Cenlar	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765309108	GuarantyIssued		12/1/2017	Cenlar	[redacted]	California	SAN DIEGO	92011	NOT APPLICABLE
777765260233	GuarantyIssued		12/1/2017	Cenlar	[redacted]	California	SAN DIEGO	92019	NOT APPLICABLE
777765267857	GuarantyIssued		11/1/2017	Cenlar	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765273208	GuarantyIssued		10/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	SAN DIEGO	92025	NOT APPLICABLE
777765279307	GuarantyIssued		11/1/2017	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	SAN DIEGO	92056	NOT APPLICABLE
777765279477	GuarantyIssued		12/1/2017	CIS FINANCIAL SVCS INC	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765093407	GuarantyIssued		11/1/2017	CITIMORTGAGE INC	[redacted]	California	SAN DIEGO	91977	NOT APPLICABLE
777765239202	GuarantyIssued		8/1/2017	DITECH FINANCIAL LLC	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765254346	GuarantyIssued		2/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92057	NOT APPLICABLE
777765302042	GuarantyIssued		2/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92065	NOT APPLICABLE
777765291809	GuarantyIssued		9/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92069	NOT APPLICABLE
777765273456	GuarantyIssued		1/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92081	NOT APPLICABLE
777765304427	GuarantyIssued		1/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92081	NOT APPLICABLE
777765247963	GuarantyIssued		10/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765291073	GuarantyIssued		11/1/2017	DOVENMUEHLE MORTGAGE INC	[redacted]	California	SAN DIEGO	92126	NOT APPLICABLE
777765277649	GuarantyIssued		1/1/2018	FLAGSTAR BANK	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765299702	GuarantyIssued		2/1/2018	FLAGSTAR BANK	[redacted]	California	SAN DIEGO	92036	NOT APPLICABLE
777765295476	GuarantyIssued		1/1/2018	FLAGSTAR BANK	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765294989	GuarantyIssued		2/1/2018	FLAGSTAR BANK	[redacted]	California	SAN DIEGO	92128	NOT APPLICABLE
777765278747	GuarantyIssued		10/1/2017	FLAGSTAR BANK	[redacted]	California	SAN DIEGO	92173	NOT APPLICABLE
777765158122	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765252714	GuarantyIssued		12/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92065	NOT APPLICABLE

777765202467	GuarantyIssued		11/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92084	NOT APPLICABLE
777765291841	GuarantyIssued		10/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92111	NOT APPLICABLE
777765258046	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92115	NOT APPLICABLE
777765262000	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92116	NOT APPLICABLE
777765224111	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92129	NOT APPLICABLE
777765253313	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765268526	GuarantyIssued		2/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765151168	GuarantyIssued		1/1/2018	GUILD MORTGAGE CO	[redacted]	California	SAN DIEGO	92065	NOT APPLICABLE
777765157909	GuarantyIssued		11/1/2017	GUILD MORTGAGE CO	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765248159	GuarantyIssued		1/1/2018	GUILD MORTGAGE CO	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765171400	GuarantyIssued		2/1/2018	GUILD MORTGAGE CO	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765228420	GuarantyIssued		11/1/2017	GUILD MORTGAGE CO	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765295142	GuarantyIssued		11/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	SAN DIEGO	91906	NOT APPLICABLE
777765293871	GuarantyIssued		1/1/2018	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765297479	GuarantyIssued		12/1/2017	HOMEBRIDGE FINANCIAL SVCS INC	[redacted]	California	SAN DIEGO	91932	NOT APPLICABLE
777765296608	GuarantyIssued		2/1/2018	HOMESTREET BANK	[redacted]	California	SAN DIEGO	92084	NOT APPLICABLE
777765290653	GuarantyIssued		9/1/2017	HOMESTREET BANK	[redacted]	California	SAN DIEGO	92119	NOT APPLICABLE
777765135192	GuarantyIssued		9/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765257351	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	91962	NOT APPLICABLE
777765237196	GuarantyIssued		8/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	91977	NOT APPLICABLE
777765259945	GuarantyIssued		11/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92026	NOT APPLICABLE
777765272913	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92026	NOT APPLICABLE
777765156890	GuarantyIssued		2/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92057	NOT APPLICABLE
777765282897	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92064	NOT APPLICABLE
777765191122	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92065	NOT APPLICABLE
777765299706	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92102	NOT APPLICABLE
777765265253	GuarantyIssued		2/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92105	NOT APPLICABLE
777765272455	GuarantyIssued		10/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765294821	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765300570	GuarantyIssued		1/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765307746	GuarantyIssued		12/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92119	NOT APPLICABLE
777765222022	GuarantyIssued		9/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92139	NOT APPLICABLE
777765299564	GuarantyIssued		2/1/2018	LOANCARE SERVICING CTR	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765176877	GuarantyIssued		8/1/2017	M&T MORTGAGE CORP	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765259050	GuarantyIssued		11/1/2017	MONEY SOURCE INC	[redacted]	California	SAN DIEGO	92057	NOT APPLICABLE
777765298685	GuarantyIssued		8/1/2017	MONEY SOURCE INC	[redacted]	California	SAN DIEGO	92115	NOT APPLICABLE
777765191420	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	91911	NOT APPLICABLE
777765179542	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765297488	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765134506	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	91977	NOT APPLICABLE
777765309678	GuarantyIssued		12/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	91978	NOT APPLICABLE
777765267650	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92020	NOT APPLICABLE
777765108086	GuarantyIssued		8/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765158141	GuarantyIssued		1/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92037	NOT APPLICABLE
777765232305	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92057	NOT APPLICABLE
777765205724	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92082	NOT APPLICABLE
777765301069	GuarantyIssued		1/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92086	NOT APPLICABLE
777765180444	GuarantyIssued		1/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92101	NOT APPLICABLE
777765283684	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92108	NOT APPLICABLE
777765103873	GuarantyIssued		9/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765238967	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92123	NOT APPLICABLE
777765215281	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92124	NOT APPLICABLE
777765172298	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92128	NOT APPLICABLE
777765313412	GuarantyIssued		2/1/2018	NATIONSTAR MORTGAGE LLC	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765213724	GuarantyIssued		11/1/2017	NAVY FED CREDIT UNION	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765249441	GuarantyIssued		1/1/2018	PACIFIC UNION FINANCIAL LLC	[redacted]	California	SAN DIEGO	92114	NOT APPLICABLE
777765259586	GuarantyIssued		9/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	91906	NOT APPLICABLE
777765252965	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	91910	NOT APPLICABLE
777765284879	GuarantyIssued		11/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	91911	NOT APPLICABLE
777765275348	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	91950	NOT APPLICABLE
777765219440	GuarantyIssued		10/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	92004	NOT APPLICABLE
777765247482	GuarantyIssued		2/1/2018	PENNYMAC LOAN SVCS LLC	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765216424	GuarantyIssued		2/1/2018	PHH MORTGAGE SVCS	[redacted]	California	SAN DIEGO	91977	NOT APPLICABLE
777765239491	GuarantyIssued		8/1/2017	PHH MORTGAGE SVCS	[redacted]	California	SAN DIEGO	92129	NOT APPLICABLE
777765115991	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765100592	GuarantyIssued		1/1/2018	PNC MORTGAGE	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765261056	GuarantyIssued		1/1/2018	QUICKEN LOANS INC	[redacted]	California	SAN DIEGO	91945	NOT APPLICABLE
777765298931	GuarantyIssued		10/1/2017	ROUNDPOINT MORTGAGE SVC CORP	[redacted]	California	SAN DIEGO	92036	NOT APPLICABLE
777765173718	GuarantyIssued		1/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765253158	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	91914	NOT APPLICABLE
777765181748	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765256633	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	91915	NOT APPLICABLE
777765167983	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	92040	NOT APPLICABLE
777765175914	GuarantyIssued		2/1/2018	SIWELL INC	[redacted]	California	SAN DIEGO	92054	NOT APPLICABLE
777765161683	GuarantyIssued		9/1/2017	SOUTHWEST STAGE FUNDING LLC	[redacted]	California	SAN DIEGO	92154	NOT APPLICABLE
777765234766	GuarantyIssued		2/1/2018	SUN WEST MORTGAGE INC	[redacted]	California	SAN DIEGO	91913	NOT APPLICABLE
777765291125	GuarantyIssued		11/1/2017	SUN WEST MORTGAGE INC	[redacted]	California	SAN DIEGO	92173	NOT APPLICABLE
777765223703	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	91901	NOT APPLICABLE
777765246566	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	91906	NOT APPLICABLE
777765157556	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	91911	NOT APPLICABLE
777765157422	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92021	NOT APPLICABLE
777765284437	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92021	NOT APPLICABLE
777765228952	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765285035	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92027	NOT APPLICABLE
777765152239	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92054	NOT APPLICABLE
777765299199	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92056	NOT APPLICABLE
777765192435	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92069	NOT APPLICABLE
777765164931	GuarantyIssued		10/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92083	NOT APPLICABLE
777765042386	GuarantyIssued		9/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92111	NOT APPLICABLE
777765297380	GuarantyIssued		2/1/2018	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92113	NOT APPLICABLE
777765236673	GuarantyIssued		11/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	SAN DIEGO	92124	NOT APPLICABLE
777765289814	GuarantyIssued		8/1/2017	WINTRUST MORTGAGE	[redacted]	California	SAN DIEGO	91945	NOT APPLICABLE
444463696686	GuarantyIssued		12/1/2017	LOANCARE SERVICING CTR	[redacted]	California	SANTA BARBARA	93455	NOT APPLICABLE
444463656337	GuarantyIssued		8/1/2017	M&T MORTGAGE CORP	[redacted]	California	SANTA BARBARA	93455	NOT APPLICABLE
444463672548	GuarantyIssued		2/1/2018	PACIFIC UNION FINANCIAL LLC	[redacted]	California	SANTA BARBARA	93455	NOT APPLICABLE

444463663781	GuarantyIssued		11/1/2017	PHH MORTGAGE SVCS	[redacted]	California	SANTA BARBARA	93436	NOT APPLICABLE
434361472626	GuarantyIssued		12/1/2017	CALIBER HOME LOANS INC	[redacted]	California	SONOMA	95403	NOT APPLICABLE
434361484519	GuarantyIssued		2/1/2018	FLAGSTAR BANK	[redacted]	California	SONOMA	95409	NOT APPLICABLE
444463645617	GuarantyIssued		8/1/2017	360 MORTGAGE GROUP LLC	[redacted]	California	VENTURA	93063	NOT APPLICABLE
444463614220	GuarantyIssued		2/1/2018	CARRINGTON MORTGAGE SVCS LLC	[redacted]	California	VENTURA	93035	NOT APPLICABLE
444463079560	GuarantyIssued		1/1/2018	CHASE MANHATTAN MORTGAGE CORP	[redacted]	California	VENTURA	93001	NOT APPLICABLE
444463693612	GuarantyIssued		1/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	VENTURA	93036	NOT APPLICABLE
444463686514	GuarantyIssued		2/1/2018	FLAGSTAR BANK	[redacted]	California	VENTURA	93030	NOT APPLICABLE
444463597370	GuarantyIssued		9/1/2017	FREEDOM MORTGAGE CORP	[redacted]	California	VENTURA	93030	NOT APPLICABLE
444463575876	GuarantyIssued		11/1/2017	NATIONSTAR MORTGAGE LLC	[redacted]	California	VENTURA	93065	NOT APPLICABLE
444463690532	GuarantyIssued		1/1/2018	NORTH AMER SAVINGS BANK	[redacted]	California	VENTURA	93003	NOT APPLICABLE
444463660932	GuarantyIssued		2/1/2018	PACIFIC UNION FINANCIAL LLC	[redacted]	California	VENTURA	93010	NOT APPLICABLE
444463687202	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	VENTURA	93012	NOT APPLICABLE
444463651949	GuarantyIssued		12/1/2017	PENNYMAC LOAN SVCS LLC	[redacted]	California	VENTURA	93060	NOT APPLICABLE
444463574696	GuarantyIssued		10/1/2017	WELLS FARGO HOME MORTGAGE INC	[redacted]	California	VENTURA	93065	NOT APPLICABLE
434361487543	GuarantyIssued		1/1/2018	CALIBER HOME LOANS INC	[redacted]	California	YUBA	95961	NOT APPLICABLE
434361488900	GuarantyIssued		1/1/2018	DOVENMUEHLE MORTGAGE INC	[redacted]	California	YUBA	95961	NOT APPLICABLE
434361334666	GuarantyIssued		1/1/2018	FREEDOM MORTGAGE CORP	[redacted]	California	YUBA	95901	NOT APPLICABLE
434361467486	GuarantyIssued		2/1/2018	MONEY SOURCE INC	[redacted]	California	YUBA	95901	NOT APPLICABLE

Audit of VBA's Oversight and Resolution of Defaulted Home Loans
Chicago Audit Operations Division (52CH)
Statistical Sampling Overview

Audit Objective - To determine whether VBA's Loan Guaranty Service (LGY) oversight of default resolution process ensures loan defaults are appropriately resolved and minimized.

Sample Universes – Sample universes for four strata obtained directly from Therese Cere.

Sample Selection – Random sample of 50 selected from 4 strata below.

Default Loan Status	Objective	Universe
Stratum 1 - Unresolved Loans that needed an AoS	Ensure unresolved loans in non-disaster areas were adequately serviced by servicers and LGY provided appropriate oversight.	All defaulted loans outstanding (not in disaster areas) on or between 8/1/17 – 2/14/18 that have not had a mortgage payment as of 6/14/18. This identifies loans delinquent for 120 days that need Adequacy of Servicing. 11,182 Loans.
Stratum 2 - Unresolved Loans in Disaster Areas (counties) that needed an AoS	Ensure unresolved loans in disaster areas were adequately serviced by servicers and LGY provided appropriate oversight. Also, determine if borrowers not impacted by disaster were unnecessarily solicited into a short - term forbearance to default to resolution situation.	All defaulted loans in disaster areas outstanding on or between 8/1/17 – 2/14/18 that have not had a mortgage payment as of 6/14/18. 3,483 Loans.
Stratum 3 - Loans Foreclosed	Ensure foreclosed loans nationally were adequately serviced by servicers and LGY provided appropriate oversight.	All defaulted loans Foreclosed on or between 8/1/17 – 6/14/18. 16,429 Loans.
Stratum 4 - Loans Cured/Resolved	Ensure cured/resolved loans nationally were adequately serviced by servicers and LGY provided appropriate oversight.	All defaulted loans Cured/Resolved on or between 8/1/17 – 6/14/18. 27,512 Loans.

Sampling Unit – Loan in default for at least 120 days.

Sample Size – 200

Expected Error Rate – Unknown at this time. Errors are various based on numerous attributes such as inadequate servicing and inadequate LGY oversight.

Attribute Testing – Examples - Did the loan tech conduct the adequacy of servicing review within 28 days from day 120 as required by VBA procedures? Did the loan tech determine why any loss mitigation options the servicer considered were not completed? Did the loan tech make the correct AoS decision? Did the servicer provide adequate servicing based on performance? Monetary Example - If the loan was cured, did the servicer receive the correct tier incentive payment?

From: (b)(6) , VBAVACO
To: A., VBAVACO
Subject: RE: Identification of Veteran in Need during Audit of Oversight and Resolution of Home Loan Defaults
Date: Monday, October 29, 2018 4:42:00 PM
Attachments: image003.gif
image004.png

I don't – but Camille might.

From: (b)(6) , VBAVACO
Sent: Monday, October 29, 2018 3:42 PM
To: (b)(6) @va.gov>
Subject: RE: Identification of Veteran in Need during Audit of Oversight and Resolution of Home Loan Defaults

Yes I will see what I can do. Do you know of any contacts in those divisions?

From: (b)(6) , VBAVACO
Sent: Monday, October 29, 2018 3:31 PM
To: (b)(6) @va.gov>
Subject: FW: Identification of Veteran in Need during Audit of Oversight and Resolution of Home Loan Defaults

Can you take the lead on this?

From: (b)(6) (OIG)
Sent: Thursday, October 25, 2018 6:14 PM
To: (b)(6) @va.gov>; Planas, Alberto, VBAVACO (b)(6) @va.gov>
Cc: (b)(6) @va.gov>
Subject: RE: Identification of Veteran in Need during Audit of Oversight and Resolution of Home Loan Defaults

(b)(6) , check the status with Compensation Service, Fiduciary, or whomever is necessary and provide us an update over the next week. Thanks, Joe.

From: DeAntonis, Joseph (OIG)
Sent: Thursday, October 25, 2018 5:55 PM
To: (b)(6) @va.gov>; (b)(6) , VBAVACO <(b)(6) @va.gov>
Cc: (b)(6) @va.gov>
Subject: Identification of Veteran in Need during Audit of Oversight and Resolution of Home Loan Defaults

Hi (b)(6) came across this veteran who appears to need some assistance from BAS or Fiduciary. We are passing this on to you for you to forward to the appropriate unit. Thank you, Joe

In the course of review records for a current audit, it has come to our attention that veteran (b)(6) is at immediate risk of both losing his home and having his monthly rate of service-connected permanent total & disability evaluation reduced for failure to return an employment questionnaire. This reduction will result in lower compensation payments to him.

Specific reports we received from Loan Guaranty VALERI records contain the following information:

1) The veteran is in chronic default on the loan although he recently made a large

payment (he is still one month behind).
2) The Notes in VALERI indicate that the veteran is service-connected with individual unemployability and with indications of problems handling his affairs, and a third-party report that the veteran self-reports temporal lobe injury from an auto accident and that he displays difficulties in conversation to.
3) A Note from May 9 shows that a manager from the ST Paul RLC contacted via e-mail someone at the VBA fiduciary hub to have the veteran's file reviewed for possible incompetency for VA purposes.
4) In December, 2017 VBA sent the veteran a letter proposing to reduce his evaluation of individual unemployability because he did not return an employment questionnaire to the VA Regional Office. Final action to reduce this veteran's compensation can happen at any time now. In the same time frame, the veteran has been delinquent in his loan payments since December 1, 2017 and in default since January 1, 2018, with his loan being referred to an attorney to begin foreclosure.
A reduction in this veteran's compensation benefits payments combined with the loss of his home and his reported inability to handle his financial affairs will likely result in this particular veteran's becoming homeless. Therefore, to avoid this result, we asking you to physically reach out to this vulnerable veteran physically by sending a field examiner to his home or at least to contact VFW, his POA, to reach out to him and possibly assist him in returning his employment questionnaire.
To afford you a better appreciation of the situation, I am attaching the relevant VALERI notes. I especially direct your attention at Note 21, where you will find the veteran's address and a description of his circumstances, and Note 22, which details action that a Fiduciary Hub employee, (b)(6), said she would take. We cannot tell whether Ms. (b)(6) actually contacted the Veterans Service Center (VSC), and, if she did, whether the VSC initiated any action. Please inform us of whether she did, when she did, and what your action was.

Notes:

25.

Written By: (b)(6), VA
Date: 5/9/2018 9:10:00 AM
Type: Borrower Contact
Process: VA_AdeqofServicing_New
Note:
Step 3: Borrower Contact

How was contact made: Receive a return phone call from borrower

Phone Number (b)(6)

Borrower Conversation: Borrower called asking for assistance with his lender. He states that the lender isnâ€™t working with him. He stated he is a 100% disabled veteran and he also receives social security. Borrower also stated that he had a car accident and had swelling to his temporal lobe. Borrower was sometimes hard to understand.

I told the borrower I would contact the lender and see what was going. I talked with (b)(6) After talking with Mr. (b)(6) I called borrower back. I asked borrower about where all his money has been going. He said that he draws out the money at the beginning because his bank moved. I also asked the borrower if anyone was living with him. Mr. (b)(6) said he has people stay with him from time to time. Mr. (b)(6) also stated that he gives money to charities and people begging for money. He told me that he had been working with a mortgage counselor but it is not working out.

Reason for Default: Medical Issues

Has reason or situation changed? Borrower states that it has.

Borrower has been advised of all home retention options and alternatives to foreclosure and to please contact VA should they have any additional questions or experience any difficulties working with the mortgage company.

Email Address (if refusing to provide one, why?):(b)(6) @gmail.com

Was AOS Letter Sent and by whom? Yes, previous AOS by loan tech

23.

Written By: (b)(6), VA
Date: 5/9/2018 9:13:00 AM
Type: Servicer Contact
Process: VA_AdeqofServicing_New
Note:
Called servicer at (b)(6) on 8/7/2017

I called Mr. (b)(6) back in response to his email

Reasons:
- Unable to make payments consistently
- Withdraws large amounts of money at the beginning of the month. Removing most if not all of his money.

- Poor credit History

- The lender contacted a mortgage counselor to meet with Mr. (b)(6). The counselor meet with Mr. (b)(6) and wasnâ€™t forthcoming with information

- Reason for default could not be verified: Mr. (b)(6) said it was bank fraud but couldnâ€™t provide documents.

- Concerns that something is going on with Veteran and his money.

Mr. (b)(6) did state that if his brother did loan him the 5000, they would review him for a repayment plan. They are concerned if they can find a repayment plan that works, but would look into it.

22.

Written By: (b)(6), VA
Date: 5/9/2018 3:22:00 PM
Type: Others
Process: VA_AdeqofServicing_New
Note:
spoke to Fiduciary Hub in Columbia SC expressing our concerns about the Veteran. She stated they cannot assign a fiduciary without medical evidence to deem him incompetent. I asked about ways to have him reviewed to determine whether or not he's competent and she asked that I email her our concerns and she can sent it to VSC to see if they will open a pending issue for review. Her email address is (b)(6) @va.gov.

21.

Written By: (b)(6) VA
Date: 5/9/2018 3:59:00 PM
Type: Others
Process: VA_AdeqofServicing_New
Note:
From: (b)(6) VBASTPL
Sent: Wednesday, May 09, 2018 2:58 PM
To: (b)(6)
Cc:
Subject: FW: Veteran concerns

Hello (b)(6)

Thank you for returning my call regarding a Veteran we, and his mortgage servicer, have some concerns for:

The Veteran, Mr. (b)(6), is currently 10 months behind on his VA Guaranteed mortgage payment. My team member spoke with Mr. (b)(6) and is concerned he may not be able to handle his finances, or is being taken advantage of. The Veteran advised he had a car accident and had swelling to his temporal lobe; he was at times hard to understand when speaking with him. He would speak in broken sentences, and would pause often to figure out what he was trying to say. Mr. (b)(6)€™s sources of income are VA disability and social security. He states he has the financials to make the mortgage payment. He was working with a mortgage counselor, but said that wasnâ€™t working out; and the mortgage servicer said

Mr. (b)(6) wasnâ€™t forthcoming with the counselor. He draws all his money (income) out of his account the beginning of each month, advising us this is because his bank moved. We inquired about anyone living with him and he said he has people stay with him from time to time, and that he gives money to charities and people begging for money. He lists his reason for default as due to medical issues, but also told the mortgage servicer that it was bank fraud, but couldnâ€™t provide documents. My team member, and his mortgage servicer have expressed concern for this Veteran.

We appreciate you doing what you can to have this Veteranâ€™s file reviewed for possible incompetency.

(b)(6)

We cannot tell whether the Fiduciary Hub’s Ms. (b)(6) actually made contacted the Veterans Service Center (VSC), and, if she did, whether the VSC initiated any action. Please inform us of whether she did, and what your action was.
At the same time, we ask that you keep us informed of your handling of this request, and the results.

(b)(6)

(b)(6), CPA
Audit Manager
Office of Inspector General
Chicago Audit Operations
U.S. Department of Veterans Affairs

VA Loan Number	Current Loan Status	Termination Date	Payment Due Date	Servicer Name	Property Address	Property State Name		Property Zip Code	Loss Mitigation Action
777765115991	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC		California	SAN DIEGO	92083	NOT APPLICABLE
171761482106	GuarantyIssued		12/1/2017	PLANET HOME LENDING LLC		Florida	BREVARD	32905	NOT APPLICABLE
171761744347	GuarantyIssued		12/1/2017	PLANET HOME LENDING LLC		Florida	CLAY	32003	NOT APPLICABLE
171761620952	GuarantyIssued		1/1/2018	PLANET HOME LENDING LLC		Florida	CLAY	32065	NOT APPLICABLE
171761817204	GuarantyIssued		8/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	CLAY	32065	NOT APPLICABLE
171761694241	GuarantyIssued		11/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	DUVAL	32216	NOT APPLICABLE
171761698334	GuarantyIssued		11/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	DUVAL	32233	NOT APPLICABLE
171761733781	GuarantyIssued		12/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	HERNANDO	34607	NOT APPLICABLE
171761487473	GuarantyIssued		8/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	HILLSBOROUGH	33563	NOT APPLICABLE
171761484676	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	HILLSBOROUGH	33579	NOT APPLICABLE
171761500653	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	LEE	33909	NOT APPLICABLE
171761601091	GuarantyIssued		9/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	LEE	33967	NOT APPLICABLE
171761497217	GuarantyIssued		1/1/2018	PLANET HOME LENDING LLC	[redacted]	Florida	MARION	34432	NOT APPLICABLE
171761534501	GuarantyIssued		12/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	PALM BEACH	33467	NOT APPLICABLE
171761493467	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	PASCO	34667	NOT APPLICABLE
171761563204	GuarantyIssued		9/1/2017	PLANET HOME LENDING LLC	[redacted]	Florida	SEMINOLE	32732	NOT APPLICABLE
161660882062	GuarantyIssued		12/1/2017	PLANET HOME LENDING LLC	[redacted]	Georgia	BULLOCH	30458	NOT APPLICABLE
161661112833	GuarantyIssued		9/1/2017	PLANET HOME LENDING LLC	[redacted]	Georgia	CAMDEN	31558	NOT APPLICABLE
161661026099	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Georgia	CHATTAHOOCHEE	31805	NOT APPLICABLE
161660899341	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Georgia	MONTGOMERY	30473	NOT APPLICABLE
161660898220	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Georgia	TAYLOR	31076	NOT APPLICABLE
262660694134	GuarantyIssued		8/1/2017	PLANET HOME LENDING LLC	[redacted]	Indiana	CLARK	47111	NOT APPLICABLE
262660728205	GuarantyIssued		1/1/2018	PLANET HOME LENDING LLC	[redacted]	Indiana	PORTER	46368	NOT APPLICABLE
262660655309	GuarantyIssued		2/1/2018	PLANET HOME LENDING LLC	[redacted]	Indiana	VANDERBURGH	47715	NOT APPLICABLE
191960514603	GuarantyIssued		1/1/2018	PLANET HOME LENDING LLC	[redacted]	South Carolina	AIKEN	29847	NOT APPLICABLE
626261123406	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Texas	BRAZORIA	77515	NOT APPLICABLE
626261286976	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Texas	HARRIS	77346	NOT APPLICABLE
626261301158	GuarantyIssued		1/1/2018	PLANET HOME LENDING LLC	[redacted]	Texas	HARRIS	77346	NOT APPLICABLE
626261315246	GuarantyIssued		10/1/2017	PLANET HOME LENDING LLC	[redacted]	Texas	HARRIS	77449	NOT APPLICABLE
626261243356	GuarantyIssued		2/1/2018	PLANET HOME LENDING LLC	[redacted]	Texas	JEFFERSON	77705	NOT APPLICABLE
626261127242	GuarantyIssued		9/1/2017	PLANET HOME LENDING LLC	[redacted]	Texas	KLEBERG	78363	NOT APPLICABLE
626261284242	GuarantyIssued		8/1/2017	PLANET HOME LENDING LLC	[redacted]	Texas	MONTGOMERY	77354	NOT APPLICABLE

Applied filters:DEFAULT_INDICATOR is 1Delinquency Category is not (Blank)AS_OF_DATE_EOM is August 2020

As of Date	ttm row count	Reason for Default
Jan 2020	7,084	BorrowerNeverRespondedToOutreach
Jan 2020	90	BusinessFailure
Jan 2020	514	CasualtyLoss
Jan 2020	15,233	CurtailmentOfIncome
Jan 2020	1,581	DeathOfBorrower
Jan 2020	1,279	DeathOfBorrowersFamilyMember
Jan 2020	1	Disaster
Jan 2020	287	DistantEmploymentTransfer
Jan 2020	32	Energy/EnvironmentalCost
Jan 2020	18,500	ExcessiveObligations
Jan 2020	170	Fraud
Jan 2020	4,222	IllnessOfBorrower
Jan 2020	1,701	IllnessOfBorrowersFamily
Jan 2020	4,980	ImminentDefault
Jan 2020	124	InabilityToRentProperty
Jan 2020	135	InabilityToSellProperty
Jan 2020	42	Incarceration
Jan 2020	2,378	MaritalDifficulties
Jan 2020	544	MilitaryService
Jan 2020	30,816	Other
Jan 2020	409	PaymentAdjustment
Jan 2020	24	PaymentAdjustments
Jan 2020	679	PaymentDispute
Jan 2020	7,903	PropertyProblems
Jan 2020	600	ServicingProblems
Jan 2020	734	TenantNotPaying
Jan 2020	70	TransferOfOwnership
Jan 2020	3,416	UnemploymentNotification
Feb 2020	7,640	BorrowerNeverRespondedToOutreach
Feb 2020	108	BusinessFailure
Feb 2020	471	CasualtyLoss
Feb 2020	15,000	CurtailmentOfIncome
Feb 2020	1,545	DeathOfBorrower
Feb 2020	1,236	DeathOfBorrowersFamilyMember
Feb 2020	286	DistantEmploymentTransfer
Feb 2020	34	Energy/EnvironmentalCost
Feb 2020	18,190	ExcessiveObligations
Feb 2020	165	Fraud
Feb 2020	4,157	IllnessOfBorrower
Feb 2020	1,657	IllnessOfBorrowersFamily
Feb 2020	4,872	ImminentDefault
Feb 2020	117	InabilityToRentProperty
Feb 2020	130	InabilityToSellProperty
Feb 2020	48	Incarceration
Feb 2020	2,312	MaritalDifficulties
Feb 2020	533	MilitaryService
Feb 2020	30,509	Other
Feb 2020	394	PaymentAdjustment
Feb 2020	17	PaymentAdjustments

Feb 2020	663	PaymentDispute
Feb 2020	7,719	PropertyProblems
Feb 2020	591	ServicingProblems
Feb 2020	698	TenantNotPaying
Feb 2020	67	TransferOfOwnership
Feb 2020	3,412	UnemploymentNotification
Mar 2020	7,414	BorrowerNeverRespondedToOutreach
Mar 2020	105	BusinessFailure
Mar 2020	442	CasualtyLoss
Mar 2020	14,469	CurtailmentOfIncome
Mar 2020	1,526	DeathOfBorrower
Mar 2020	1,195	DeathOfBorrowersFamilyMember
Mar 2020	261	DistantEmploymentTransfer
Mar 2020	34	Energy/EnvironmentalCost
Mar 2020	17,473	ExcessiveObligations
Mar 2020	165	Fraud
Mar 2020	4,081	IllnessOfBorrower
Mar 2020	1,591	IllnessOfBorrowersFamily
Mar 2020	4,844	ImminentDefault
Mar 2020	115	InabilityToRentProperty
Mar 2020	125	InabilityToSellProperty
Mar 2020	48	Incarceration
Mar 2020	2,228	MaritalDifficulties
Mar 2020	501	MilitaryService
Mar 2020	30,499	Other
Mar 2020	372	PaymentAdjustment
Mar 2020	15	PaymentAdjustments
Mar 2020	635	PaymentDispute
Mar 2020	7,734	PropertyProblems
Mar 2020	561	ServicingProblems
Mar 2020	674	TenantNotPaying
Mar 2020	72	TransferOfOwnership
Mar 2020	3,258	UnemploymentNotification
Apr 2020	1,071	
Apr 2020	8,793	BorrowerNeverRespondedToOutreach
Apr 2020	135	BusinessFailure
Apr 2020	538	CasualtyLoss
Apr 2020	15,186	CurtailmentOfIncome
Apr 2020	1,633	DeathOfBorrower
Apr 2020	1,288	DeathOfBorrowersFamilyMember
Apr 2020	291	DistantEmploymentTransfer
Apr 2020	36	Energy/EnvironmentalCost
Apr 2020	18,149	ExcessiveObligations
Apr 2020	194	Fraud
Apr 2020	4,350	IllnessOfBorrower
Apr 2020	1,668	IllnessOfBorrowersFamily
Apr 2020	5,531	ImminentDefault
Apr 2020	102	InabilityToRentProperty
Apr 2020	107	InabilityToSellProperty
Apr 2020	56	Incarceration
Apr 2020	2,426	MaritalDifficulties

Apr 2020	522	MilitaryService
Apr 2020	25,114	Other
Apr 2020	457	PaymentAdjustment
Apr 2020	26	PaymentAdjustments
Apr 2020	762	PaymentDispute
Apr 2020	8,266	PropertyProblems
Apr 2020	668	ServicingProblems
Apr 2020	845	TenantNotPaying
Apr 2020	75	TransferOfOwnership
Apr 2020	3,707	UnemploymentNotification
May 2020	111	
May 2020	9,467	BorrowerNeverRespondedToOutreach
May 2020	158	BusinessFailure
May 2020	1,244	CasualtyLoss
May 2020	17,955	CurtailmentOfIncome
May 2020	1,716	DeathOfBorrower
May 2020	1,353	DeathOfBorrowersFamilyMember
May 2020	1	Disaster
May 2020	300	DistantEmploymentTransfer
May 2020	518	Energy/EnvironmentalCost
May 2020	19,150	ExcessiveObligations
May 2020	196	Fraud
May 2020	4,430	IllnessOfBorrower
May 2020	1,732	IllnessOfBorrowersFamily
May 2020	5,629	ImminentDefault
May 2020	105	InabilityToRentProperty
May 2020	109	InabilityToSellProperty
May 2020	59	Incarceration
May 2020	2,496	MaritalDifficulties
May 2020	535	MilitaryService
May 2020	5,983	NationalEmergencyDeclaration
May 2020	27,910	Other
May 2020	514	PaymentAdjustment
May 2020	24	PaymentAdjustments
May 2020	832	PaymentDispute
May 2020	8,633	PropertyProblems
May 2020	709	ServicingProblems
May 2020	1,004	TenantNotPaying
May 2020	72	TransferOfOwnership
May 2020	4,466	UnemploymentNotification
Jun 2020	1,682	
Jun 2020	10,719	BorrowerNeverRespondedToOutreach
Jun 2020	163	BusinessFailure
Jun 2020	4,038	CasualtyLoss
Jun 2020	24,575	CurtailmentOfIncome
Jun 2020	2,829	DeathOfBorrower
Jun 2020	1,429	DeathOfBorrowersFamilyMember
Jun 2020	329	Disaster
Jun 2020	336	DistantEmploymentTransfer
Jun 2020	321	Energy/EnvironmentalCost
Jun 2020	22,774	ExcessiveObligations

Jun 2020	179	Fraud
Jun 2020	4,830	IllnessOfBorrower
Jun 2020	1,845	IllnessOfBorrowersFamily
Jun 2020	4,976	ImminentDefault
Jun 2020	160	InabilityToRentProperty
Jun 2020	164	InabilityToSellProperty
Jun 2020	84	Incarceration
Jun 2020	2,859	MaritalDifficulties
Jun 2020	589	MilitaryService
Jun 2020	99,165	NationalEmergencyDeclaration
Jun 2020	37,048	Other
Jun 2020	619	PaymentAdjustment
Jun 2020	1,513	PaymentDispute
Jun 2020	8,100	PropertyProblems
Jun 2020	917	ServicingProblems
Jun 2020	865	TenantNotPaying
Jun 2020	68	TransferOfOwnership
Jun 2020	6,853	UnemploymentNotification
Jul 2020	1,481	
Jul 2020	11,039	BorrowerNeverRespondedToOutreach
Jul 2020	157	BusinessFailure
Jul 2020	4,041	CasualtyLoss
Jul 2020	24,788	CurtailmentOfIncome
Jul 2020	2,946	DeathOfBorrower
Jul 2020	1,359	DeathOfBorrowersFamilyMember
Jul 2020	530	Disaster
Jul 2020	340	DistantEmploymentTransfer
Jul 2020	183	Energy/EnvironmentalCost
Jul 2020	22,742	ExcessiveObligations
Jul 2020	179	Fraud
Jul 2020	4,666	IllnessOfBorrower
Jul 2020	1,726	IllnessOfBorrowersFamily
Jul 2020	4,767	ImminentDefault
Jul 2020	148	InabilityToRentProperty
Jul 2020	170	InabilityToSellProperty
Jul 2020	86	Incarceration
Jul 2020	2,750	MaritalDifficulties
Jul 2020	589	MilitaryService
Jul 2020	142,538	NationalEmergencyDeclaration
Jul 2020	42,553	Other
Jul 2020	646	PaymentAdjustment
Jul 2020	1,792	PaymentDispute
Jul 2020	7,873	PropertyProblems
Jul 2020	960	ServicingProblems
Jul 2020	731	TenantNotPaying
Jul 2020	63	TransferOfOwnership
Jul 2020	6,756	UnemploymentNotification
Aug 2020	1,184	
Aug 2020	11,559	BorrowerNeverRespondedToOutreach
Aug 2020	163	BusinessFailure
Aug 2020	3,882	CasualtyLoss

Aug 2020	22,570	CurtailmentOfIncome
Aug 2020	2,880	DeathOfBorrower
Aug 2020	1,246	DeathOfBorrowersFamilyMember
Aug 2020	552	Disaster
Aug 2020	296	DistantEmploymentTransfer
Aug 2020	174	Energy/EnvironmentalCost
Aug 2020	20,733	ExcessiveObligations
Aug 2020	171	Fraud
Aug 2020	4,401	IllnessOfBorrower
Aug 2020	1,581	IllnessOfBorrowersFamily
Aug 2020	4,438	ImminentDefault
Aug 2020	133	InabilityToRentProperty
Aug 2020	162	InabilityToSellProperty
Aug 2020	84	Incarceration
Aug 2020	2,552	MaritalDifficulties
Aug 2020	593	MilitaryService
Aug 2020	172,354	NationalEmergencyDeclaration
Aug 2020	37,759	Other
Aug 2020	628	PaymentAdjustment
Aug 2020	1,593	PaymentDispute
Aug 2020	7,443	PropertyProblems
Aug 2020	862	ServicingProblems
Aug 2020	635	TenantNotPaying
Aug 2020	72	TransferOfOwnership
Aug 2020	6,053	UnemploymentNotification

FY 2009
LOAN ADMINISTRATION
SYSTEMATIC ANALYSIS OF OPERATIONS

The revised Loan Guaranty regulations, that went into effect on February 1, 2008, marked a major change with how the mortgage industry service current and delinquent VA loans. Mortgage servicers were given additional authority, and at the same time Loan Administration took on more of an oversight role. Mortgage servicers were phased into the new regulatory environment, with the final phase being completed in November 2008. A new national servicing system, VA Loan Electronic Reporting Interface (VALERI), was deployed in February 2008 to accommodate our new way of doing business.

During the early stages of this transition the focus was to get all mortgage servicers and VA employees into the VALERI system, provide training, and work out any policy or system related issues. During FY 2009, training continued to be a major agenda item, and with the knowledge we have gained, policies and procedures continue to evolve. Major changes have also taken place with the functionality of VALERI. This report provides an analysis of the various oversight functions completed by Loan Administration for the servicing of VA loans, in addition to claims processing and post audit reviews.

I. Statistical Quality Control

PREFACE: Loan Administration Performance (LAP) is a measure of Loan Administration's quality performance. The Loan Administration redesign and final phase of servicers migrating to VALERI in November 2008 brought major changes to the servicing processes, including revisions to the 311 and 321 quality schedules. Final modifications to the schedules were completed in December 2008. The months of October 2008 and November 2008 were excluded in the final LAP score for FY 2009; therefore the ending measure only included nine months of reviews from December 2008 through August 2009.

Loan Administration exceeded the LAP goal of 97 percent with an accuracy score of 99.56. This is just a slight increase over last years LAP score of 99.39 using the previous schedules.

A. SAMPLING PROCEDURES:

[M26-9, Paragraph 2.03] The sample size for both Quality Schedules 311 and 321 is 30 cases per quarter. The system generated SAS (Statistical

Analysis System) listings addressed in M26-9, Paragraphs 3.13 and 3.14 have not been used since conversion to VALERI system. Cases are randomly selected by Central Office from an end of month report generated out of VALERI, which are then forwarded to the office for review.

B. ACCURACY AND COMPLIANCE:

1. <u>QUALITY SCHEDULE 311, SERVICING OF GUARANTEED LOAN</u>: [M26-9, VA Technician Guide, 9.2.2.1] The 311 quality schedule covers the quality of our Adequacy of Servicing (AOS) reviews completed by technicians. The 311 quality schedule has three questions. Each case selected for review will have an answer of either yes or no for the first two questions and question three is always N/A, unless servicing was inadequate. This schedule addresses the quality of our oversight in assuring that the loan has been properly serviced and the borrower has been provided sufficient information to reinstate the loan or avoid foreclosure. The AOS review is completed on loans that have been referred to foreclosure or are delinquent 210 days past the last paid installment. Cases are selected from active defaults where the AOS review was completed in the month prior to the reporting date. Technicians document their AOS review results in VALERI case notes. During this reporting period zero defects were discovered in 180 actions.

Contact with the servicer is addressed in question one of the 311 quality schedule and borrower contact is addressed in question two. It is not necessary for the technician to contact the borrower if it is determined that sufficient information has already been obtained to determine the adequacy of servicing. The St. Paul RLC has a standing policy to contact the borrower, regardless of information obtained from the servicer, if no prior contact has been established.

2. <u>QUALITY SCHEDULE 321, POST AUDIT</u> [38 CFR 36.4833; M26-9; VA Technician Guide, Chapter 12, Post Audit Survey; VA Servicer Guide, Annex 4] The 321 schedule covers the quality of our post audit reviews completed on loans for which servicers received an incentive or claim payment, as well as loans for which servicers completed loss mitigation options, loan terminations, or partial releases of security. Cases for the 321 schedule are chosen for review where the Post Audit process was completed in the month prior to the reporting date. During this reporting period there were a total of 450 actions and two defects were noted, producing an error rate of .44 percent.

There are five questions on the 321 quality schedule. The questions address each of the specific steps within the post audit review process to validate that appropriate action was taken in reaching the final post audit results. This is the primary objective of the post audit. There were two defects identified during this review period, one for question three and the other for question five. The defect for question three was a failure to associate a document in support of items claimed for utility expenses. The question five defect was a failure to offset a bill of collection for an insurance refund credit. As the defects were unrelated and have been discussed with the employees, no further corrective action is required.

C. TIMELINESS: [M26-9, Paragraph 3.14]

1. There are no timeliness standards for schedules 311 or 321.

II. General Servicing

A. <u>EQUITY SKIMMING</u>: Equity skimming (Public Law 100-242) occurs when an individual or business acquires properties secured by home loans insured, guaranteed or made by the government and fails to make payments that become due on those loans and diverts rental proceeds from the property for personal use. A purchaser who collects rent without making loan payments does not have to be personally liable for repayment of the loan to be found guilty of equity skimming.

If the property was transferred, the original homeowner is often times unaware of any loss of property rights. A property transfer to a purchaser intent on equity skimming may be averted if the borrower requests a release of liability. Release of liability would require the assumer to meet VA underwriting requirements. If approved, the assumer would be responsible for repayment of the loan indebtedness.

Technicians are required to identify and report cases to their supervisor in which suspected equity skimming is taking place. The ALGO reviews all cases referred for equity skimming. During FY 2009, no cases were reported for equity skimming.

Six technicians with various levels of experience were randomly selected and interviewed about this topic. All six did not have a working knowledge of equity skimming. These findings may be a result of the current market. In recent years, home values have dropped throughout the country and homeowners may now owe more on their homes then the appraised value. As a result, equity skimming is unlikely. All six technicians were provided an overview of equity skimming and their responsibility to inform his/her supervisor of cases suspected of mortgage fraud. As a result of these findings, equity skimming training was provided to the section on October 15, 2009.

B. <u>PARTIAL RELEASE OF SECURITY</u>: [38 CFR 36.4827; VA Technician Guide, 3.2.2.5] A partial release of security releases a portion of the security property from the lien. Borrowers may request a partial release to subdivide their property or when a portion of their land is involved with a state or local government road improvement. In the majority of the cases, the homeowner is paid an amount of consideration for the release. Servicers are required to follow guidelines established by VA to complete the partial release of security.

Servicers are required to manually report the partial release of security event in the Servicer Web Portal (SWP) by the seventh day of the month following the month in which they executed the partial release. There is not a process that opens for technicians to review when this event is reported.

The partial release of security becomes eligible for post-audit 60 days after VALERI receives the partial release of security event. During FY 2009, there were no post audits completed on a partial release of security by the St Paul RLC.

C. UNAUTHORIZED TRANSFERS OF OWNERSHIP: [38 CFR 36.4803; VA Technician Guide, 3.2.2.4] An unauthorized transfer is a transfer of ownership made on a loan originated on or after March 1, 1988, without the prior approval of VA or an automatic lender. Under VA Regulation 36.4803, servicers are required to notify VA via telephone, email, fax, or letter after learning of an unauthorized transfer of ownership. VA requires this information to determine whether the unauthorized transfer led to a foreclosure action, and a subsequent claim on the loan.

When a servicer reports an unauthorized transfer of ownership, the assigned technician will add an “unauthorized ownership transfer” issue on the loan in the VALERI system. The technician will also add a regulatory infraction for the unauthorized transfer of ownership. The servicer is required to report the unauthorized transfer of ownership by the seventh day of the month following the month in which they discovered the unauthorized transfer occurred. If the servicer fails to report this event timely, the technician will also add a regulatory infraction for late reporting.

Once VA is notified of the unauthorized transfer, the technician will contact the servicer to encourage them to attempt to contact the borrower and execute a retroactive release of liability. The Loan Production Section is responsible for providing servicers with guidance on processing assumptions and releases of liability in connection with an unauthorized transfer of ownership.

In FY 2009, no cases were reported to VA for unauthorized transfer of ownership.

III. Delinquent Servicing

A. EARLY PAYMENT DEFAULT (EPD): [38 CFR 36.4815; VA Technician Guide, 5.2.2.2] An Early Payment Default (EPD) process is initiated in VALERI when a borrower defaults on his/her loan within the first six payments after a loan modification. An EPD on a modified loan may indicate fraud or mishandling of the loan modification by the servicer. There are four steps a technician must complete when reviewing an EPD, which include reviewing the case file, contact the borrower, obtaining information from the servicer and finally determine the quality of the underwriting.

If the technician finds that the borrower did not agree to the modification or the underwriting did not meet VA guidelines, a regulatory infraction for an improper modification is entered and a bill of collection (BOC) for any incentive paid by VA is issued. Any future claim payment may also be reduced if it is determined that the improper loan modification resulted in an increase to VA's liability.

In FY 2009, the St. Paul RLC completed 169 EPD processes. Eight completed EPDs were randomly selected and reviewed for timeliness and accuracy. Seven of the eight loans were underwritten per VA guidelines. The remaining loan was not underwritten per VA requirements. As a result, three regulatory infractions were added: the interest rate exceeded the maximum allowable rate, the loan was modified more than once within three years, and the servicer failed to review income documentation prior to approval. Although the modification did not meet underwriting requirements no issuance of a BOC was required, as VA did not pay an incentive. In all eight cases, servicers provided the required documents within the allotted time limits and the technicians completed the processes timely.

B. UNREPORTED LOSS MITIGATION LETTER: [38 CFR 36.4850; 38 CFR 36.4817] During their servicing process, the servicer is required to send the borrower a loss mitigation letter outlining the home retention options and alternatives to foreclosure. In the event the servicer fails to report the letter as being sent in VALERI, the Unreported Loss Mitigation Letter process initiates in VALERI.

The purpose of the process is to confirm the letter was sent, and that it was sent within the required timeframe. Contact is made with the servicer requesting they send the letter and report the event in VALERI. In the event the letter is not sent, or the servicer refuses to send the letter, the technician sends out the letter on their behalf. Failure to send the loss mitigation letter, or late reporting of the event, results in a regulatory infraction being added.

During FY 2009, Loan Administration completed 1,118 Unreported Loss Mitigation Letter processes. Twenty-eight cases were randomly selected for review. Of the 28 cases reviewed, all processes were completed timely. Two steps within the process are to ensure the technician made contact with the servicer, and sent the letter in the event the servicer did not. Both steps were completed appropriately. A third step consisted of adding a regulatory infraction for untimely reporting, late loss mitigation letter sent, and failure to send the letter. There were three instances where the regulatory infraction was not added. One of the cases involved a new employee, and additional training was provided. The other two cases involved employees who no longer work for VA.

C. LOSS MITIGATION: [VA Servicer Guide, Chapter 5] Loss Mitigation is a way to help veterans avoid foreclosure on delinquent loans and reduce losses to the Government. VA has given more authority to servicers to execute loss mitigation options and pays incentives when these options are successfully completed. The five loss mitigation options servicers have authority to complete are divided into home retention options and alternatives to foreclosure. Home retention options include repayment plans, special forbearances, and loan modifications. Alternatives to foreclosure include compromise sales, and deeds-in-lieu of foreclosure.

The table below provides a review of completed loss mitigation options from a local and national perspective, during FY 2009.

Loss Mitigation Option	St Paul RLC	National
Repayment Plan	299	3,018
Special Forbearance	45	529
Loan Modification	471	4,396
Compromise Sale	195	1,885
Deed in Lieu	55	450

D. EXCEPTION LOAN SERVICING: [VA Technician's Guide, Chapter 5] In the VALERI environment, VA delegates the primary responsibility for loss mitigation to servicers, however a technician may generate a loss mitigation recommendation on an exception basis. A technician conducts a loss mitigation analyses in VALERI when one of the following occurs: A borrower calls the technician directly regarding possible loss mitigation options and is unwilling or unable to work with the servicer, inadequacy of servicing was determined during the Review Adequacy of Servicing process, or the Review Notice of Value (NOV) without Electronic Default Notification (EDN) process resulted in a technician determining a servicer was pursuing loan termination action without considering loss mitigation options.

If the technician becomes involved on an exception basis, he/she obtains information from the borrower and enters the necessary information in the Loss Mitigation Tool, and uploads any pertinent information into VALERI. Once the technician has entered the appropriate information, the Loss Mitigation Tool generates loss mitigation recommendations for borrowers. The tool generates a recommendation for a repayment plan, special forbearance, loan modification, compromise sale, or deed-in-lieu of foreclosure based on financial information inputted into the tool.

The Loss Mitigation Tool is not working properly at this time and does not make the appropriate recommendation based on the data entered. Two St. Paul RLC employees were selected to participate in nationwide group to review and test this tool. The group identified errors and made recommendations to Central Office. Due to the Loss Mitigation Tool not working properly, our office developed an Excel spreadsheet to assist technicians in analyzing the borrower's financial information and determining an appropriate plan of action.

Once a determination has been made, the borrower is contacted to communicate the results of the analysis and to gain their agreement to the best fitted option. The technician will then notify the servicer of their recommendation and seek verbal agreement from the servicer to implement the recommendation. Finally, the technician would confirm the loss migration option was implemented by verifying the appropriate event is reported in VALERI or through contacting the servicer by phone. If the servicer fails to implement the recommendation, VALERI initiates the Review Refund process.

The Make Loss Mitigation Recommendation process was completed on 24 cases in FY 2009. No cases were found where the Review NOV without EDN process was initiated. Of the processes completed, 13 were for pre-approval requests on modifications, four were during EPD and Suspicious Loan Modification reviews, one was in response to inadequacy of servicing, and six were in regards to assisting borrowers when they were either unwilling or unable to work with their servicer. Due to the Loss Mitigation Tool not working properly, management was not able to get an accurate count of processes completed in FY 2009, where supplemental servicing had been completed.

E. PRE-APPROVAL RECOMMENDATIONS AND DECISIONS: [38 CFR 36.4845; VA Technician Guide, Chapter 15] VA requires servicers to follow regulatory requirements for servicing loans guaranteed by VA unless extenuating circumstances prevent them from doing so. If a servicer must deviate from a regulatory requirement, a request for VA pre-approval must be requested. To request a pre-approval, the servicer must contact the VA Regional Loan Center (RLC) assigned to the designated case, and request a one-time prior approval to deviate from an established VA Regulation.

A servicer can request a pre-approval by contacting VA via telephone, email, or fax. A servicer is also required to submit any applicable documentation for the pre-approval review. Servicers can request pre-approval for varies reasons, however, the most common examples are timeframe extensions for foreclosure and bankruptcy relief, acceptance of a compromise sale for less than net value, and loan modifications that are not within VA requirements. Once a request has been received with all supporting documentation, VA has seven days to make a determination and notify the servicer of the final decision.

Upon receipt of the pre-approval request from the servicer, the assigned technician completes a review of the request and the supporting documentation. The technician will also create an issue on the loan for the pre-approval. If VA grants the pre-approval request, the issue established on the case by the technician will remain open on the account. An open issue automatically makes an associated acquisition or claim non-routine, in the event that the loan is ever terminated. This allows VA to review the loan prior to taking acquisition and to make adjustments to the claim, when appropriate.

In FY 2009, the St. Paul office reviewed a total of eight pre-approval requests. Of the eight, one was a pre-approval for a compromise sale with net proceeds less than net value, and seven were pre-approvals for loan modifications with terms outside of VA guidelines. A review of 100 percent of the pre-approval requests was completed. In all the pre-approval cases, the technician appropriately established an Issue for the pre-approval. In addition, all the cases were completed timely and the servicer was notified of VA's decision within seven days of the request receipt.

F. SUSPICIOUS LOAN MODIFICATIONS: [38 CFR 36.4815; VA Technician Guide 5.2.2.1] Servicers are required to comply with VA Regulatory requirements for loan modifications. Technicians complete a review of the modification if the servicer reports the Loan Modification Complete event and VALERI determines that information provided in the event does not meet VA requirements. VALERI will initiate the Review Suspicious Loan Modification process when any of the business rules in the Loan Modification Complete event fail. The technician must obtain the loan modification documents from the servicer to confirm whether or not VA requirements were met. If it is determined that VA requirements were not met, written notification is sent to the servicer for correction and a regulatory infraction is added to the loan.

There were 103 Review Suspicious Loan Modification processes completed in FY 2009. Eleven of those cases were selected at random and reviewed for quality and timely processing. All 11 of the sample cases were completed timely, and decisions were accurate.

Additionally, of the 11 cases reviewed, six loan modifications were found to not comply with VA Regulations regarding the interest rate. In those six cases the servicer was notified of the error and a request was made to correct the interest rate.

G. SERVICER INCENTIVES: (38 CFR 36.4819; VA Technician Guide, Chapter 6) In the new regulatory environment, VA has an incentive payment program for servicers to encourage and reward them in assisting veterans to remain in their homes or pursue alternatives to foreclosure, if home retention options are not feasible. VA will only pay incentives when a successful loss mitigation option has been completed and the loan is at least 61 days delinquent. The following loss mitigation options are eligible for an incentive when a loan reinstates: repayment plan, special forbearance and loan modification. The compromise sale and deed-in-lieu of foreclosure are eligible for incentive payments after the loan has been terminated and are issued at the same time as the claim payment. Incentive amounts differ depending on the loss mitigation option and the servicer's tier ranking. Due to the recent transition into VALERI, all servicers currently have a Tier Two ranking. VACO is developing a tier ranking system to evaluate and assign each servicer a ranking based on performance.

VALERI initiates the approve incentive process once a loss mitigation option becomes successful. Both the technician and Senior Loan Technician review the loss mitigation option events in VALERI to ensure it meets VA requirements. After the incentive is approved it proceeds to the Servicing Officer for certification. If the review reveals the workout options does not meet VA guidelines, the incentive payment is denied. Common reasons for denial include: reported repayment plan is not three months in duration, reported forbearance is not one month in duration, loan is not a reportable default or home retention option reported did not cure the default.

For FY 2009, 665 Approve Incentive processes were completed in VALERI. Compromises sales and deeds-in-lieu of foreclosure were not considered in this review because they are paid in conjunction with the claim payment. Five percent, or 34 cases, were randomly selected for review to ensure VA made a correct decision to pay an incentive and the incentive was paid within our time requirements. Of the cases reviewed, VA made the correct determination on 100 percent of the cases, and 94 percent were completed timely. Two cases were completed one business day beyond the original due date, which has been addressed with the employees. Of the 34 cases reviewed, 29 resulted in an incentive payment to the servicer. Twenty-seven of the cases were for completion of a loan modification.

H. <u>NON-ROUTINE INCENTIVE PAYMENTS:</u> [38 CFR 36.4819; VA Technician Guide 6.2.3] VA will pay an incentive to the servicer for implementing a loss mitigation option to keep veterans in their homes or completing alternatives to avoid foreclosure. There are, however, circumstances when the servicer implements an option, and the incentive should not be paid. When this occurs, VALERI or the technician initiates the Prevent Servicer Incentive process.

The Prevent Servicer Incentive process is initiated when the servicer fails to make recommended changes to the loan modification agreement, fails to implement a loss mitigation option recommended by VA, or when it is determined that inadequate servicing of the loan took place.

During FY 2009, only one Prevent Servicer Incentive process was initiated. The process was completed within the allotted timeframe, and the decision was appropriate.

I. IMPROPER RETURN OF PARTIAL PAYMENTS: [38 CFR 36.4816; VA Technician Guide 7.4.2] To ensure mortgage companies are adequately servicing delinquent loans within VA guidelines, VA monitors the return of partial payments. A partial payment is a remittance by or on behalf of the borrower on a loan in default of any amount less than the full amount due under the terms of the loan and security instruments at the time the remittance is tendered. If the servicer does not accept a partial payment they must notify VA by submitting the Partial Payment Returned event in VALERI.

If a borrower contacts a technician directly to report a partial payment returned the technician is responsible for initiating the manual review partial payment process in VALERI. This process gives the technician an opportunity to review the circumstances and determine if the payment was improperly returned, based on VA Regulations. Return of an eligible partial payment may result in a regulatory infraction in VALERI and a partial or total loss of guaranty. During FY 2009, there were no review partial payment processes completed.

J. ADEQUACY OF SERVICING REVIEWS: [VA Technician Guide 9.2.2.1] VA evaluates the adequacy of servicing for every loan that is referred to foreclosure, as well as loans that are delinquent 210 days, but have not been referred to foreclosure. The review is completed to ensure that servicers are adequately servicing VA loans and that proper attempts are made to contact borrowers to advise them of the options available for foreclosure avoidance. The process involves the technician reviewing the case history, contacting the servicer to inquire about their attempts to offer loss mitigation alternatives to the borrower, and then contacting the borrower to ensure that they understand the options available.

In FY 2009, 4,282 Adequacy of Servicing processes were completed. A sample size of one percent, or 44 cases, was used to assess this process. Servicer contact was made in 43 of the 44 cases. The one case where a servicer contact was not made was a transition loan, and there had been a recent contact documented in LS&C, therefore additional contact with the servicer was not necessary.

Of the 44 cases, actual contact with the borrower was made in 12 of the cases. The remaining 32 cases had a case note documenting the attempts. Four of the 32 cases with no borrower contact were transition loans with recent documented contacts in LS&C, which was noted and used to make the final decision.

Of the cases sampled, 44 were completed timely, which equates to 100 percent of the sample size. The average process time for this review was 18.34 days, which is below the 33 days allowed. The approval or denial of the adequacy of servicing recommendation is required in 3 days. Of the 44 cases sampled, 100 percent were completed timely.

K. <u>SUBSTANTIAL EQUITY</u>: [VA Technician Guide, 9.2.2.2] Anytime VALERI calculates that there may be substantial equity based on an updated Notice of Value (NOV) from TAS, a technician may complete the following processes: Review Substantial Equity and Notify Veteran of Substantial Equity. This review protects the veteran from losing any potential equity he or she may have in their property. The St. Paul RLC developed an excel worksheet to assist technicians in determining if substantial equity exists.

The technician will review the case and contact the servicer to verify if there are any liens or judgments on the property that may affect the equity. If the technician determines there is substantial equity, the veteran will be contacted to notify him or her of the equity in the property. In cases where substantial equity exists, the technician may also complete the following processes: Postpone Loan Termination Action and Notify Veteran of Postponed Loan Termination Action. When it is determined that an account must be postponed due to substantial equity, a technician contacts the servicer and requests that the foreclosure sale be postponed. Once the postponement has been confirmed, the technician notifies the veteran of the postponement by phone or e-mail.

In FY 2009, there were 676 Substantial Equity reviews completed. Thirty-four cases (5 percent) were reviewed for this report. Of the 34 cases reviewed, 24 had substantial equity and 10 did not. All cases reviewed were completed correctly, however one case was not completed in the required timeframe. The delay in processing was training related and the assigned technician retired in the summer of 2009.

During FY 2009, 442 Notify Veteran of Substantial Equity processes were completed. It was determined that foreclosure should be postponed in 24 instances. Four of these cases (16.67 percent) were reviewed, and all were appropriately postponed and completed in the required timeframe.

L. <u>REFUNDED LOANS</u>: [38 CFR 36.4820; 38 CFR 36.4824; VA Technician Guide Ch 8 and Chapter 11 (11.3)] Refunding is the purchase of a VA guaranteed loan from the servicer as authorized under 38 CFR 36.4820. This process is VA's final attempt to keep the veteran in his or her home. Once VA approves the refunding of a loan, a settlement date (60 days) from the date of approval is established. The servicer is required to submit their final accounting by this date or risk the possibility of VA paying only the unpaid principal balance, accrued unpaid interest, and the cost of one appraisal.

The refund process is broken down into six processes in the VALERI environment to allow technicians to easily monitor the status of a refund cases. The six processes are: Get Refund Settlement Data, Review Refund, Refund Title Documentation, Prepare Set-up Sheets, Prepare Loan Modification Agreement, and Complete Loan Refund.

Our current contract servicer, Bank of America (BAC), monitors refunded loans as soon as VA has agreed to the purchase the loan. The borrower, servicer and BAC are sent copies of the refunding approval. Upon receipt of the approval letter, BAC creates a skeleton record and begins monitoring the account for full establishment.

Our station policy is to provide the set-up sheets to BAC within five days after the settlement date. Set-up sheets are prepared and electronically sent to the Portfolio Financial department. Currently the accounting functions for VA portfolio loans are handled through Administrative and Loan Accounting Center (ALAC), in Austin, Texas. Once the set-up sheets have been submitted to ALAC, they will then send the set-up sheets on to BAC.

Of the two refunds completed this year one was submitted five days after the settlement date. The other was submitted sixteen days after the settlement date. Employees have been reminded of our local policy to have set-up sheets submitted within five days after the settlement date.

M. PRE-FORECLOSURE DEBT WAIVER REVIEW**:** [38 CFR 36.4826(e)(1); VA Technician Guide, 9.2.2.3] A pre-foreclosure debt waiver is a complete release of VA's right to collect a debt from an obligor. VALERI initiates a Pre-Foreclosure Debt Waiver Review process any time a type "2" loan (loan that closed prior to January 1, 1990) or a type "6" loan (loan that closed on or after January 1, 1990 and has been assumed) is referred to foreclosure. A technician should consider denial of the pre-foreclosure debt waiver in cases of fraud, misrepresentation, or bad faith by the obligor in obtaining the loan or in connection with the loan default. An unauthorized transfer of ownership could also be a reason to establish a debt.

Many factors can contribute to granting a pre-foreclosure debt waiver. For example, liability that has been extinguished through bankruptcy, cases where the original veteran is deceased, or the likelihood of collecting on the debt and the obligor's cooperation in exploring alternatives to foreclosure. If the VA waives the debt, VALERI closes the Pre-Foreclosure Debt Waiver process. If the VA chooses not to waive the debt, VALERI records this decision for establishing the debt at time of claim.

During FY 2009, the St. Paul RLC completed 129 pre-foreclosure debt waiver reviews. Of the processes completed within the last year, 13 percent were type

“6” loans and 87 percent were type “2” loans. For this report, 13 cases were randomly selected for accuracy and timeliness. The selection included three type “6” loans and ten type “2” loans. Based on our review, the Pre-Foreclosure Debt Waiver process opened in error for two of the three type “6” loans. This was due to the servicer reporting a loan assumption even though an assumption had not been completed. A pre-foreclosure debt waiver was not required on these two cases. Of the remaining 11 cases, all were completed timely and correctly, and the debt was waived on every case.

N. TRANSFER OF CUSTODY/ACQUISITIONS: [38 CFR 36.4823; VA Technician Guide Ch 10, Chapter 13 (13.2); Chapter 14 (14.2.1.3)]:

1. Transfer of Custody - Servicers have the option to transfer custody of a property to VA after a loan is terminated through foreclosure or deed-in-lieu of foreclosure (DIL). A transfer of custody is conditional upon VA Regional Counsel’s approval of title. If there is an invalid sale or improper transfer of custody, or there are title problems, VA returns custody of the property to the servicer.

Servicers are responsible for ensuring that custody of the property is transferred to VA, and submitting complete and acceptable title evidence to VA within the appropriate timeframe. The Transfer of Custody (TOC) event must be reported by the 15th calendar day following the date of termination. The date of termination for foreclosed loans is the date of legal termination as defined under state law. For a deed in lieu of foreclosure, the termination date is the date the deed is recorded.

No technician review of the property acquisition is necessary if the servicer had zero broken business rules throughout the servicing of the loan. This is considered a “routine” acquisition and VALERI will automatically processes the acquisition for conveyance and certification of payment. Non-routine acquisitions are generated when there are broken business rules, which requires a technicians review. Due to the number of system related issues that have been experienced this past year, the St. Paul RLC has technicians review all routine and non-routine acquisitions, for approval and certification.

During FY 2009, 1,279 acquisitions were processed through VALERI. A random sampling of 64 cases, five percent, was selected for review. All cases reviewed were completed correctly and timely. Initially, this process was due for certification the same day the TOC event processed in VALERI. Due to system defects, the non-routine acquisition process would open after business hours or on weekends, creating the appearance of late acquisition processing. This issue has been resolved, and both the technician and Senior Loan Technician now have one day to complete their review.

2. Appealed Late Acquisitions - If the servicer fails to submit the TOC event by the fifteenth calendar day following the date of termination, VALERI rejects the event. They may appeal the rejected event within thirty days after they receive notice of the rejected event. Only the Loan Administration Officer can make the decision to accept a late transfer of custody. For the FY 2009, there were a total of 172 appealed late acquisitions processed. Twenty-five cases were randomly selected and reviewed for approval or disapproval decisions. Of the 25 selected, four were disapproved, and 21 were approved. All were completed timely and accurately with case notes properly annotated.

3. Return of Custody - VALERI returns custody and issues a bill of collection (BOC) any time it determines that VA should not have acquired the property due to a improper transfer of custody or invalid sales results. VA offsets future payments to servicers if they do not satisfy the BOCs timely. A Senior Loan Technician must approve or deny each VALERI generated BOC. VALERI then presents an approved BOC to a certifying official for certification.

In FY 2009, 21 BOCs were established for acquisition payments. Fifteen BOCs were issued due to invalid sales and six were issued for an improper transfer of custody. For this report, 11 acquisition BOCs were selected and reviewed for accuracy and timeliness. All were completed timely and accurately with case notes properly annotated.

O. DEEDS PROCESSED: [38 CFR 36.4845(b); VBA Circular 26-09-15] On occasion, a servicer may prepare and record a deed transferring the property to VA in error. The servicer will then determine that a quitclaim deed is needed to transfer any interest previously conveyed to VA. In the past, servicers would contact the RLC of jurisdiction to reconvey the property back to the servicer. With the implementation of our new regulations, jurisdiction was no longer regionalized and it was unclear which RLC should be contacted to request the quitclaim deed. As a result, Central Office issued VBA Circular 26-09-15 outlining the process for requesting execution of a quitclaim deed.

If the loan is active in VALERI and the property was conveyed in error to VA, the servicer must e-mail the assigned technician in VALERI. The request must include a synopsis of the case, an electronic version of the quitclaim deed to be executed, and transmittal information for the party responsible to record the executed deed. If the case is not active in VALERI, the request will be sent to the Loan Administration Officer (LAO) at the RLC nearest the location of the property. Once the request has been received, VALERI case notes will be annotated and the deed will be forwarded to the LAO for review prior to execution. Under 38 CFR 36.4845 (b) the LGO or ALGO has the authority to execute a deed in any area of the country on behalf of the Secretary of Veterans Affairs.

During the review period, the St. Paul RLC processed nine quitclaim deeds for loans assigned to our office. Of the nine, five were selected for review. All five were in a liquidation status in VALERI and case notes were properly annotated. The LAO approved only one of the five cases prior to the execution of the quitclaim deed. The remaining four cases did not require LAO review as the quitclaim deeds were executed prior to the release of the circular.

In addition to processing the deeds assigned to our office, the St. Paul RLC was also selected by Central Office to assist with a nationwide backlog of pending deeds to Wells Fargo. The St. Paul RLC was able to prepare, execute, and return 60 deeds to Wells Fargo.

P. PAYMENT OF ROUTINE, NON-ROUTINE AND SUPPLEMENTAL CLAIMS: [38 CFR 36.4824; VA Technician Guide, Chapter 11] As a result of our new regulatory environment, significant changes have taken place in how we receive and process claims. Servicers are no longer required to submit paper claims; rather they submit them electronically through the Servicer Web Portal. Documentation in support of the claim is not required with the initial claim, however servicers must retain all documentation in support the claim for at least three years, should the case get selected for post audit. Servicers have the option of filing a claim for loans terminated through foreclosure, deed-in-lieu of foreclosure, and compromise sales. Both initial and supplemental claims must be filed within 365 days of loan termination. Claims submitted after the 365th day will automatically reject in the VALERI system.

A total of 1,355 claims were paid during FY 2009. Of the total claims paid, 1,106 were VALERI claims, and 249 were LS&C claims. A sampling of two percent of claims was reviewed, which equates to 27 cases. Of the cases reviewed, 23 were VALERI claims, and 4 were processed as transitional cases in LS&C.

1. VALERI non-routine claims - A total of 1,106 non-routine VALERI claims were processed in FY 2009. Within the non-routine claim process, the technician evaluates and makes a recommendation of the claim submitted by the servicer. The claim is then forwarded to the Senior Loan Technician for approval or denial of the recommendation. Once the Senior Loan Technician completes the review, the claim is then submitted to the Servicing Officer for payment certification.

This entire process is allowed a total of eight days for completion. The average time for completion of the claims sampled was 6.41 days. This results in 100 percent of the claims reviewed being processed timely.

2. LS&C claims (transition cases) [M26-9, 6.07d]: Eighty-five percent of all claims received on VA guaranteed loans must be processed within 30 calendar days from the date of receipt. In FY 2009, we processed 249 LS&C claims for payment. Of the claims sampled, all were processed within 30 days.

The average processing time for claims decreased to 17 days in FY 2009 in comparison to 18 days in FY 2008.

3. Supplemental claim - A supplemental claim may be filed by the servicer to request payment for any items not previously claimed on the original claim, or for items paid after the initial claim was submitted.

Servicers are required to submit documents via the Servicer Web Portal to support their request. The assigned technician ensures this documentation is received and reviews the case file including all events, issues, case notes, loan payment history and other loan details prior to making his/her recommendation. A Servicing Officer must approve a technician's recommendation. Approved recommendations are submitted to a certifying official for certification and payment.

Once a claim payment is certified, the servicer is notified via the Claim Payment Status report on the Servicer Web Portal. This report informs the servicer how the claim payment was calculated and includes information on items that were allowed or disallowed.

In FY 2009, 44 Supplemental Claim processes were completed. Twenty-five percent, or 11 cases, were randomly selected for review. All of the selected cases were completed correctly and timely, and in 10 of the 11 cases an additional claim payment was allowed. Payment was not actually disbursed on the remaining case because the maximum guaranty had been reached when the original claim was processed.

Q. APPEALS: [38 CFR 36.4824, VA Technician Guide, Chapter 14] Servicers may appeal unpaid incentives, claims, acquisitions, regulatory infractions, and bill of collections when they disagree with a decision made by VA. They must appeal the decision within 30 days from the date they are notified by VA through the Servicer Web Portal (SWP). The servicer is required to submit supporting documentation along with their justification. After a final determination of the servicer's appeal is completed, the final decision is posted in the SWP. VA uses the documentation and justification provided by the servicer as well as VA guidelines and regulations to make a final decision. All decisions made by VA on appeals are final.

There were 223 Review Appeal processes completed in FY 2009. Twenty-three of those cases were selected at random and reviewed for timely processing and quality. A total of 100 percent of the cases were completed accurately and 95.65 percent were completed timely. The one case that was completed late was late by one day and has been discussed with the employee.

R. REGULATORY INFRACTIONS: [VA Technician Guide, Chapter 7] A regulatory infraction occurs when a servicer does not comply with a VA Home

Loan Program regulatory requirement. VA records regulatory infractions in VALERI to gather information for servicer performance purposes and prompt technicians to make adjustments to claim payments, or deny an incentive or acquisition payment when necessary. Servicers have the option to appeal a regulatory infraction within 30 days of the date the infraction appears on the regulatory infraction report. Regulatory infractions can be identified by VALERI or by a VA technician. A VALERI identified regulatory infraction occurs when VALERI creates the infraction due to information reported by the servicer. A technician identified regulatory infraction occurs when the technician discovers an infraction occurred and adds the infraction details in VALERI. Regulatory infractions are reviewed when completing an incentive, acquisition or claim payment.

There were 910 Review Regulatory Infractions processes completed in FY 2009. Five percent of those cases were selected at random and reviewed for timely processing and quality. Of the 46 cases selected, all 46 were completed timely, and the decisions were accurate. There have been no appealed infractions from servicers.

S. POST AUDITS: [38 CFR 36.4833; VA Technician Guide, Chapter 12] The Post Audit process enables VA to monitor servicer performance and adherence to VA policies and regulations. The main purpose of the Post Audit process is to protect the interest of the veteran and ensure VA's liability was not increased. The primary objectives of the Post Audit are to verify the appropriateness of any payments, issue regulatory infractions when appropriate and to make any other necessary adjustments.

Once a month, VALERI randomly selects eligible cases for Post Audit review and assigns them to a VA technician. The servicer is notified of the cases selected and is required to upload the necessary documents in VALERI, within 30 days. Any loan with one of the following events may be selected for Post Audit review; repayment plan, special forbearance, loan modification, deed-in-lieu, compromise sale, terminated loan/foreclosure and partial release of security.

Although the Post Audit in whole is just one process, there are several steps completed within the process. The technician completes the first five steps of the Post Audit and makes his/her recommendation, which is then sent to a Senior Loan Technician. If the Senior Loan Technician approves the technician's recommendation, it is then sent to the Servicing Officer to complete the final review. If the Servicing Officer approves the recommendation, VALERI closes the process and provides the final results to the servicer. However, if the Servicing Officer or Senior Loan Technician denies the technician's recommendation, VALERI initiates an additional process called Rework Post Audit. During this process, the technician makes all the necessary changes discovered by the Servicing Officer or Senior Loan Technician and resubmits the recommendation for final review.

A total of 240 Post Audits were completed during this reporting period. Ten percent of the cases were reviewed which equates to 24 cases. Of the 24 cases reviewed, the final Post Audit result for payments and bill of collections issued, were found to be appropriate. System defects, servicer extensions, and obtaining required documentation did cause delays in completing post audits during this rating period. Only one of the 24 cases reviewed was untimely due to the technician. This has been addressed with the technician and no additional action is necessary.

IV. Miscellaneous

A. CLAIM ADJUSTMENTS/ BILLS OF COLLECTION: [VA Technician Guide, Chapter 13] VA issues a bill of collection (BOC) anytime we determine the servicer should not have received all or part of a previous payment to include incentives, acquisitions or claim payments. If a servicer does not satisfy a BOC, VA will offset future payments to recover the cost. There are two ways a BOC can be processed in VALERI. If a technician determines the servicer was overpaid through a post audit or another process review, they can open a manual BOC. VALERI also initiates the approve BOC process when the servicer reports an invalid sale or improper transfer of custody event. Another instance is when a claim results in a negative payment to the servicer, indicating the servicer was overpaid at time of acquisition.

During FY 2009, there were 48 BOCs completed. Our review of the cases showed that 56 percent of the BOCs were a result of an invalid sale or improper transfer of custody. The remaining 44 percent were discovered through our claim and post audit reviews. Of the 48 cases, 92 percent were completed timely, and the remaining cases were completed within days of the due date. Many of the delays were caused by system defects related to the claim payment. Three of the 48 cases had a BOC that was incorrectly issued to the servicer. In each case, the error was discovered through a later review of the case and appropriately corrected.

Because BOCs are an important function and a new, automated process in VALERI, we have recently conducted training to clarify valid reasons for a BOC and proper procedures for determining accurate BOC amounts. We have also updated our local Procedures Guide to reflect “helpful hints” for the Approve BOC process.

B. INDEMNIFICATION CASES: In order to ensure the lenders participating in the VA Home Loan program adhere to VA guidelines; loans are selected and reviewed by Loan Production. In addition, the Loan Guaranty Monitoring Unit routinely audits the lenders performance by conducting audits of closed VA loans. If a loan is found that the lender did not adhere to our requirements, the original lender may be required to sign an indemnification agreement protecting VA from any losses due to foreclosure within the first five years of the loan. If the servicer is the original lender, the servicer is advised of the executed indemnification agreement, whereas VA will not accept conveyance of the property and a claim will not be paid. If the loan was transferred to a holder in due course, VA will accept acquisition of the property and pay a claim. Central Office will pursue VA's loss suffered as a result of the indemnification agreement from the originating lender.

The St. Paul RLC has 31 cases assigned to them where there is an active loan indemnification in effect. Central Office is currently responsible for monitoring all indemnifications cases.

C. <u>FUNDS RECEIVED AFTER CLAIM PAYMENT</u>: [VBA Circular 26-09-9] On occasion, the St. Paul RLC may receive funds after a claim payment has been processed. If the funds had been accounted for at the time of the claim payment, the veterans' indebtedness would have been reduced. These credits must be easily identifiable by the Eligibility Center as they may be associated with the veteran's use of his/her VA home loan entitlement in the future.

In June 2009, Central Office released VBA Circular 26-09-9, which standardized the processing of these funds. Upon receipt of VA Form 24-6481, Notice of Mortgage Loan Remittance, WebLGY case notes are annotated regarding the funds. An "issue" is also added in VALERI so the assigned technician can consider the funds in any future claim reconsideration requests. Loan Administration forwards the form to the agent cashier who will scan and deposit the funds.

During FY 2009, 99 cases were processed for funds received after the certification of the claim payment. Of the 99 completed, 44 were processed on or after the release date of circular. Five of the 44 completed on or after the release date were reviewed for this report. An issue was added in VALERI and a case note entered in WebLGY for four of the five selected cases. The remaining case was processed on June 3, 2009; the same date the circular was released. This case was processed correctly under locally developed procedures.

D. <u>DATA QUALITY</u>: During FY 2009, the RLC continued our work on the Data Quality Initiative for Central Office. The main objective is to ensure all VA guaranteed loan reside in VALERI so that VA can conduct appropriate oversight of servicing activities. Loan Administration has contributed a total of 4,651 hours during the FY 2009, working on this objective. The data quality team has committed the majority of their time working on the following activities:

1. Non-Matching Loans – VA requires that anytime a servicer reports a loan to VALERI that a minimum of the VA loan number, the property state abbreviation, and the Servicer ID match with the information in VALERI. If

one of these data elements does not match, the loan is deemed a non-matcher and rejects out of VALERI. We have been comparing the servicers loan data against our data in order to identify any discrepancies and correct the data in question. Corrections are identified and they servicer is notified of the necessary changes they need to make. Corrections are also made to VA's data that has been incorrect. Since January 2009, we have decreased the number of non-matching loans from 31,767 to 14,252.

2. Multiple Servicers with the same Loan Identification Number (LIN) – VA has discovered that due to one servicer having an incorrect VA loan number, multiple servicers have been reporting on the same LIN. This is problematic as events are being reported against the wrong VA LIN. Our team, must research each loan to determine witch servicer is the rightful owner of the loan. Once the correct servicer is identified, VA reaches out to the servicer that is erroneously reporting on the loan for corrections to be made in their system.

3. VALERI Data Quality Email Account - In December of 2008, VA set up a data quality account so that all inquires from servicers and VA technicians related to data quality are sent to a centralized email account. The team monitors the email account to ensure timely and accurate responses.

E. VALERI HELPDESK/ POINT OF CONTACT (POC): [VBA Circular 26-09-10] The VALERI helpdesk provides level one support for training, system defects and regulatory questions. The helpdesk was initially staffed by contractor support. In December 2008, the helpdesk relocated its operations to Central Office, moved to a single phone line and shifted their communication primarily to emails. Central Office employees currently support the helpdesk. In addition to these changes, each RLC was responsible for appointing a primary and alternate Point of Contact (POC) to assist with VALERI Helpdesk issues.

Employees report defects found in VALERI to their Senior Loan Technician. They are then responsible for reviewing the defect and/or question and referring it via e-mail to the POC. Each reported defect is sent individually to the helpdesk for action. The role of the POC is to assure the defect is valid and then report it to the Helpdesk. Cases in question are presented to the Loan Administration Officer for review prior to sending for action.

POC calls are held every Wednesday afternoon at 12:30 CST. The purpose of the call is to discuss common areas of interest, defects and possible workarounds. Until September, Central Office facilitated the calls. In September, the RLCs became responsible for facilitating the calls. St. Paul facilitated the POC call on Wednesday, September 30th.

F. REPURCHASED LOANS UNDER 4600: [38 CFR 36.4600] Loans that are repurchased under 36.4600 are VA vendee loans that were sold to the industry prior to July 1988. These loans were sold with an agreement to repurchase should the borrower(s) become delinquent on their payments. The number of loans that VA is required to repurchase is on a steady decline, since VA has not sold loans under this regulation since 1988. Because of this, the VALERI system was not developed with a module to accommodate vendee loans. The St. Paul RLC was selected to complete the servicing and claims processing of all 4600 loans for the nation, which is accomplished in the previous servicing system, LS&C.

During this reporting period, our office processed 43 loans for repurchase. Claims must be processed with set-up sheets and electronically forwarded to ALAC within the timeliness standard of ten days. Of the 43 repurchases processed, all were completed in a timely matter. The average processing time for these loans was 6.56 days. This is well below the standard of ten days.

V. Efficiency of Operations

A. WORKFLOWS AND PROCESSES: Each technician is responsible for total case management in the VALERI system. This allows the technician to be involved in all aspects of the loan from the initial default through reinstatement or loan termination, claim processing, and post audit. Loan Administration continues to distribute the mail by scheduling two employees each week to this task. During the absence of the Loan Administration Officer, appropriate delegations were made to include contact with the VALERI Helpdesk for a temporary role change in VALERI for the delegated employee.

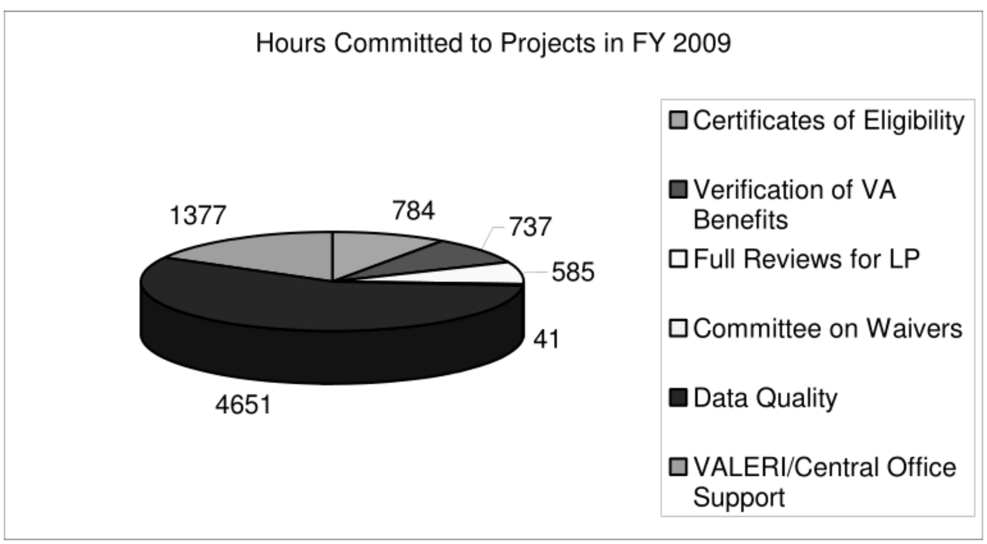
B. USE OF OFFICE SPACE AND EQUIPMENT: During FY 2009, the RLC moved from the temporary office space located in Bloomington to the Warren E. Burger Federal Building in downtown St. Paul. Loan Administration is located on the fourth floor of the building, with the Office of the Chief, Loan Production and Construction & Valuation located on the fifth floor. The fourth floor also includes a large training room, conference room and break room. Workstations in Loan Administration are located in a secure office space with open cubicles for technicians and Senior Loan Technicians and individual offices for each Servicing Officer and the Loan Administration Officer. The main office space for Loan Administration consists of six teams, divided into four groups of eight work areas and two groups with six. The 44 workstations include all new equipment including chairs, two desk surfaces, computer (with exception of two desks), built-in monitor and keyboard mount, desk lamp and an individual coat cabinet. There are three printers and one copy machine located on the fourth floor, which adequately accommodate the needs in Loan Administration. Employees utilize Rightfax for all faxes, and if needed, there is a manual fax machine on the fifth floor.

With Loan Administration being in a secure location and having evolved into a paperless work environment, we have dramatically improved our ability to protect veteran's data. Loan Administration has four Division Records Management Officers (DRMOs), consisting of the Loan Administration Officer and Servicing Officers. Periodic supervisory reviews of the employee workstations are conducted in accordance with VBA Letter 20-08-63. During FY 2009, workstation spot checks were completed in November 2008, March 2009, April 2009, and July 2009.

C. TELEPHONE CUSTOMER ACCESS: To provide the best customer service to our customers, phone coverage is provided from 7:00 am to 5:00 pm Central Time. Supervisors are responsible to ensure adequate coverage during the section's business hours.

As a result of our office relocation in October 2008 and the Warren E. Burger Federal Building power outage in September 2009, a portion of FY 2009 phone data is not available. During FY 2009, Loan Administration received over 19,310 calls. Between November 2008 and September 2009, the section received 9,016 calls to the ACD hunt group. Over 10,294 calls were received directly to a Loan Service Representative (LSR), Team Leader, Servicing Officer (SO) or Loan Administration Officer's (LAO) extension between January 2009 and the first half of September 2009. In addition, between November 2008 and September 2009 the section's abandoned call rate was 3.62 percent.

D. SUPPORT SERVICES: Throughout FY 2009, Loan Administration has been involved with various special projects in support of our mission both locally and nationally. The below chart provides a breakdown of the 8,288 hours committed to last years special projects.



The 1,377 hours in VALERI/Central Office Support consisted of a number of different projects including: the facilitation and development of two national broadcasts, VALERI system defect resolution and enhancements, VALERI Helpdesk POC support, development of a short training video for veterans, and participation in Secretary Shinseki's initiative to end homelessness among veterans in five years.

E. CONGRESSIONAL CORRESPONDENCE AND COMMUNICATIONS: With the change to a national distribution of workload and recent economic factors, Loan Administration has experience an increase in the number of congressional inquiries. In FY 2008, we only received three inquiries. During this review period, we received 16 inquiries, of which five were appropriately forwarded to the assigned station. Of the remaining 11 inquiries, nine were for veterans with VA loans and two were for veterans with non-VA loans.

Seven of the nine inquiries were for veterans with VA loans in which the servicer was not responding timely, or had denied the borrowers request for loss mitigation action. Of those seven, five were for approval of a loan modification and two were for approval of a compromise sale. The other two requests involved an escrow dispute and a dispute of the final accounting on a loan that was terminated several years back.

Of the two inquiries for veterans with non-VA loans, one was regarding an upcoming tax sale and the other was for approval of a loan modification. Loan Administration took appropriate action with all inquires to find resolution whenever possible. No consumer complaints were received during this review period.

F. PUBLIC RELATIONS: The Loan Administration Officer had the rare opportunity to participate in a local cable broadcast, which was then aired numerous times over the local cable network. The broadcast provided veterans with information on obtaining a VA guaranteed loan, as well as loss mitigation options to consider when faced with financial difficulties. He also participated in the RO Congressional training seminar. Loan Administration employees have attended several events to raise awareness of how we serve our veterans. Three employees volunteered at the "Government on Display" event held at the Mall of America in February 2009. In April 2009, Loan Administration participated in the Minnesota Mortgage Foreclosure Prevention Agency's foreclosure prevention specialist training.

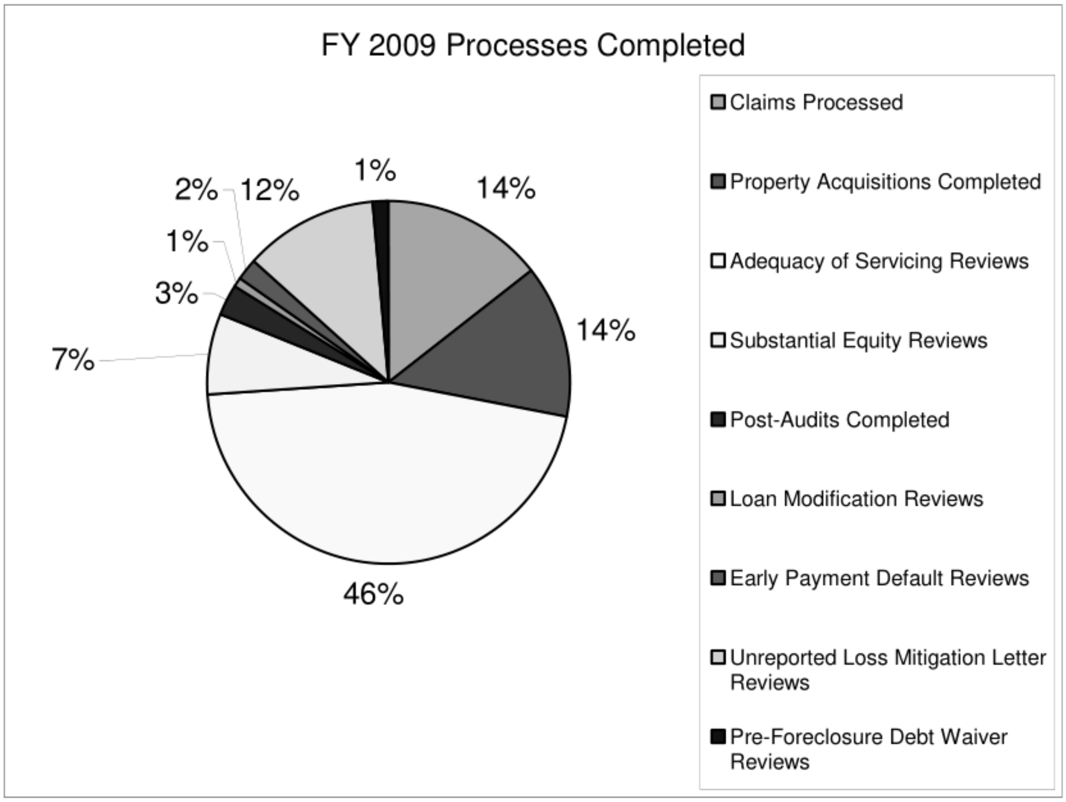
VI. Significant Trends

Work is distributed equally among available technicians nationwide. For this reason, we no longer see RLCs in areas of declining markets having a higher percentage of the workload verses the RLC in areas with a strong market. When an employee is no longer available for assignment (promoted to a new position, retirement, extended leave of absence) their workload is also redistributed nationally.

The work performed by Loan Administration is primarily oversight of the servicing completed on VA loans, in addition to processing claims and completing post audits. The work is generated by events submitted in VALERI and is defined through the various work processes. It is difficult to come to any valid conclusions in looking at workload trends when comparing FY 2008 to the current year. Loan Administration did not start completing comparable work until late February 2008 and the final phase into the new environment was not completed until November 2008. The table below provides a snap shot of work completed in the past two FYs and a breakdown by quarter for FY 2009, to give a better idea of the trend.

Processes Completed	FY 2008 Totals	FY 2009 Totals	1st Qtr FY 09	2nd Qtr FY 09	3rd Qtr FY 09	4th Qtr FY 09
Claims Processed	358	1,355	205	310	406	434
Property Acquisitions Completed	393	1,279	245	318	329	387
Adequacy of Servicing Reviews	2,259	4,282	1,000	1,158	943	1,181
Substantial Equity Reviews	285	676	185	136	137	218
Post-Audits Completed	13	240	12	23	58	147
Loan Modification Reviews	88	103	34	23	30	16
Early Payment Default Reviews	73	169	22	16	73	58
Unreported Loss Mitigation Letter Reviews	17	1,118	291	127	423	277
Pre-Foreclosure Debt Waiver Reviews	34	129	40	23	24	42

As anticipated, post audits had a significant increase from one quarter to the next, as more cases became eligible. The chart below clearly shows the emphasis that has been placed on the Adequacy of Servicing reviews, which equated to 46 percent of our workload during FY 2009.



VII. Management Functions

A. <u>PLANNING AND ORGANIZING</u>: Loan Administration is proactive in the planning and organizing of changes to policies, procedures, and staffing issues. The Loan Administration Officer meets with the Servicing Officers to review current and upcoming issues. Implementation and review procedures are developed, and then carried out. In addition, management continues to involve staff members in the planning and organizing of certain issues to make sure that we have the best possible results. This has been essential during the past year due to the many changes that have taken place, both in the work we perform, as well as the VALERI system. To keep pace with all of these changes we have developed a shared folder called "One Stop VALERI" which contains useful tools, information on the VALERI system, and detailed policy and procedures that are extremely helpful to employees and management. Loan Administration received a commendable finding during the FY 2009 site visit for "One Stop VALERI".

B. <u>IMPLEMENTATION AND CONTROLS</u>: Loan Administration utilizes regular section meetings in order to familiarize employees with new procedural guidelines, outline expectations, and provide needed written guidelines for reference. In addition, Team Leaders are tasked with ensuring employee comprehension, directly monitoring the implementation of procedures, and ensuring national, state, and/or geographical compliance. The Loan

Administration and Servicing Officers actively analyzes and determines the need for informational training sessions designed to 'refresh' existing knowledge or further address newly implemented guidelines. As a result, these sessions were sporadically scheduled throughout the FY and held by management and technicians.

VIII. Personnel Management and Utilization

A. EMPLOYEE TRAINING: During FY 2009, Loan Administration completed approximately 8,642 hours of employee training. Training was provided through LMS, in-house classroom training, VALERI training, computer-based training, and external off-site training. Loan Administration completed the 2009 Core Technical Training Requirements through the Learning Management System (LMS). Supervisors create employee LMS Learning Plans that are tracked locally and entered by the administrator. Employees manage their LMS training schedules, and have access to view and print their learning history.

In FY 2009, five new employees were hired in Loan Administration, four of which were career interns hired under the two-year intern-training program. The four interns were all recent college graduates, each with a varying degree of knowledge and experience in the mortgage banking industry. The interns started only four days prior to the end of FY 2009 and therefore, did not receive a caseload before the end of the FY. A combination of in-house classroom training, computer based training, on the job training, and external training has been used to prepare the new employees to manage their own VALERI caseloads. Training has been modified due to the new VALERI environment and will be monitored and assessed to ensure that the new employees will be able to effectively manage their VALERI caseloads.

The other employee hired in Loan Administration during FY 2009, had previous experience and firsthand knowledge of the mortgage banking industry. This employee started on June 1, 2009, and was assigned VALERI cases in July.

During Loan Administration section meetings we use classroom style training to target new policies and procedures. As an example, Loan Administration employees were given Post Audit Training, which was a complex, new process in the VALERI environment. Throughout this past FY Loan Administration has spent a considerable amount of time and effort to enhance the knowledge and skills of their employees.

B. EMPLOYEE LEADERSHIP: Providing employees with opportunities to develop their leadership skills is important to Loan Administration. Several employees have been involved with special projects within the section and division, as well as being involved with training sessions for the section on various subjects. Four employees attended the Basic Instructors Clinic in

June 2009. Jon Anderson is participating in the Federal Outreach Leadership Development (FOLD) Program and Katie Graham is a new member of the workgroup that has been developing a coordinated plan to end homelessness among veterans in five years.

During FY 2009, Loan Administration was also very fortunate to have two employees attend courses offered through the OPM Management Development Center. In March 2009, Andre Watier attended the Developing High Performing Teams session and in May 2009, Victoria Arnoldi attended the Supervisory Leadership Seminar.

C. INCENTIVE AWARDS: The implementation of VALERI has led FY 2009 to be a transition year in regards to new standards and goals, and therefore no formal award program was developed. Loan Administration used other informal awards to motivate and encourage employees in FY 2009. The Team Challenge and Foreclosure Avoidance Through Servicing (FATS) Challenge awards listed below were carried over from informal award challenges that were implemented in the previous FY. The Team Challenge award rewarded individuals for their initiated and successful intervention and alternatives to foreclosure. During the FATS challenge, time off was given for every successful intervention for servicers that were migrating into VALERI. The Trivia award allowed each employee the opportunity to receive an award and encouraged a positive work atmosphere. The Golden Nickel and One Time Special awards could be given for a number of reasons. For example, recognizing employees who provided superior service to veterans or other business entities, reached or exceeded a set goal, or completed a task on a special assignment.

Type of Award for FY 2009	1st QTR	2nd QTR	3rd QTR	4th QTR	Total Hours
Trivia	5.5	3.25	3.5	7.5	**19.75**
Team Challenge	5.75	.25	.25	.25	**6.5**
One Time Special	.75	10.75	34.25	62.25	**108.00**
FATS Challenge	2	0	0	0	**2**
Golden Nickel	.75	.5	.25	.25	**1.75**
Total Hours	**14.75**	**14.75**	**38.25**	**70.25**	**138**

In FY 2009, a total of 138 hours were awarded. The ability to award individuals for their contributions promoted a positive work environment and continued to have a positive impact on our quality of work.

D. INDIVIDUAL DEVELOPMENT PLAN (IDP): Voluntary and mandatory individual development plans (IDP's) have been implemented as a tool to help technicians manage and review their training and career development. IDP's have also been created in Loan Administration in order to help develop employee's skills and progress towards their career goals. As employees complete their training, the IDPs are updated with the completion date. Modifications to IDPs have also taken place during this review period as a result of the new regulatory environment.

E. POSITION DESCRIPTION: New position descriptions were created for Loan Administration employees with the implementation of the new regulatory environment. The final phase of employees migrating into the new environment was completed in November 2008, at which time all employees had been provided with an updated position description.

Eight employees were interviewed in Loan Administration to determine if they were able to produce a copy of their position description and if the position descriptions were appropriate for their current job responsibilities. The grade level of these employees ranged from GS-7 through GS-12. All eight employees had a copy of the proper position description.

Department of Veterans Affairs

Memorandum

Date:

From: Under Secretary for Benefits (20)

Subj: OIG Status Update – Oversight and Resolution of Home Loan Defaults [Report No. 18-03979-204] – VIEWS 01423608

To: Director, Operations Division, Office of Management and Administration (53B)

1. Attached is VBA's update on the OIG Report: Oversight and Resolution of Home Loan Defaults.

2. Questions may be referred (b)(6) .

Paul R. Lawrence, Ph.D

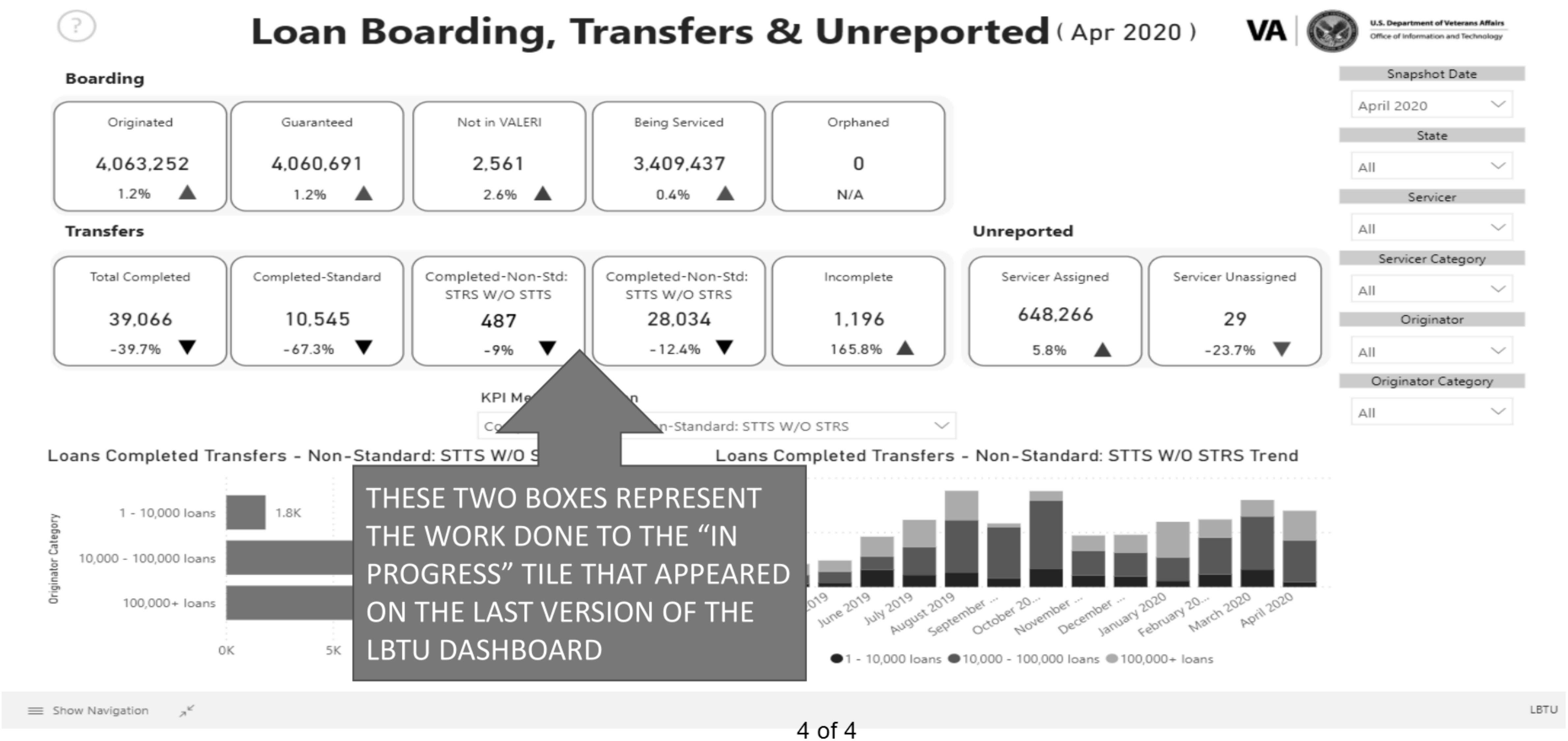
Attachment

Oversight and Resolution of Home Loan Defaults Report No. 18-03979-204, Issued September 30, 2019	
Recommendation 1:	**The Under Secretary for Benefits implements controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface (VALERI) system and implement compensating controls in the interim.**
OIG Comment:	See below.
VA Response:	<u>VBA's 8/23/19 Reply to Draft Report</u>: Concur. VBA will implement controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface system and implement compensating controls in the interim. Target Completion Date: December 31, 2019 <u>OIG's 12/30/19 Comment:</u> Please provide compensating controls implemented in the interim to address unreported controls and any new controls in the upgraded VALERI-R system when implemented. <u>VBA's 1/30/20 Update</u>: VBA upgraded the VALERI-R system to include analytic capability that allows Loan Guaranty Service (LGY) to monitor guaranteed loan statuses at the time of loan boarding, as well as during and after loan transfers. Upcoming additional releases will contain additional granularity into major categories of tracked loans. Attachment A provides a summary of loan boarding and loan transfer metrics, along with trends across time. In this dashboard, VBA is able to see how many cases are ascribed to the various categories of analysis, and view that data across time. Incomplete transfers are viewable in Attachment B, orphaned loans in Attachment C, and servicer-unassigned loans in Attachment D. This dashboard can also be filtered by servicer (Attachment E). LGY is working to incorporate these new Dashboards into its policy and oversight work, and plans to release additional guidance in the coming weeks. Target Completion Date: May 1, 2020 <u>OIG's 3/30/20 Comment</u>: Provide compensating controls implemented in the interim to address unreported controls and any new controls in the upgraded VALERI-R system when implemented.

	VBA's Current Status: Since the last update, VBA has worked to complete a dashboard enhancement to provide additional granularity into the major categories of tracked loans. Development of these enhancements went as planned and the dashboard is now in production. Attachment A provides a screenshot of the enhanced capability of our dashboard tracking, which shows the additional data elements now reportable and provides a technical explanation of the changes. This dashboard is now being used by the Policy team to proactively identify and address unreported monthly loan status. We request closure of this recommendation based on the evidence provided.
Supporting Documentation:	
Status:	We request closure of this recommendation based on the evidence provided above.

This Dashboard provides data on Loan Boarding and transfers, for all servicers.
[AWARENESS RE: LOAN BOARDING, ACROSS TIME] --- [AWARENESS RE: UNREPORTED MONTHLY LOAN STATUS]--- [AWARENESS RE: TRANSFERS BETWEEN SERVICERS]

Notes:
Some helpful data definitions for the new metrics (tiles) are in the NOTES field of this slide.



DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Oversight and Resolution of Home Loan Defaults

AUDIT	REPORT #18-03979-204	SEPTEMBER 30, 2019

The mission of the Office of Inspector General is to serve veterans and the public by conducting effective oversight of the programs and operations of the Department of Veterans Affairs through independent audits, inspections, reviews, and investigations.

In addition to general privacy laws that govern release of medical information, disclosure of certain veteran health or other private information may be prohibited by various federal statutes including, but not limited to, 38 U.S.C. §§ 5701, 5705, and 7332, absent an exemption or other specified circumstances. As mandated by law, the OIG adheres to privacy and confidentiality laws and regulations protecting veteran health or other private information in this report.

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Executive Summary

The VA Office of Inspector General (OIG) conducted this audit to determine whether the Veteran Benefits Administration's (VBA) Loan Guaranty Service (LGY) provided required oversight of the home loan default resolution process to ensure home loan defaults were appropriately resolved and minimized. Defaults are resolved by servicers using five potential loss mitigation options. The impact to the borrower can be minimized by timely resolution and selection of the loss mitigation option that is in the borrower's best financial interest. The loss mitigation options include three home retention options: repayment plans, special forbearances, and loan modifications. In addition, two loss mitigation options avoid foreclosure, which are deeds-in-lieu of foreclosure and compromise sales. VA's reported default resolution rate has steadily increased each year for the last four fiscal years from nearly 83.4 to just over 86.5 percent for fiscal years 2015 and 2018, respectively. In fiscal year (FY) 2018, VA reported over 14,800 veterans, active duty service members, or their families (borrowers) lost their homes due to foreclosure, which was down from about 18,000 who lost their homes in FY 2015. In FY 2018, VA reported seriously delinquent and foreclosure inventory rates of 2.03 percent and 0.87 percent, respectively. This was comparable to the conventional loan rates and lower than the Federal Housing Administration (FHA) rates.

To receive a VA-guaranteed home loan, a borrower must apply to a lender such as a bank or credit union. VA guarantees up to 25 percent of the original loan amount. Once the home loan is approved, lenders often transfer the loan to companies that act as private loan servicers, or in some instances the lenders service the loan themselves. If a borrower misses one payment, the home loan becomes delinquent. The loan is considered in default after 61 days without payment. The loan servicers are responsible for using the available loss mitigation options, such as repayment plans, to work with the borrowers to reach an agreement that will resolve defaulted loans and avoid foreclosure and loss of the home.

LGY monitors loan servicer activities and intervenes as needed to ensure that the borrower is properly afforded all opportunities available to either help the borrower keep the home or is provided an alternative to foreclosure. Loan technicians at regional loan centers conduct adequacy of servicing (AOS) reviews after 120 consecutive days without a reported loan payment. Regional loan center (RLC) technicians determine whether the servicer is complying with VA regulations by giving borrowers every opportunity to pursue all possible loss mitigation options to avoid foreclosure. VA pays the loan servicers monetary incentive awards upon successful completion of any of the loss mitigation options, and issues infractions when a servicer does not comply with VA regulatory requirements.

What the Audit Found

VBA's LGY did not always provide sufficient oversight to ensure all borrowers with defaulted VA home loans received the necessary loan servicing to appropriately resolve and minimize the impact of the default. The audit team estimated, based on a sample review of 200 loans, that approximately 14 percent had at least one LGY oversight deficiency. Specifically, the audit team found that in some instances LGY was unaware servicers were not reporting loan status, while in other instances it did not ensure loan servicers sent the borrowers the required loss mitigation letters. The audit team also found that LGY did not conduct quarterly monitoring of loan servicing and did not implement a mandatory tier-ranking system for loan servicers. The LGY director previously stated the upgraded VA Loan Electronic Reporting Interface (VALERI) system expected to be implemented by May 2019 (subsequently implemented on May 28, 2019) would provide these capabilities. The audit team and LGY also identified potential loan servicing risks to borrowers in disaster areas.

Loan Status Updates

LGY was unaware whether some loans were in default or current for varying periods of time, even though all servicers must report the loan statuses monthly. The audit team estimated that LGY may not have been aware of the status of approximately 6 percent, or 187,000 loans, with an estimated outstanding loan amount of just under $40 billion for varying periods of time during FY 2018. This equates to approximately 3,800 defaulted loans of about $811 million based on VA's reported default rate of 2.03 percent in FY 2018. RLC management and staff use the web-based application VALERI to view loan information, monitor loan servicing, report loan events, generate loss mitigation recommendations, conduct AOS reviews, and manage workloads. Current and prior LGY managers did not establish controls in VALERI to ensure servicers report loan status monthly because they were unaware of the extent of this issue, including the number and duration of loans that went unreported and were satisfied with VALERI's oversight capabilities. The LGY director indicated that the majority of loans that went unreported were due to servicers transferring loans, and VBA indicated there was little risk since most loans were current. LGY's data quality team does identify some unreported loans if VA and servicer data does not match, but the audit team estimates that this team identifies only a maximum of about 600 loans with errors per year. In addition, the data quality team's oversight does not include unreported loans that do not have any data matching issues. Given the audit team analysis of the length of time that some loans went unreported, delayed oversight could potentially increase the risk of borrowers choosing less advantageous loss mitigation options or losing their homes.

Loss Mitigation Letters

The audit team found a number of deficiencies with respect to loss mitigation letters. First, loan servicers did not report that the required loss mitigation letters were sent to borrowers. Second, that some loss mitigation letters were sent late. Third, that some loss mitigation letters were not sent. The audit team estimated that at least one of these problems was present in approximately 4,500 of 55,900 loans (8 percent). Loss mitigation letters include the potential loss mitigation options and how to contact the servicer and VA. The servicers must send the letter by the 75th day of the delinquency or the 45th day if the default occurs within six months from the beginning of the loan. The Code of Federal Regulations requires servicers to send loss mitigation letters and electronically report that the letters were sent. Borrowers may have realized a more advantageous outcome if they had been made aware of their options through the loss mitigation letters. Loan technicians are required to impose regulatory infractions based on the applicable VA Manual if the letter was not sent.[1]

However, in 2011, LGY removed the requirement to monitor and enforce loss mitigation letter reporting, and servicers were not penalized with infractions. LGY removed the business rule from VALERI because of past evidence that servicers were sending the letters and it was advantageous for servicers to send the letters. LGY should have deemed servicing inadequate at the completion of the AOS review if there was no evidence that the letter was sent because sending a letter is a requirement in the Code of Federal Regulations.[2] Servicers receiving continuous regulatory infractions could be identified through quarterly performance analysis and result in a reduced tier ranking for payment of incentives.

Quarterly Monitoring of Loan Servicer Performance

The Code of Federal Regulations has had a requirement for quarterly evaluations of loan servicer performance to assign tier rankings since 2010.[3] Both the current and prior LGY directors were aware of this requirement. However, LGY did not conduct quarterly monitoring from 2010 through the present as required because VALERI has been unable to compile and generate the necessary quarterly analysis for individual servicers. In FY 2017, nine years after VALERI's implementation, LGY's Monitoring Unit identified the inability of VALERI to compile the necessary information as a weakness. The audit team concluded that LGY did not make quarterly

[1] VA Manual 26-3, revised, chap. 18, sec. 18.01, "Regulatory Infractions," b. and 18.02 "Regulatory Infractions Descriptions," a.2. "Technician-Added Infractions," (a) "Late Loss Mitigation Letter Sent," September 29, 2017. A regulatory infraction occurs when a servicer does not comply with VA regulatory requirement(s). Regulatory infractions are system-generated or manually added by a VA technician anytime throughout the life of the loan, after termination, and when conducting a post audit.

[2] 38 Code of Federal Regulations (C.F.R.) § 36.4350.

[3] 38 C.F.R. § 36.4318 effective June 15, 2010, with the same requirements still present in the most recent July 15, 2015, edition of the Code of Federal Regulations.

monitoring of loan servicers a high priority because the prior LGY director from 2012 through 2016 considered the overall performance of servicers to be adequate and did not consider this a high-risk area.

Because LGY did not conduct quarterly reviews of loan servicers, it could not identify underperforming servicers. Underperforming servicers are more likely to fail their obligations to send loss mitigation letters and properly undertake loss mitigation efforts, which could have delayed AOS reviews and caused borrowers to select less advantageous loss mitigation options, or potentially lose their homes. Also, without quarterly monitoring of performance, LGY could not identify the need for additional oversight, such as increased monthly post-audits or on-site audits, as required by the VA Servicer Handbook if there were loan servicer performance issues.[4]

Tier-Ranking System for Loan Servicers

The Code of Federal Regulations required VA to implement a system of annual tier rankings based on servicer performance in June 2010, and LGY should have implemented tier rankings in February 2011.[5] The ranking system is supposed to have four tiers, with Tier 1 being the highest and Tier 4 being the lowest.[6] Tier rankings allow an agency to strategically rank the performance of loan servicers and pay incentives commensurate with their performance. LGY has not yet implemented this ranking system and, if implemented, incentive payments would have varied based on performance by tier. Instead, LGY has paid all servicers based on a Tier 2 ranking since 2011 regardless of their servicing performance, and regulatory infractions had no effect on tier rankings. For example, based on a Tier 2 ranking all servicers received $500 for a defaulted loan resolved with a loan modification. If tier rankings were implemented, those incentive payments would have varied between $0 to $700 for a successful loan modification for Tiers 4 and 1, respectively. As a result, borrowers may have received inferior default loan servicing from lower-performing servicers, which increased the risk of a less advantageous outcome. The audit team found 19 of the 51 servicers (37 percent) servicing the loans in the sample underperformed, which would be considered negatively for tier-ranking purposes.

This occurred because VALERI is not capable of compiling and generating quarterly monitoring of servicers' performance statistics, which is necessary to implement the tier-ranking system. Both the current and prior LGY directors were aware of the tier-ranking regulatory requirement, and the need for quarterly evaluations of servicers' performance to assign tier rankings. The prior LGY director, with the longest tenure of four years, explained that tier rankings were not implemented because LGY did not establish a framework for measuring servicers. The current

[4] VA Servicer Handbook M26-4, chap. 15, sec. 15.05, "Quarterly Post-Audit Reports," May 9, 2017; and VA Manual M26-9, chap. 5, sec. 3.b, "Servicer Selection," January 25, 2016.

[5] 38 C.F.R. § 36.4318 effective June 15, 2010, with the same requirements still present in the most recent July 15, 2015, edition of the C.F.R.

[6] 38 C.F.R. § 36.4318.

LGY director explained LGY needs to determine what data elements will be part of tier rankings and noted there will be upcoming system changes to accommodate that data and that it may take up to two years to implement based on the long regulatory process.

Disaster Area Loans

As part of this audit, the audit team and LGY management identified potential loan servicing risks to borrowers in disaster areas. Borrowers possibly faced unnecessary forbearances and higher interest rate loan modifications which increased the risk of future defaults and foreclosures. A forbearance is a short-term waiver of payment intended to financially assist the borrower and is normally resolved by payment in full, a repayment plan or a loan modification.

LGY issued guidance to home loan servicers in 2017 and 2018 encouraging these companies to assist borrowers in financial distress who were affected by major natural disasters. In this context, disaster areas are those affected by a Federal Emergency Management Agency-declared disaster, such as floods, tornadoes, and storms. VA encourages servicers to provide all available options including forbearances and loan modifications to borrowers in distress and delinquent as a result of a disaster. The audit team and LGY identified risks in June 2018 based on limited analysis from an RLC that showed attempts by a nationwide servicer to obtain significantly higher interest rates for loan modifications after forbearances. This servicer was potentially going beyond the intent of the guidance by soliciting borrowers to default and resolving those defaults that were only in the servicers' best financial interest. Due to the OIG's limited review in this area and LGY conducting a preliminary risk analysis for borrowers with home loans in disaster areas in July 2019 which did not justify a formal risk assessment, the OIG made no recommendations.

What the OIG Recommended

The OIG recommended that the under secretary for benefits conduct the following:

- Implement controls to identify and address unreported monthly loan status in the upgraded VALERI systems and implement compensating controls in the interim.
- Ensure that loan servicers report when loss mitigation letters are sent and impose necessary regulatory infractions when required.
- Ensure the post-audit and adequacy of servicing reviews are compiled and trended and generate key loan servicer performance statistics.
- Develop a plan to implement a formal tier-ranking system following the implementation of the upgraded VALERI system.

Management Comments

The under secretary for benefits concurred with all four recommendations and provided acceptable action plans for the recommendations. The under secretary also requested closure of Recommendation 2 and 4 based on actions that VBA has taken. The OIG will follow up to verify that all actions stated in the under secretary's response have been completed prior to closing those recommendations. VBA also provided technical comments, which the OIG incorporated in the report where appropriate. VBA was concerned that the OIG did not portray LGY as the industry leader for loan servicing and resolution of defaulted loans and did not agree with some of the OIG's conclusions as detailed below.

VBA stated LGY's foreclosure and delinquency rates outperformed FHA and were on par with conventional loans and thus veterans experienced better home retention outcomes. The OIG included those relevant foreclosure and seriously delinquency rates in Table 2 of this report and agrees in general that VA loans outperformed FHA loans for those factors. An explicit statement on that topic is also in the Executive Summary.

VBA took exception to the report's statement that LGY was unaware of the status of approximately 6 percent, or 187,000 loans totaling approximately $40 billion for varying periods of time during FY 2018. VBA also stated that LGY was aware of temporary gaps in reporting loan status due to the industry practice of the sale and transfer of loans, and there is little risk since most loans are current. The OIG believes that 187,000 loans is substantial and reporting the total estimated loans going unreported shows the extent of the issue. Additional OIG analysis conducted after VBA's response did reveal that 80 percent of the 20 loans unreported were transferred by servicers. However, as stated in this report, 9 of the 20 loans unreported were unreported for three months or more, including seven current loans going unreported for six months or more. One loan went unreported for 11 months. The length of time these went unreported is indicative of the extent of the lack of oversight. Those statistics also show that LGY did not conduct appropriate follow-up because LGY did not timely obtain the current loan status or issue infractions.

VBA did not agree with the OIG conclusions regarding loss mitigation letters and indicated that there are redundancies built into the process to ensure borrowers are presented with loss mitigation options, such as letters sent by VA to the borrower at day 120. The OIG recognizes the importance of those subsequent processes, but these processes do not change the legal requirements. In particular, the Code of Federal Regulations requires loan servicers to report to VA that loss mitigation letters have been sent by the 75th day of the delinquency or the 45th day when applicable. Those letters include important information for the borrower such as the potential loss mitigation options and how to contact the servicer and VA. Notwithstanding the legal requirement, borrowers who are provided those options two and a half months after delinquency are more likely to timelier resolve their defaults.

VBA disagreed that LGY should have deemed servicing inadequate at the completion of the AOS review if there was no evidence that a loss mitigation letter was sent. VBA indicated the requirement by the VALERI Technician User Guide relates to a 30-day delinquency letter and is unrelated to the aforementioned 75-day letter. Regardless, sending both of these letters is part of the minimum collection actions to be taken by loan servicers to contact the borrower based on the Code of Federal Regulations. These essential communications between the servicer and the borrower ensure they are informed of how to timely resolve the defaults. Therefore, the OIG considers servicers to have not adequately serviced the loan without meeting this important and simple regulatory requirement.

(b)(6)

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Contents

Abbreviations

AOS	adequacy of servicing
FHA	Federal Housing Administration
FY	fiscal year
LGY	Loan Guaranty Service
LoanSTAR	Loan Systematic Technical Accuracy Review
OIG	Office of Inspector General
RLC	regional loan center
VALERI	VA Loan Electronic Reporting Interface
VBA	Veterans Benefits Administration

Introduction

The VA Office of Inspector General (OIG) conducted this audit to determine whether the Veterans Benefits Administration's (VBA) Loan Guaranty Service (LGY) provided required oversight of the default resolution process that ensured home loan defaults were appropriately resolved and minimized.

Why the OIG Did This Audit

Defaults and foreclosures on homes can emotionally and financially harm veterans and their families. Defaults that are not resolved can ultimately result in a foreclosure and loss of the home for veterans, servicemembers, or family members (borrowers). For fiscal year (FY) 2018, VA reported about 106,400 new defaults with a default resolution rate of 86.5 percent.[7] However, over 14,800 borrowers lost their homes due to a foreclosure. Since February 2008, VA has placed greater reliance on loan servicers to resolve defaults timely and implement loss mitigation options that are in the best financial interest of borrowers. VBA monitors servicer activities and intervenes as needed during loan delinquency.

Home Loan Guaranty Program

VA's Home Loan Guaranty Program (home loan program) was established in 1944 to decrease "economic and sociological problems" faced by post-war service members. A borrower must apply to a lender, such as a bank or credit union. If a lender approves a loan, VA may guaranty a portion of the loan, protecting the lender against loss up to the amount guaranteed, which is generally 25 percent of the original loan amount. VA had over 3.1 million outstanding loans guaranteed at the end of FY 2018, which includes about 740,000 new and refinanced home loans issued in FY 2017 and about 611,000 new and refinanced home loans issued in FY 2018.

VBA Oversight

VBA's LGY oversees the home loan program by assessing and monitoring the program's risks and reviewing the lender and servicer compliance with relevant laws, regulations, and policies. Risks to borrowers range from continued or recurring defaults to foreclosures that create financial and emotional burdens on borrowers. Risks to VA range from the administrative costs

[7] The default resolution rate is calculated by taking the sum total of successful repayment plans, special forbearances, loan modifications, cured defaults without intervention, compromise sales, deeds in lieu of foreclosure, refunds, and defaults loans that have paid in full, divided by the sum total of successful repayment plans, special forbearances, loan modifications, cured defaults without intervention, compromise sales, deeds in lieu of foreclosure, refunds, defaults loans that have paid in full, and foreclosures (less any reported invalid foreclosure sales).

of overseeing defaulted loans to the potential acquisition costs of foreclosed properties conveyed by lenders and the costs of managing and selling foreclosed properties.

LGY's Loan Administration is responsible for all activities involving VA-guaranteed home loans from origination until the loan is paid in full or terminated, including oversight of loan servicers and defaulted loans. LGY administers the home loan program nationwide through eight regional loan centers (RLCs). The following are key aspects of LGY's oversight process for the home loan program.

- LGY's Monitoring Unit conducts quality assurance audits of high-risk lenders and servicers by reviewing defaulted, resolved, and foreclosed loans. In FY 2018, the Monitoring Unit reported 46 lender and eight servicer audits. According to the Monitoring Unit's management, the unit also conducts full-file loan reviews that may include a small percentage of defaulted and foreclosed loans.
- LGY's Loan Systematic Technical Accuracy Review (LoanSTAR) staff conduct monthly accuracy reviews of the home loan program. These staff randomly select 32 loans for review each month from VA Loan Electronic Reporting Interface (VALERI) reports based on adequacy of servicing (AOS) reviews and post-audits completed by RLC loan technicians the previous month. In FY 2018, LoanSTAR staff was scheduled to conduct 384 accuracy reviews within Loan Administration.
- RLC loan technicians conduct monthly reviews on loans where servicers use loss mitigation options or in other circumstances such as when foreclosures or partial releases of security occur. These reviews are called post-audits and verify the appropriateness of payments, account for regulatory infractions, and make any necessary adjustments. In FY 2018, 2,963 post-audits were conducted according to LGY's chief of the Quality Assurance Monitoring Unit.

Default Resolution Process

Lenders often send VA loans to private loan servicers, such as banks, for servicing. In the mortgage industry, servicing means conducting general loan-related tasks such as collecting mortgage payments and paying taxes, and delinquent loan-related tasks such as providing loss mitigation options to the borrower to bring the loan current. Important to the context of this report, if a borrower misses one mortgage payment, the VA-guaranteed loan becomes delinquent.[8] The loan is considered in default after 61 days without payment. Loan servicers are required to report a default on a home loan electronically by entering the default notification date in VALERI.[9] VALERI was implemented in 2008 and is a web-based application that RLC

[8] VA Manual 26-3, revised, chap. 4, "Delinquent Loan Servicing," 4.01 a., September 29, 2017.

[9] VA Manual 26-3, revised, chap. 2, "Introduction to VALERI," 2.04, "Servicer Event Reporting," September 29, 2017.

management and staff use to view loan information, monitor loan servicing, generate loss mitigation recommendations, conduct the AOS reviews, issue incentives to servicers, conduct post-audits, and manage workloads. Loan servicers are responsible for reporting loan events, including receipt of monthly payments from borrowers in VALERI and working with borrowers to reach an agreement that will bring the loan current and avoid foreclosure.[10]

After 120 consecutive days without a reported payment on the loan, RLC loan technicians conduct an AOS review of the servicer for the defaulted loan. The loan technicians determine whether the servicer is complying with VA regulations by giving the borrower every opportunity to pursue all possible loss mitigation options to avoid foreclosure. This includes determining why any prior loss mitigation options were not completed and identifying any disadvantageous options such as suspicious loan modifications. If the loan remains in default after the first 120-day AOS review, the technicians conduct additional AOS reviews at 90 days, again at another 90 days, then at 180 days thereafter. These additional AOS reviews ensure the servicer continues to provide adequate servicing until the delinquency is resolved or the home goes into foreclosure. Loan technicians become involved with the loan servicing directly if the borrower requires VA's assistance or the servicer is unable to help the borrower. Figure 1 provides a timeline and overview of the AOS process after the borrower misses a payment through additional AOS reviews if the borrower remains in default.

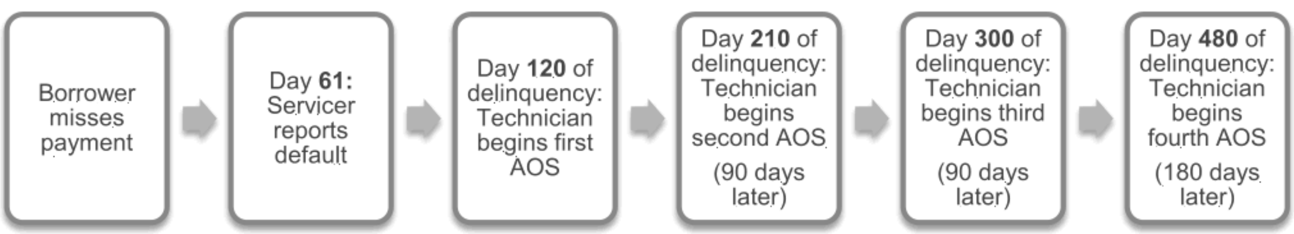

***Figure 1**. Timeline and overview of AOS process*
Source: VALERI Technician User Guide

VA reported that 95 percent of borrowers who received default assistance resolved their defaults and retained their homes in FY 2017. Although the number of new VA home loan defaults reported has steadily increased since FY 2015, the default resolution rate has also increased. VA reported its default rate, the percentage of VA home loans that defaulted, has remained around 2 to 3 percent for the last four calendar years. VA's default rate was similar to the default rates for conventional loans over the last four calendar years and lower than the Federal Housing Administration (FHA) default rates of between 3 and 5 percent. Further, VA reported that

[10] VA Manual 26-3, revised, chap. 2, "Introduction to VALERI," 2.04, "Servicer Event Reporting," September 29, 2017; and VA Manual 26-3, revised, chap. 4, "Delinquent Loan Servicing," 4.02, "Servicer Reporting Requirements," September 29, 2017.

approximately 104,800 borrowers avoided foreclosure in FY 2018 and foreclosures have decreased from about 18,000 in FY 2015 to about 14,800 in FY 2018. VA's foreclosure inventory rate, the percentage of loans in foreclosure, of 0.87 percent during 2018 is lower than the foreclose inventory rate for conventional loans and FHA, whose foreclosure inventory rates were 0.94 and 1.66 percent in 2018, respectively. A low foreclosure inventory is desirable to minimize the cost of acquisition, maintenance, and selling costs when foreclosed properties are conveyed by the lender to VA. Table 1 illustrates the number of new home loan defaults and the default resolution rates. Table 2 illustrates the VA, conventional, and FHA default and foreclosure rates.

Table 1. Home Loan Defaults and Foreclosures

Event	FY 2018	FY 2017	FY 2016	FY 2015
New VA defaults reported	106,394	97,948	89,598	85,263
VA default resolution rate	86.51%	85.31%	84.02%	83.39%

Source: VBA Fast Facts

Table 2. VA Compared to Industry from April 1 through June 30

Event	2018	2017	2016	2015
VA seriously delinquent rate	2.03%	2.03%	2.46%	2.92%
Conventional seriously delinquent rate (1)	2.00%	2.25%	1.78%*	2.24%
FHA seriously delinquent rate	3.86%	3.78%	4.43%	5.50%
VA foreclosure inventory rate	0.87%	0.99%	1.19%	1.37%
Conventional foreclosure rate (1)	0.94%	1.19%	0.95%	1.19%
FHA foreclosure rate	1.66%	1.86%	2.15%	2.68%

Source: Mortgage Bankers Association's Third Quarter National Delinquency Survey data (as of the second quarter) of each calendar year. The survey includes about 38 million mortgage loans and 100 entities such as mortgage and savings banks reporting performance for VA, conventional and FHA rates. The seriously delinquent rates are for loans that are delinquent for 90 days or more or in the process of foreclosure.

(1) The conventional rate data for 2015 and 2016 are for prime rate loans and the data for 2017 and 2018 include all nongovernmental conventional loans which would include prime rate loans.

Loss Mitigation Options

VA has five loss mitigation options available to help borrowers resolve defaults and avoid foreclosure including repayment plans, special forbearances, loan modifications, compromise sales, and deed-in-lieu-of foreclosure. VA delegates the primary responsibility for loss mitigation to loan servicers to help the borrower resolve the default in a timely manner using the best option available.[11] The Code of Federal Regulations lists the preferred order of the five options to consider starting with the repayment plan through the last option, deed-in-lieu of foreclosure, while recognizing that circumstances for borrowers may vary.[12] To encourage loss mitigation, VA pays incentive awards to the loan servicer when any of the five options are successfully completed. This encourages servicers to provide every opportunity for borrowers to retain their homes or avoid foreclosure.[13] Home retention incentive payment amounts for Tier 2 range from $160 monthly for a successful repayment plan or special forbearance to $500 for a loan modification. Foreclosure alternative incentives for Tier 2 can range from $250 for a deed-in-lieu of foreclosure to $800 for a compromise sale.[14] VA does not charge any portion of an incentive payment to the borrower, and the payment does not affect the loan. Table 3 describes the home retention options. Table 4 describes the alternatives to foreclosure.

Table 3. Home Retention Options

Options	Description
Repayment plan	The borrower makes the regular monthly mortgage payment plus part of the missed payments.
Special forbearance	The servicer agrees not to initiate foreclosure and collect reduced or no payments for a set time to allow the borrower to repay the delinquency when the forbearance period ends.
Loan modification	The servicer adds the borrower's delinquency to the loan balance and, as part of a written agreement, establishes a new payment schedule, including a potentially different interest rate.

Source: VA Manual 26-3, *revised, chap. 5, "Loss Mitigation"*

Table 4. Alternatives to Foreclosure

Alternatives	Description
Compromise sale	The servicer agrees to allow a borrower to sell the home for a lesser amount than what is currently required to pay off the loan.
Deed-in-lieu-of foreclosure	The borrower voluntarily agrees to deed the property to the servicer instead of going through the foreclosure process. The servicer agrees to release all obligations under the mortgage.

Source: VA Manual 26-3, *revised, chap. 5, "Loss Mitigation"*

[11] VA Manual 26-3, revised, chap. 5, "Loss Mitigation," 5.01, "Loss Mitigation Options," September 29, 2017.

[12] 38 C.F.R. § 36.4319(b) lists the options in their preferred order of consideration which are: 1) repayment plan, 2) special forbearance, 3) loan modification, 4) compromise sale, and 5) deed in lieu of foreclosure.

[13] VA Manual 26-3, revised, chap. 5, "Loss Mitigation," 5.01, "Loss Mitigation Options," September 29, 2017; and VA Manual 26-3, revised, chap. 7, "Incentive Payment," 7.01, "Incentive Payment," September 29, 2017.

[14] 38 C.F.R. § 36.4319.

Results and Recommendations

Finding 1: LGY Did Not Always Provide Sufficient Oversight of Loan Servicers for Resolving Home Loan Defaults

VA has steadily increased the home loan program's default resolution rates over the last four fiscal years. However, additional controls are needed to ensure all borrowers receive the necessary assistance from servicers and LGY oversight. The audit team estimated that approximately 7,900 of 55,900 loans (14 percent) had at least one LGY Service oversight deficiency from August 1, 2017, through June 14, 2018. Specifically, the team found that LGY was not aware of the extent of loans going unreported by loan servicers, including the number and duration of the loans going unreported, and did not ensure loan servicers sent the borrowers the required loss mitigation letters. Inadequate loan servicing can be detrimental to the borrower and potentially result in a longer default, the selection of a less advantageous loss mitigation option, or an increased risk of home loss and foreclosure.

LGY also did not conduct required quarterly monitoring of loan servicing and did not implement a mandatory tier-ranking system for loan servicers. This resulted in limited oversight of servicer performance and equal rankings regardless of servicer performance history and equal incentive payments for successful loss mitigation options. Lastly, the audit team and LGY management identified potential loan servicing risks to borrowers in disaster areas such as possible unnecessary forbearances and higher interest rate loan modifications. Disaster areas are those affected by Federal Emergency Management Agency-declared disasters such as floods, tornadoes, or storms and include ecological or other human-made disasters.

The audit team determined that multiple causes contributed to insufficient oversight of loan servicers. These causes included LGY lacking internal controls to ensure servicers reported monthly loan status and servicer loss mitigation letters, LGY not ensuring loan servicers' performance was critically evaluated and ranked, and the VALERI system not meeting the needs and reporting requirements of the home loan program. The LGY director previously stated the upgraded VALERI system expected to be implemented by May 2019 (subsequently implemented May 28, 2019) would provide these capabilities.

What the OIG Did

The audit team selected a statistical sample of 200 from about 55,900 loans from August 1, 2017, through June 14, 2018, that were without a reported payment for 120 days or more and required an AOS review, loans that resulted in foreclosures, or loans resolved after default. The sample consisted of 50 loans from each of the following categories: unresolved defaulted loans, unresolved defaulted loans in disaster areas, foreclosed loans previously in default, and cured/resolved loans previously in default.[15] The audit team reviewed the loans to determine whether loan technicians conducted AOS reviews to provide effective oversight of loan servicers and whether they paid incentives or issued infractions where appropriate. The audit team also obtained additional information regarding loans in disaster area counties that included examples of servicer disaster forbearance letters and a disaster loan modification analysis. The audit team discussed loan risks regarding disasters such as unnecessary forbearances and loan modifications at higher rates with the LGY Quality Assurance Monitoring Unit. Appendixes A and B contain the scope and methodology and statistical sampling methodology, respectively.

This finding discusses LGY's need to

1. Provide adequate oversight to servicers and defaulted loans, which included loan servicers reporting monthly loan status, adequately servicing defaulted loans, and reporting or sending loss mitigation letters,
2. Conduct quarterly monitoring of loan servicer performance, and
3. Implement required tier ranking for loan servicers.

The finding also addresses the audit team and LGY's identification of potential loan servicing risks to borrowers in disaster areas.

LGY Did Not Provide Adequate Oversight of Servicers and Defaulted Loans

The audit team identified 45 oversight deficiencies for 43 of the 200 sampled loans, mainly due to servicers not reporting the monthly loan status or not reporting if loss mitigation letters were sent for defaulted loans. Based on these results, the audit team projected that approximately 7,900 of 55,900 loans (14 percent) had oversight deficiencies before or during the AOS reviews that occurred during the review period. The oversight deficiencies involved 19 of the 51 total servicers (37 percent) in the sample. Based on the deficiencies, the audit team concluded the performance of the 19 servicers could negatively affect future tier rankings if that performance continued because the servicers did not provide borrowers the best service possible and were not meeting VA requirements.[16] From the sample review, the audit team determined:

- LGY did not identify that loans servicers did not report the monthly loan statuses for 20 loans and LGY did not apply infractions. Based on the sampled loans, the audit team projected 3,300 defaulted loans nationwide were unreported.

[15] The unresolved defaulted loans in disaster areas category consisted of 37 disaster counties based on nine Federal Emergency Management Agency disaster declarations during the scope period. Nationwide there were 788 disaster counties based on 66 Federal Emergency Management Agency disaster declarations during the scope period.

[16] VA Servicer Handbook M26-4, chap. 20, "Servicer Performance," 20.01, September 9, 2015.

- LGY did not ensure loan servicers sent loss mitigation letters within 75 days or 45 days of delinquency as appropriate and did not apply infractions on the servicers for 23 defaulted loans. Based on the sampled loans, the audit team projected 4,500 defaulted loans nationwide had loss mitigation letters unreported, sent late or not sent.
- A loan servicer did not make a good faith effort to contact a borrower and a loan technician did not follow up regarding the servicer's contact efforts for one of the defaulted loans. In addition, a loan technician did not make required phone contacts during the pre-foreclosure process for another defaulted loan. The audit team did not report projections for these two loan deficiencies because of the high margin of error.

LGY Unaware of Extent of Loan Servicers Not Reporting Loan Statuses

VA requires loan servicers to report data and events in VALERI so that RLC loan technicians can oversee loan servicing activities such as the AOS reviews conducted for loans in default.[17] The Code of Federal Regulations requires loan servicers to submit monthly electronic updates to VA that include whether the loan is current or in default by the seventh day of each month for all loans.[18] For example, a servicer is required to report a default on a home loan in VALERI electronically.[19] If VALERI does not have a default notification date, the system will not trigger a notification to a loan technician that an AOS review is needed for a defaulted loan. The VA Manual requires an infraction when a loan servicer does not report required events to VA during the life of the loan.[20] Therefore, unreported loans would be considered improperly serviced if the loan status is not reported monthly.

From a sample of 200 loans, the audit team determined that monthly updates for 20 of the loans were not submitted as required including:

- Nine loans that LGY identified as unresolved defaulted loans that were actually current and in good standing. These monthly status update lapses ranged from three to 11 months with seven of those loans going unreported for six months or more.

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[17] VA Manual 26-3, revised, chap. 2, "Introduction to VALERI," 2.03, "Technician Roles and Responsibilities," and 2.04, "Servicer Event Reporting," September 29, 2017.

[18] 38 C.F.R. 36.4317.

[19] VA Manual 26-3, revised, chap. 2, "Introduction to VALERI," 2.03, "Technician Roles and Responsibilities," September 29, 2017.

[20] VA Manual 26-3, revised, chap. 18, "Regulatory Infractions," 18.01, "Regulatory Infractions," September 29, 2017.

- Eleven defaulted loans where servicers failed to report the monthly loan status. These lapses ranged from one to three months with eight of those loans going unreported for one month.

Based on sample results, the audit team estimated that loan statuses of approximately 3,300 of 55,900 loans (6 percent) from August 1, 2017, through June 14, 2018, went unreported through November 1, 2018. In addition, although the focus of the audit was defaulted loans, the audit team determined this same condition existed for current loans. Using the 6 percent error rate and applying it to the more than 3.1 million loans outstanding as of September 30, 2018, the LGY Service may not have been aware of the status of approximately 187,000 loans totaling nearly $40 billion.[21] This equates to approximately 3,800 defaulted loans of about $811 million, based on VA's reported default rate of 2.03 percent in FY 2018. Although the majority of loans that went unreported were current loans, LGY needs to ensure servicers are reporting loan statuses monthly to minimize the risks to borrowers in default. The LGY director indicated that the majority of loans that went unreported were due to servicers transferring loans, which was an industry-wide problem, and VBA indicated there was little risk since most loans were current.

Delayed oversight of defaulted loans could potentially increase the risk of borrowers choosing less advantageous loss mitigation options or losing their homes. The audit team confirmed two defaulted loans had delayed servicing because these loans' statuses were not reported. These loans were outside of the sample the audit team reviewed but were provided to the audit team by the loan servicing officers at the St. Paul, Minnesota, and Houston, Texas, RLCs. Example 1 provides details on the loan that resulted in the borrower going through a foreclosure.

Example 1

A servicer did not report the monthly status of a loan for almost two years until the loan went into default and LGY subsequently delayed an AOS review for four months. Specifically, a borrower's VA-guaranteed home loan began in August 2014. The servicer did not report the loan status in VALERI for 20 months, beginning in January 2016 and ending in September 2017. The loan went into default in August 2017 after being delinquent for June and July. The servicer reported the default in September to LGY that should have initiated an AOS review in October 2017, 120 days following the first delinquent payment. However, the AOS review was delayed by four months and did not occur until February 2018. The loan ultimately resulted in foreclosure in July 2018. An earlier AOS review may have helped the borrower avoid the loss of the home through foreclosure. The loan servicer confirmed with RLC management that the

[21] The team's estimation was determined by multiplying the current number of loans reported by LGY on September 30, 2018—3,116,926 loans—by the OIG-projected nonreporting error rate of 6 percent. See Appendix C for additional details on these estimates.

gap in reporting was a mistake on the servicer's part, as this company only serviced a few VA-guaranteed home loans and had some employee turnover during the nonreporting period.

The audit team determined that VALERI was implemented in 2008 without the capability to identify unreported monthly loan statuses. In addition, the system was not upgraded with this capability since its implementation. LGY established a data quality team to conduct periodic analysis of nonmatching data, such as loan numbers between VALERI and servicers' systems in 2009. The prior LGY director from 2012 through 2016 was involved with the implementation of VALERI and was not aware that a significant number of loan servicers—19.6 percent of servicers from sampled loans—were not reporting loan statuses as required. Late reporting is a regulatory infraction that could affect a loan servicer's performance rating if a tier-ranking system is in place. Also, the prior LGY director generally thought VALERI was meeting the needs of the home loan program.

The LGY director is responsible for ensuring VA is aware of the loan status for all VA-guaranteed home loans.[22] Both the current and prior LGY directors were unaware of the extent of this issue, including the number and duration of loans going unreported. The audit team concluded both directors were satisfied with VALERI's oversight capabilities. The current director explained VALERI's oversight included evaluations of servicer scorecard reports. These scorecard reports include limited servicer default resolution and oversight performance data, such as resolution by loss mitigation option and regulatory infractions. However, the scorecards are incomplete because the reports do not include all AOS review results or account for all infractions such as those issued for nonreporting of loan status and loss mitigation letters.

The LGY director stated the LGY planned upgrade of the VALERI system would include the capability to monitor a servicer's performance and indicate whether a loan status was not reported.[23] Both the St. Paul and Houston RLC loan guaranty and servicing officers, including the data quality team in St. Paul, were aware that loan statuses went unreported periodically, but not the extent of the issue identified from the audit team's work. The data quality team informed the OIG that it reviews loans with data problems on a case-by-case basis, including addressing servicer reporting problems. The review includes reports of mismatched data between VALERI and the servicers' systems. LGY provided an example of this report with loans originating from 2010 through 2018 that showed 70 loans with matching issues. The data quality team stated it only corrects 30 to 50 loans per month, which would be about 360 to 600 loans per year. However, the data quality team's analysis did not include unreported loans without data matching issues. LGY has not taken significant actions to address this issue because it was unaware of the extent of this issue.

[22] 38 C.F.R. 36.4345.

[23] Upgraded VALERI system implemented on May 28, 2019.

LGY Did Not Always Ensure Loan Servicers Adequately Serviced Defaulted Loans

After a loan servicer reports a loan status as a default, loan technicians conduct AOS reviews to ensure the servicer is complying with VA regulations. The loan technicians ensure the servicer is working with the borrower to attempt to resolve the loan default with a loss mitigation option and avoid foreclosure until the loan becomes current, is terminated, or paid in full. The loan technicians perform several loss mitigation oversight activities throughout the default process to ensure the servicer is working with the borrower to resolve the debt. For example, reviewing any "suspicious loan modifications," such as loan modifications with an increased interest rate greater than one percent.[24] Loan technicians review uploaded documents in VALERI, such as detailed contact logs and the servicer case notes during the AOS process. Loan technicians also ask loan servicers the following five questions and assess the adequacy of the loan servicing based on the responses:

1. Have you talked to the borrower? If so, what was the date of last contact?
2. What was the reason for the default?
3. Are you currently considering a loss mitigation option?
4. Why were any prior loss mitigation options that you considered not completed?
5. Do you have any indication that the veteran is protected under the Servicemember Civil Relief Act? If so, what Servicemember Civil Relief Act protections are being offered?

Generally, the servicers answer these questions with brief responses in an email or upload notes to VALERI.

In accordance with the VA Manual, the first evaluation of the servicer's AOS should occur 120 days from the delinquency date.[25] The technicians have just under a month to complete the AOS review.[26] If the loan remains in default after the first 120-day AOS review, the technicians conduct additional AOS reviews to ensure the servicer continues to provide adequate servicing until the delinquency is resolved or the home goes into foreclosure.[27]

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[24] VA Manual 26-3, revised, chap. 5, sec. 5.06.b.10, "Loan Modification,"; and sec. 5.13.b, "Loan Modification Oversight," September 29, 2017.

[25] VA Manual 26-3, revised, chap. 4, sec. 4.03.a, "Adequacy of Servicing (AOS)," September 29, 2017.

[26] VALERI Technician User Guide, chap. 2, sec. 2.09.b, "Complete VALERI Process," April 1, 2016.

[27] VALERI Technician User Guide, chap. 4, "Delinquent Loan Servicing," 4.03, "Assigned Technician Oversees Delinquent Loan Events,"4.03a.8., "Default Cured Loan Reinstated," 4.03a.3.q., "Did the servicer consider a loss mitigation option?," November 23, 2016.

The audit team estimated that approximately 4,700 of 55,900 loans (8 percent) did not receive adequate servicing during the AOS review based on 24 sampled loans with AOS deficiencies that resulted in inadequate servicing. An important aspect of servicing after attempting contact with the borrower is sending a loss mitigation letter. The OIG expected a servicing error rate significantly less than 8 percent since it is a requirement in the Code of Federal Regulations for servicers to electronically report if the letters were sent, but the AOS deficiencies consisted of 23 loans with no reported loss mitigation letters and one loan with a servicer not making a good faith effort to contact a borrower.[28] In addition, LGY should have imposed infractions on the servicers for 24 of those loans based on the relevant VA manuals. The remaining 19 of 43 loans that were not classified as AOS deficiencies included 18 loans not reported by the servicer for at least one month, as AOS reviews were not required, and one loan for LGY not completing its required follow-up.

LGY Did Not Ensure Loan Servicers Sent Borrowers Loss Mitigation Letters

The most frequent AOS oversight deficiency area found in the sample was that loan servicers did not report that required loss mitigation letters were sent to borrowers. The audit team also confirmed that the loan servicers did not send the letters or sent the letters late in some cases. Loss mitigation letters include important information for the borrower such as how to contact the servicer and VA, as well as potential loss mitigation options. The audit team found that 23 of the 200 sampled loans had 19 letters that were unreported but might have been sent, two confirmed unsent letters, and two late letters sent 15 and 160 days after the deadline. LGY did not issue infractions for these deficiencies and should have deemed servicing inadequate at the completion of the AOS review. Based on the sample results, the audit team estimated that 4,500 of 55,900 defaulted loans (8 percent) did not have evidence of a loss mitigation letter, reported that letters were sent late, or were not sent. Borrowers may have realized a more advantageous outcome if they had been made aware of their options through the loss mitigation letters.

The Code of Federal Regulations requires loan servicers to report to VA that loss mitigation letters have been sent and allows use of various collection techniques to resolve the default.[29] According to the regulation, the servicers must also send the letters by the 75th day of the delinquency, or the 45th day if the default occurs within six months from the beginning of the

[28] 38 C.F.R. 36.4317.

[29] 38 C.F.R. 36.4317, 36.4350 require servicers to use various collection techniques to resolve the default. Chronologically the techniques first include telephone contact after the initial late payment notice followed by a letter if no payment has been made within 30 days after the due date. Next, an attempt for an in-person interview is required if contact has not occurred, a reason for default has not been established or a repayment plan has not been executed.

loan if payment was not received.[30] However, the VA Manual does not identify this as a mandatory reporting requirement. Specifically, the manual states, "The servicer may notify VA when a loss mitigation letter has been mailed to the borrower regarding their delinquent loan status."[31] VA does require loan servicers to send the loss mitigation letter. Based on the VALERI Technician User Guide, loan technicians are also required to conclude the servicing is inadequate if the servicer did not send a delinquency letter to a borrower.[32] This guide does not discuss the loss mitigation letter requirement as a basis for determining if servicing is inadequate. However, sending both letters is part of the minimum collections actions to be taken by servicers to contact the borrower based on the Code of Federal Regulations. The VA Manual requires loan technicians to manually impose a regulatory infraction if the loss mitigation letter was not sent.[33] A regulatory infraction is imposed whenever a servicer does not comply with VA regulatory requirements. Infractions are system-generated or can be manually added by RLC loan technicians. Servicers receiving continuous regulatory infractions could be identified through quarterly performance analysis and result in a reduced tier ranking for payment of incentives.

In May 2011, LGY issued guidance that VALERI would no longer initiate these processes for loan technicians to enforce the requirement, but loan servicers were still required to send letters to borrowers. LGY also removed the business rules and regulatory infractions associated with loss mitigation letter reporting even though those requirements remained in the VA Manual. As a result, loan technicians were not verifying whether the letter was sent and did not apply any regulatory infractions.

The assistant director for loan and property management explained VALERI was incorrectly issuing infractions due to a system configuration deficiency even though letters were reported as sent. He stated LGY subsequently decided to remove the business rule from VALERI because of past evidence that servicers were sending the letters and that it was advantageous for servicers to send the letters. He mentioned other oversight aspects, such as servicer audits, would identify missing servicer loss mitigation letters. He added that LGY plans to monitor this requirement during future LoanSTAR reviews of post-audits. LoanSTAR staff conduct monthly reviews of the home loan program, but the audit team estimates that only less than one half of 1 percent of all defaulted loans are randomly selected for these reviews annually. The chief supervisory loan

[30] 38 C.F.R. 36.4350.

[31] VA Manual 26-3, revised, chap. 4, "Delinquent Loan Servicing," 4.01, "Delinquent Loan Servicing," and sec. 4.02 "Servicer Reporting Requirements," c.1, September 29, 2017.

[32] VALERI Technician User Guide, chap. 4, sec. 4.04 a.3.o, "Make Adequacy of Service Recommendation," November 23, 2016.

[33] VA Manual 26-3, revised, chap. 18, sec. 18.02.a.2 (a), "Late Loss Mitigation Letter Sent," September 29, 2017. A regulatory infraction occurs when a servicer does not comply with VA regulatory requirement(s). Regulatory infractions are system-generated or manually added by a VA technician anytime throughout the life of the loan, after termination, and when conducting a post audit.

specialist explained that LoanSTAR does not evaluate loss mitigation letters but intends to have questions focused on loss mitigation in the future.

LGY's guidance and actions conflicted with the existing reporting and monitoring requirements. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states management is responsible for "design[ing] control activities so that all transactions are completely and accurately recorded." Transactions are to be promptly recorded to maintain their relevance and value to managers in controlling operations and making decisions. Transactions would include the date of sending a loss mitigation letter. The audit team concluded that ensuring loss mitigation letters are sent may result in borrowers avoiding a less advantageous outcome by knowing what their options are earlier. The audit team found confusion among RLC management and staff at two RLCs regarding oversight of servicer loss mitigation letters compliance during AOS reviews. Specifically, one RLC imposed manual infractions for missing letters while another deferred to the May 2011 guidance. However, overall, RLC management and technicians conducted adequate oversight during the AOS reviews since most of them were following the guidance to not enforce the loss mitigation requirement provide by LGY management.

The LGY director informed the audit team that LGY plans to reassess the need for these servicer loss mitigation letters given the compensating controls, such as earlier servicer letters required by the Consumer Financial Protection Bureau at day 36 of delinquency and VA letters sent to borrowers at day 120 of delinquency. But until the Code of Federal Regulations requirement is changed, VA is required to ensure servicers send loss mitigation letters to borrowers and electronically report them being sent.[34]

LGY Did Not Conduct Quarterly Monitoring of Loan Servicer Performance

The Code of Federal Regulations has required quarterly evaluations of loan servicer performance to assign tier rankings since 2010.[35] LGY's VA Manual requires quarterly reviews consisting of analysis of post-audit results and LGY also requires AOS reviews as the basis for these servicer evaluations to identify negative servicing trends, such as not contacting borrowers or not reporting defaults in a timely manner or attempting suspicious loan modifications.[36] However, LGY informed the audit team that it was not doing quarterly reviews, and its Quality Assurance's Risk Management Corrective Action Plan documented that it did not conduct quarterly monitoring as required because VALERI was not able to compile and generate the

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[34] 38 C.F.R. 36.4317 and 38 C.F.R. 36.4350

[35] 38 C.F.R. 36.4318 effective June 15, 2010, with the same requirements still present in the most recent July 1, 2015, edition of the C.F.R.

[36] VA Manual 26-3, revised, chap. 15, "Post Audit," 15.06, "Quarterly Post Audit Reports," September 29, 2017.

necessary quarterly analysis of post-audit and AOS review results for individual servicers. The LGY director acknowledged this requirement and stated the upgraded VALERI system would have this capability. The prior LGY director acknowledged he was aware of the requirement but did not initiate any system changes to VALERI because he considered the overall performance of servicers to be adequate based on LGY's periodic reviews through daily operations. The audit team concluded that LGY did not make quarterly monitoring of loan servicers a high priority because the LGY director from 2012 through 2016 considered the overall performance of servicers to be adequate and did not consider this a high-risk area.

LGY's Quality Assurance team identified VALERI's inability to compile the necessary information as a weakness in FY 2017. The team recommended that LGY loan management policy staff work with the assigned contracting officer representative to ensure the upgraded VALERI system incorporated full reporting capability on all workload aspects, with emphasis on actions associated with key oversight measures. LGY began planning for an upgraded system in FY 2017 and development began in October 2017.

Limited Ability to Identify Underperforming Loan Servicers

The audit team estimated that approximately 7,900 of 55,900 loans (14 percent) had at least one LGY oversight deficiency. LGY's Quality Assurance team reported that for FY 2017, no trending of the post-audit and AOS review results was being performed. LGY also cannot conduct additional oversight, such as increased monthly post-audits or on-site audits as required by the VA manuals, if loan servicer performance issues are not identified.[37] By not conducting quarterly reviews of loan servicers, LGY reduces its opportunity to identify underperforming servicers. Underperforming servicers are more likely to fail their obligations to send loss mitigation letters and properly undertake loss mitigation efforts, which may affect borrowers by delaying the AOS review, selecting a less advantageous loss mitigation option, or losing their homes.

The VA Servicer Handbook requires LGY Central Office to analyze system-generated reports to identify patterns, trends, or common mistakes every quarter to determine if there are servicer-specific issues.[38] If the error trend continues, LGY Central Office may require RLCs to increase the number of cases selected for monthly post-audits of loans that required an adequacy of servicing review and resolved through loss mitigation or were foreclosed. Continued negative post-audit findings can include mandatory training, onsite audit, or referral to the OIG. In addition, the VA Servicer Handbook requires that VA monitor servicer performance to ensure

[37] VA Servicer Handbook M26-4, chap. 15, sec. 15.05.a, "Quarterly Post-Audit Report", May 9, 2017; and VA Manual M26-9, revised, chap. 5, sec. 3.b, "Servicer Selection," January 25, 2016.

[38] VA Servicer Handbook M26-4, chap. 15, sec. 15.05.a, "Quarterly Post-Audit Report," May 9, 2017.

compliance with VA requirements, assess training needs, and assess trends within the servicing community.[39]

The LGY director acknowledged the VALERI system's inability to generate quarterly AOS review and post-audit data for loan servicer oversight. He emphasized LGY use of servicer scorecards when needed and monitoring of each loan through post-audits for current oversight. The director recognized that quarterly monitoring was important and had explained LGY planned to have the ability to generate quarterly trending in the upgraded VALERI system. The upgraded VALERI system was implemented on May 28, 2019. The prior LGY director told the audit team that LGY ran reports for loan servicers on an as-needed basis.

LGY Did Not Implement Tier-Ranking System for Loan Servicers

In February 2005, VA proposed a four tier-ranking system for loan servicers be included as part of the Code of Federal Regulations.[40] In June 2010, the Code of Federal Regulations was updated to require VA to implement a system of annual tier rankings based on servicer performance.[41] However, LGY has not yet implemented this ranking system because the existing VALERI system cannot provide the servicer performance measures, including monitoring needed for a tier-ranking system.

Tier rankings allow an agency to strategically rank the performance of loan servicers and pay incentives commensurate with servicers' performance. The regulations require VA to evaluate servicers' performance quarterly starting with the quarter that ended September 30, 2010, and assign annual tier rankings by the 45th day after calendar year end (February 15, 2011).[42] The ranking system is supposed to have four tiers, with Tier 1 being the highest and Tier 4 being the lowest. The 2010 regulations also directed VA to rank servicers in Tier 2 until annual tier-rankings are established. LGY has ranked and paid all servicers in Tier 2 since 2011.[43]

LGY has not yet implemented this ranking system, and incentive payments would have varied based on performance if the tier-ranking system was implemented. LGY has paid all servicers based on a Tier 2 ranking since 2011 regardless of their servicing performance, and regulatory infractions had no effect on tier rankings. Until a tier-ranking system is in place, underperforming servicers will continue to receive the same incentive payments as higher-performing servicers. If all servicers are incentivized equally, it could lead to less

[39] VA Servicer Handbook M26-4, chap. 20, sec. 20.01, "Servicer Performance," September 9, 2015.

[40] Loan Guaranty: Loan Servicing and Claims Procedures Modifications, Proposed Rule 70 Fed. Reg. 8472, February 18, 2005.

[41] 38 C.F.R. 36.4318 effective June 15, 2010, with the same requirements still present as of July 11, 2019.

[42] 38 C.F.R. 36.4318.

[43] VA Servicer Handbook M26-4, chap. 20, "Servicer Performance," September 9, 2015.

motivation for improved servicer performance and negatively impact the borrower's ability to resolve a home loan default in the best possible manner.

The LGY director had informed the audit team that the upgrade to the VALERI system would have the capability to measure servicer performance. The LGY director further explained LGY needs to determine what data elements will be part of tier ranking and noted there will be upcoming system changes to accommodate that data. He stated the tier-ranking system will take one to two years to implement based on the long regulatory process, including approval by the VA Secretary, the Office of Management and Budget, and a public comment period. The prior LGY director explained that tier rankings were not implemented because LGY did not establish a framework for measuring servicers.

Borrowers in Disaster Areas Potentially Subject to Higher Loan Risks

The OIG and LGY managers identified potential loan servicing risks to borrowers in disaster areas, with borrowers possibly facing unnecessary forbearances and higher interest rate loan modifications that could increase the risk of future defaults and foreclosures. A forbearance is a short-term waiver of payment intended to financially assist the borrower and is normally resolved by payment in full, a repayment plan, or a loan modification.

Disaster areas are those affected by Federal Emergency Management Agency-declared disasters such as floods, tornadoes, or storms, and include ecological or other human-made disasters. As part of VA circulars, LGY issued guidance to home loan servicers in 2017 and 2018 encouraging these companies to assist borrowers in financial distress who were affected by major natural disasters. VA encourages servicers to provide all available options to borrowers in distress and delinquent due to disaster, including forbearances and loan modifications. Oversight includes reviewing any "suspicious loan modifications," such as disaster loan modifications with an increased interest rate greater than one percent.[44] There were approximately 3,500 unresolved defaulted loans in disaster areas, which included Hurricanes Irma and Maria, for the 10.5-month period that ended in June 2018. In addition, those areas have large populations and relatively more borrowers with current VA loans subject to increased risks.

The audit team and LGY identified risks in June 2018 based on a Phoenix, Arizona, RLC loan administration officer analysis of 11 loans. The analysis showed a nationwide servicer attempted to modify borrowers' loans at higher interest rates than allowed by VA policy for five of the 11 loans after forbearance. Example 2 was included in this analysis.

[44] VA Manual 26-3, revised, chap. 5, "Loss Mitigation", 5.13, "Loan Modification Oversight," September 29, 2017; 38 C.F.R. 36.4315 and VA Manual 26-3, revised, chap. 19, "Disasters," 19.06, "Eligibility for VA Disaster Loan Modification," March 9, 2018.

Example 2

A nationwide servicer offered a forbearance and then a loan modification with an interest rate 1.75 percent higher than the rate on the original loan. The servicer attempted to raise the fixed interest rate from 3.25 to 5 percent. The servicer's attempt to significantly increase the interest rate shows the risks to borrower and increases the likelihood that servicers may not always be providing the borrower with the best loss mitigation options and terms. LGY's controls worked as planned, as the loan technician denied the modification because it was greater than one percent over the existing loan interest rate and not in the best interest of the borrower.[45] This same servicer handled four additional loans in a similar manner.

Based on the analysis of defaulted loans in disasters areas, the audit team concluded that this loan servicer could potentially be going beyond the intent of the guidance by soliciting borrowers to default and resolving those defaults that were only in the servicers' best financial interest. Some servicers received incentive payments for resolving these short-term defaults. The team's review was limited since servicers do not report forbearance solicitations or agreements between servicers and borrowers in VALERI. Therefore, the team could not determine if the defaults in sampled loans were the result of forbearances and made no recommendation. However, after the audit team inquired about defaulted loans in disaster areas, LGY informed the team that its Monitoring Unit planned to conduct a risk assessment for borrowers with home loans in disaster areas in FY 2019. In July 2019, the quality assurance chief informed the audit team a preliminary risk analysis had been conducted and that analysis did not necessitate a formal risk assessment of the disaster loans area. In addition, he highlighted existing controls of suspicious loan modification reviews and new controls of evaluations of disaster loan modifications and suspicious activities during servicer audits and RLC site surveys.

Conclusion

LGY did not implement sufficient internal controls to ensure borrowers whose loans are in default receive the necessary loan servicing to appropriately resolve and minimize the impact of the default. Effective servicing helps borrowers retain their homes or obtain other alternatives to foreclosure. LGY should take advantage of the opportunity afforded by the planned FY 2019 implementation of an upgraded VALERI system to establish needed trends of AOS and post-audit reviews.

By implementing internal controls to identify and address unreported monthly loan statuses, LGY can ensure borrowers whose loans are in default receive the necessary assistance within the appropriate timelines. Generating quarterly servicer performance statistics and establishing a

[45] 38 C.F.R. 36.4315; VA Manual 26-3, revised, chap. 5, sec. 5.06, "Loan Modification," September 29, 2017.

formal tier-ranking system will result in sufficient servicer oversight and ensure proper payment of incentives based on performance. Finally, borrowers in disaster areas deserve the highest service and risks should be assessed to ensure these borrowers are fully protected.

Recommendations 1–4

The OIG recommended the following:

1. The under secretary for benefits implements controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface system and implement compensating controls in the interim.
2. The under secretary for benefits ensures that loan servicers report when loss mitigation letters are sent and impose necessary regulatory infractions when required.
3. The under secretary for benefits ensures post-audit and adequacy of servicing reviews are compiled and trended and generate key loan servicer performance statistics.
4. The under secretary for benefits develops a plan to implement a formal tier-ranking system following the implementation of the upgraded VA Loan Electronic Reporting Interface system.

Management Comments and OIG Response

The under secretary for benefits concurred with all four recommendations and provided acceptable action plans for the recommendations. VBA also provided technical comments, which the OIG incorporated in the report where appropriate. VBA was concerned that OIG did not portray LGY as the industry leader for loan servicing and resolution of defaulted loans and did not agree with some of the OIG's conclusions as detailed after the discussion of the recommendations.

To address Recommendation 1, the under secretary stated VBA will implement controls to identify and address unreported monthly loan status in the upgraded VALERI system and implement compensating controls in the interim, with a target implementation date of December 31, 2019.

To address Recommendation 2, the under secretary stated VBA released a circular on August 20, 2019, which implemented new procedures and established the requirement that loan servicers report all loss mitigation letters and provide a copy in the VALERI system when loans are selected for AOS and post-audit review. In addition, VBA required loan technicians to issue regulatory infractions if evidence is not provided. The under secretary requested closure of this recommendation; however, the OIG will follow up to verify that all actions stated in the under secretary's response have been completed prior to closing the recommendation.

To address Recommendation 3, VBA stated LGY has been working with the contractor to develop requirements for enhanced reporting capabilities and is on track to implement quality trending capabilities by the target implementation date. In addition, VBA stated LGY had already self-identified the limited reporting capabilities in the legacy VALERI system and developed a corrective action plan through its risk management process, including limited trending analysis based on current reporting capabilities and enhanced reporting requirements in the new VALERI system. VBA provided a target implementation date of December 31, 2019.

To address Recommendation 4, the under secretary stated VBA is on track to implement servicer tier ranking in the fourth quarter of FY 2022. VBA stated that this risk was previously identified but did provide a corrective action plan which noted a June 17, 2019, deficiency based on this OIG report. VBA stated the legacy VALERI system lacked the data necessary to implement tier rankings and LGY decided to implement tier rankings in coordination with the new VALERI system (VALERI-R). VBA provided a corrective action plan that provided high level milestones, such as internal concurrence by VBA and the Office of General Counsel on the related proposed rule by the fourth quarter of FY 2020. The under secretary requested closure of this recommendation; however, the OIG will follow up to verify that VBA is on track to implement tier rankings prior to closing the recommendation.

VBA stated LGY's foreclosure and delinquency rates outperformed FHA and were on par with conventional loans, and thus veterans experienced better home retention outcomes. OIG provided those relevant foreclosure and seriously delinquent rates in Table 2 of this report and agree the rates show VA loans outperformed FHA loans for those factors. An explicit statement on that topic is also in the Executive Summary.

VBA took exception to the report's statement that LGY was unaware of the status of approximately 6 percent—or 187,000—of loans, totaling approximately $40 billion for varying periods of time during FY 2018. In addition, VBA criticized only highlighting the loan value of all loans of $40 billion in the Executive Summary and not the value of approximate 3,800 defaulted loans of about $800 million. VBA also stated that LGY was aware of temporary gaps in reporting loan status due to the industry practice of the sale and transfer of loans, and there is little risk since the overwhelming majority of the loans are current and have no effect on VBA's oversight and resolution of defaulted loans.

OIG believes that 6 percent is substantial and reporting the total estimated loans going unreported shows the true extent of the issue, especially given the duration that many of those loans went unreported. In addition, the loan status, current or default, cannot be determined when the servicer does not report the status of the loan and puts a defaulted borrower at greater risk due to delayed LGY oversight. Additional OIG analysis conducted after VBA's response did reveal that 80 percent of the 20 loans unreported were transferred by servicers. However, as stated in this report, nine of the 20 loans unreported were unreported for three months or more, including seven current loans going unreported for six months or more. One loan went unreported for 11 months. These periods of time show the extent of the lack of oversight. Those statistics also show that LGY did not conduct appropriate follow-up because LGY did not obtain the current loan status or issue infractions in a timely manner. Those infractions would have probably motivated the servicers to report the loan status. In addition, both the current and prior LGY directors and the data quality team were unaware of the extent of this issue, including the number and duration of loans going unreported.

VBA did not agree with the conclusions regarding loss mitigation letters and indicated that there are redundancies built into the process to ensure borrowers are presented with loss mitigation options. VBA considers LGY's loss mitigation letter to the borrower at day 120 and the beginning of the adequacy of servicing process at day 120 of delinquency to be compensating controls. The OIG recognizes the importance of those subsequent processes, but the Code of Federal Regulations requires loan servicers to report to VA that loss mitigation letters have been sent by the 75th day of the delinquency, or the 45th day if the default occurs within six months from the beginning of the loan if payment was not received. Those letters include important information for the borrower such as the potential loss mitigation options and how to contact the servicer and the VA. Notwithstanding the legal requirement, borrowers who are provided those options after two and a half months delinquency are more likely to resolve their defaults in a timely manner.

VBA disagreed that LGY should have deemed servicing inadequate at the completion of the AOS review if there was no evidence that a loss mitigation letter was sent. VBA indicated the VALERI Technician User Guide requirement relates to a 30-day delinquency letter and is unrelated to the aforementioned 75-day letter. Regardless, sending both letters is part of the minimum collection actions to be taken by loan servicers to contact the borrower based on the Code of Federal Regulations. These essential communications between the servicer and the borrower ensure they are informed of how to resolve the defaults in a timely manner. Therefore, without meeting this important and simple regulatory requirement the OIG considers servicers to have not adequately serviced the loan.

Appendix C provides the full text of the under secretary for benefits' comments.

Appendix A: Scope and Methodology

Scope

The audit team conducted its work from April 2018 through July 2019. The team evaluated loans that were currently in default and required an AOS review, resulted in foreclosures, or had a default that was resolved from August 1, 2017, through June 14, 2018. The audit team obtained the data from LGY Service on June 14, 2018, to ensure the audit sample was obtained in July.

Methodology

To accomplish the audit objective, the audit team identified and reviewed applicable laws, regulations, policies, procedures, and guidelines related to home loan defaults and foreclosures. The audit team obtained testimonial information related to work processes associated with home loan defaults and foreclosures from interviews with the following management and staff:

- VBA's Central Office: executive director, LGY; assistant director for loan and property management; and supervisor of loan management,
- LGY's Quality Monitoring Unit and LoanSTAR offices: assistant director, oversight; LGY Service's monitoring unit supervisor; chief of Nashville Monitoring Unit; and assistant chief of Nashville Monitoring Unit, and
- RLC Loan Guaranty officers, loan administration officers, loan servicing officers, loan production officer, assistant loan production officers, senior loan technicians, and loan technicians.

The audit team performed site visits at the Phoenix, Arizona; Houston, Texas; and St. Paul, Minnesota, RLCs in June and October 2018. At the Phoenix RLC, the team interviewed managers and staff regarding the resolution of defaulted loans and foreclosures, reviewed communications with servicers and borrowers, and obtained background information including an overview of the AOS process. At the Houston and St. Paul RLCs, the team interviewed managers and staff and obtained additional information about the loans included in the sample that underwent an AOS. In addition, the audit team performed site visits at the LGY's Monitoring Unit, responsible for LoanSTAR reviews, and Quality Assurance offices in June 2018 and VBA's Central Office in October 2018. The team interviewed managers and staff regarding their oversight of the program and obtained recent oversight reports such as loan servicer audits.

In coordination with VA OIG statisticians, the audit team used the universe of loans to select and review a random sample of 200 loans from four strata. Those four strata consisted of unresolved loans without a reported payment for 120 days; unresolved loans in disaster areas without a reported payment for 120 days; loans that resulted in foreclosures; or loans resolved from

August 1, 2017, through June 14, 2018. Appendix C provides more details on the statistical sampling methodology.

The audit team reviewed sampled loans to determine whether loan technicians appropriately conducted AOS reviews to ensure effective oversight of loan servicers. This included a review of the incentives paid and determining if infractions were issued when required. The audit team used VBA's WebLGY and VALERI electronic loan processing systems to review the sampled loans and relevant documentation. The audit team discussed the findings with VBA officials and included their comments where appropriate.

Fraud Assessment

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The audit team exercised due diligence in staying alert to any fraud indicators by taking actions or being aware of any indicators such as the following:

- Soliciting the OIG's Office of Investigations for indicators
- Reviewing OIG hotline complaints and concerns for indicators
- Conducting fraud assessments to identify fraud risks significant to the objective
- Soliciting the LGY director and RLC managers for indicators
- Reviewing incentive payments to ensure they were accurate and not overpaid for sampled loans
- Reviewing loss mitigation options to ensure valid options for sampled loans
- Reviewing any suspicious loan modifications in non-disaster counties for sampled loans
- Reviewing any unnecessary solicitations, short-term special forbearances, and suspicious loan modifications in disaster counties for sampled loans and those LGY provided
- Reviewing the history of sampled loans to identify any unusual patterns
- Reviewing servicer case notes and VALERI loan records for sampled loans to identify any unusual entries, including any related party transactions between loan technician and servicer

The OIG did not identify any instances of fraud or potential fraud during this audit.

Data Reliability

The audit team used computer-processed data provided by LGY. To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared data provided by LGY, such as default loan status, loan number, property zip code, current loan status, payment due date, servicer name, property address, and loss mitigation action, against information contained in the 200 loans reviewed electronically in WebLGY and VALERI.

Testing of the data disclosed that they were sufficiently reliable for the audit objective. Comparison of the data with information contained in the electronic loan files did not disclose any problems with data reliability.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the audit objective, the audit team reviewed a statistical sample of unresolved defaulted loans, unresolved defaulted loans in disaster areas, foreclosed loans previously in default, and cured/resolved loans previously in default. The audit team used statistical sampling to quantify the extent of loans where LGY Service did not effectively ensure that loan servicers were adequately servicing defaulted loans.

Population

The review population initially included 58,605 loans without a reported payment for 120 days or more and required an AOS review or were no longer in default due to successful default resolution or foreclosure. This amount was reduced to 55,906 because 828 defaulted loans in stratum 1 were outside the scope period and 1,871 defaulted loans in stratum 4 were duplicates.

Sampling Design

The audit team divided the universe into four strata as shown in Table B.1. The team sampled 50 loans from each stratum, totaling 200, to ensure samples would include all time periods a reduction might occur. Table B.1 describes the four strata of the types of defaulted loans reviewed.

Table B.1. Strata of Loans

Stratum	Definition	Loans
1	Unresolved defaulted loans outstanding on or between August 1, 2017, and February 14, 2018, that had not had a mortgage payment as of June 14, 2018. This was intended to identify loans delinquent for 120 days that needed adequacy of servicing.[46]	10,354
2	Unresolved defaulted loans in disaster counties outstanding on or between August 1, 2017, and February 14, 2018, that had not had a mortgage payment as of June 14, 2018.[47]	3,483
3	Foreclosed loans (previously in default) on or between August 1, 2017, and June 14, 2018.	16,428

[46] Nine current loans, six from stratum 1 and three from stratum 2, were unintentionally included in the sample. Specifically, during initial review of the sample, the team identified loans that were not in default but went unreported for over 120 days. These loans were current and went unreported by the servicer for over 120 days.

[47] Stratum 2 consists of 37 disaster counties based on nine Federal Emergency Management Agency disaster declarations during the scope period. Nationwide there were 788 disaster counties based on 66 Federal Emergency Management Agency disaster declarations during the scope period.

Stratum	Definition	Loans
4	Cured or resolved loans (previously in default) on or between August 1, 2017, and June 14, 2018.	25,641
Total		**55,906**

Source: Data were obtained from VALERI LGY database.

Weights

The OIG calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error

The OIG used Statistical Analysis System (SAS) software to calculate the weighted universe estimates and associated sampling errors. SAS employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If the OIG repeated this review with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time. Table B.2 illustrates the number of loans with oversight deficiencies and loans inadequately serviced and the related projections.

Table B.2. LGY Oversight Errors and Inadequate Servicing and Projections

Type	Sample errors	Count or percent	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval
Loans with at least one LGY oversight deficiency	43	Count	7,881	2,257	5,624	10,138
		Percent	14.1%	4.0%	10.1%	18.1%
Loans with inadequate servicing	24	Count	4,740	1,938	2,801	6,678
		Percent	8.5%	3.5%	5.0%	11.9%

Source: VA OIG projection of estimated loans with errors. Data were obtained from VALERI LGY database.

Table B.3 illustrates the types of deficiencies, the number of loans with those oversight deficiencies, and the related projections.

Table B.3. Types of Adequacy of Servicing Errors and Projections

Type	Sample errors	Count or percent	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval
Loan servicer did not report monthly loan status and LGY did not identify it or issue infractions (1)	20	Count	3,348	1,362	1,986	4,710
		Percent	6.0%	2.4%	3.6%	8.4%
Loan Servicer did not send loss mitigation letter within 75 days of delinquency, or within 45 days of delinquency for original loans or letter sent late and no infraction issued	23	Count	4,533	1,915	2,618	6,448
		Percent	8.0%	3.0%	5.0%	12.0%
Other Oversight Errors (2)	2	n/a	n/a	n/a	n/a	n/a

Source: VA OIG projection of estimated loans with errors. Data were obtained from VALERI LGY database.
(1) The audit team initially identified nine loans in the sample that LGY considered in default and in need of an AOS because there had not been a payment for 120 days. During testing the team learned that these loans in fact had gone unreported and the audit team determined those loans were not in default. Those nine loans combined with an additional 11 defaulted loans were found to go unreported by the loan servicer for at least one month from August 1, 2017, through November 1, 2018. (2) Loan servicer did not make a good faith effort to contact borrower and loan technician did not follow up; loan technician did not make required phone contacts during pre-foreclosure process. No estimate because margin of error exceeds projected point estimate.

Additional Estimations Calculated

The audit team estimated that servicers did not report and LGY was unaware of the loan status of approximately 187,016 VA-guaranteed home loans. The estimation was determined by multiplying the current number of loans reported by LGY on September 30, 2018—3,116,926 loans—by the OIG-projected nonreporting error rate of 6 percent. In addition, the audit team estimated that these loans have a total outstanding loan amount of approximately $40 billion. This was calculated by multiplying the estimated number of unreported loans—187,016—by the average outstanding loan amount of $213,454 that LGY reported as of October 31, 2018. This equates to approximately 3,800 defaulted loans (187,016 unreported loans multiplied default rate of 2.03 percent) of about $811 million (3,800 defaulted loans multiplied by $213,454 average outstanding loan amount reported by LGY on October 31, 2018).

For the scope period from August 1, 2017, through June 14, 2018, the team estimated that 3,348 defaulted loans with an outstanding loan value of over $714 million (3,348 defaulted loans multiplied by $213,454 average outstanding loan amount reported by LGY on October 31, 2018) went unreported and received delayed or no oversight by VBA to ensure adequacy of service during the default resolution process. Therefore, VBA did not ensure that loan servicers provided all the required assistance to veteran borrowers to avoid foreclosure.

Appendix C: Management Comments

Department of Veterans Affairs Memorandum

Date: August 23, 2019

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Audit of VBA's Oversight and Resolution of Home Loan Defaults [Project No. 2018-03979-R4-0045]]

To: Assistant Inspector General for Audits and Evaluations (52)

1. Attached is VBA's response to the OIG Draft Report: Audit of VBA's Oversight and Resolution of Home Loan Defaults.
2. Questions may be referred to Marie Gregory, Program Analyst, at (202) 632-8847.

(Original signed by)

Paul R. Lawrence, Ph.D.

Attachments

Attachment

Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Audit of VBA's Oversight and Resolution of Home Loan Defaults
Project Number 2018-03979-R4-0045

VBA provides the following comments:

VBA appreciates the Office of the Inspector General's (OIG) review of VBA's Oversight and Resolution of Home Loan Defaults. VBA acknowledges this report highlights areas for improvement and generally agrees with the OIG recommendations. However, VBA has significant concerns with the draft report as OIG does not adequately delineate Loan Guaranty Service's (LGY) industry leading performance in the area of loan servicing and resolution of defaulted loans. Since the inception of LGY's VA Loan Electronic Reporting Interface (VALERI) system, the program experienced unprecedented growth. LGY recorded record loan volume from 2012 through 2018. For example, the Department of Veterans Affairs (VA) guaranteed almost 540,000 loans in fiscal year (FY) 2012 (a record at the time), only to be followed by subsequent years of record loan volumes of approximately 629,000, 631,000, 705,000, and 740,000 in FY 2013, 2015, 2016, and 2017, respectively. Additionally, VA guaranteed another 610,000 loans in FY 2018. During this time, LGY was an industry leader in loan servicing, recording foreclosure and delinquency rates that outperformed FHA and were on par with conventional loans. This is despite the fact that over 85 percent of VA home loans are closed with no money down (100% financing), whereas conventional loans require a down payment between 5-20 percent. Because of the oversight processes and system controls in place, Veterans have better outcomes regarding home retention than comparable borrowers in other programs.

Additionally, LGY does not agree with some of the conclusions reached by the OIG. For instance, VBA takes exception to the OIG's conclusion that LGY was unaware of the status of approximately 6 percent, or 187,000 loans for varying periods of time during FY 2018. In multiple conversations with the OIG, VBA explained that in the course of routine industry practice, servicers sell and transfer loans to other servicers and investors. This industry practice causes an unavoidable temporary gap in reporting until the new servicer is able to board the loan and start reporting monthly status to VA in the VALERI system. There is little risk to the program since an overwhelming majority of the loans are current and have no impact on VBA's oversight and resolution of defaulted loans. Furthermore, VA is very aware of the temporary gaps in reporting caused by servicing transfers, which is an unavoidable business process in the servicing industry.

VBA also takes exception to the OIG's practice of overstating the financial impact of their findings. In the Executive Summary, the OIG estimates that LGY may not be aware of the status of approximately 6 percent, or 187,000 loans, then attaches an estimated monetary total of approximately $40 billion for varying periods of time in FY 2018. However, in the text of the report, the OIG states that the purpose of servicers reporting loan data includes overseeing loans in default, which the OIG approximates at 3,800 loans. The estimated monetary total of the 3,800 default loans is approximately $800 million. VBA takes exception to the practice of highlighting larger numbers in the Executive Summary then including more refined numbers and associated dollar amounts in the text of the report as this is misleading to the reader.

In addition, VBA does not agree with the OIG's conclusions regarding Loss Mitigation Letters and VBA's oversight of seriously delinquent loans to determine adequacy of servicing (AOS). While servicers are required to send a loss mitigation letter early in the loan default, VBA has redundancies built into this process to ensure borrowers are presented with loss mitigation options. VBA's VALERI system automatically sends a Loss Mitigation letter to the borrower after 120-days delinquent and initiates an AOS oversight work bucket requiring a loan technician to manually review the case. LGY conducts an AOS review at 120-days delinquent to determine whether servicers are in contact with borrowers to present loss mitigation options to provide alternatives to foreclosure. The purpose of this review is to ensure borrowers are being contacted and to determine the extent of VBA's involvement in the loss mitigation process.

VBA disagrees with the OIG's conclusion that LGY should have deemed servicing inadequate at the completion of the AOS review if there was no evidence that a loss mitigation letter was sent. To support this conclusion, the OIG cites LGY's VALERI Technician User Guide (Chapter 4: Delinquent Loan Servicing, 4.04 a. 3. o.), which requires servicers to send a delinquency letter and make a good faith effort to contact the borrower. However, the delinquency letter is not the same requirement as a Loss Mitigation letter. The delinquency letter requirement stems from 38 CFR § 36.4350 (Servicing procedures for holders), which requires servicers to send a letter to the borrower after 30-days delinquent emphasizing the seriousness of the delinquency and the importance of taking prompt action to resolve the default if telephone contact could not be made. The emphasis is on the servicer's good faith effort to contact the borrower, not the Loss Mitigation letter requirement earlier in the default process. While VBA agrees that a regulatory infraction should be imposed upon the servicer if there is no evidence that the Loss Mitigation letter was sent, this requirement does not impact the AOS decision when it is determined that borrowers have been contacted and presented with loss mitigation options as alternatives to foreclosure.

The following comments are submitted in response to the recommendations in the OIG draft report:

Recommendation 1: The Under Secretary for Benefits implements controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface system and implements compensating controls in the interim.

VBA Response: Concur. VBA will implement controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface system and implement compensating controls in the interim.

Target Completion Date: December 31, 2019

Recommendation 2: The Under Secretary for Benefits ensures that loan servicers report when loss mitigation letters are sent and imposes necessary regulatory infractions when required.

VBA Response: Concur: VBA developed a Circular implementing new procedures establishing the requirement that loan servicers report all Loss Mitigation letters and provide a copy in the VALERI system when loans are selected for AOS and Post Audit (PA) review. On August 20, 2019, VBA released Circular 26-19-24 establishing policy requiring servicers to upload all Loss-Mitigation letters in the VALERI system and requiring Loan Technicians to cite for a regulatory infraction if evidence is not provided.

The Circular is posted on the following sites:

https://www.benefits.va.gov/homeloans/resources_circulars.asp (Internet)

https://vbaw.vba.va.gov/homeloans/hot_topics.asp (VA Intranet)

VBA requests closure of this recommendation.

Recommendation 3: The Under Secretary for Benefits ensures post-audit and adequacy of servicing reviews are compiled and trended and generates key loan servicer performance statistics.

VBA Response: Concur: At the time of the OIG's engagement, LGY had already self-identified the limited reporting capabilities in the legacy VALERI system and developed a corrective action plan (CAP) through its risk management (RM) process. LGY's CAP to implement trending of AOS and PA finding was previously provided to OIG and included some limited trending analysis based on current reporting capabilities and enhanced reporting requirements in the new VALERI environment. LGY has been working with the contractor to develop requirements for enhance reporting capabilities and is on track to implement quality trending capabilities by December 31, 2019.

Target Completion Date: December 31, 2019

Recommendation 4: The Under Secretary for Benefits develops a plan to implement a formal tier ranking system following the implementation of the upgraded VA Loan Electronic Reporting Interface system.

VBA Response: Concur. At the time of the OIG's engagement, LGY had already self-identified the need to implement a formal tier ranking system through its risk management (RM) process. Because of the lack of data available in the legacy VALERI system, LGY decided to implement tier ranking regulations concurrent with the implementation of VALERI-R enhanced reporting functionality. LGY created the attached CAP to implement tier ranking by publishing applicable regulations. LGY is on track to implement servicer tier ranking in the fourth quarter of FY 2022. VBA requests closure of this recommendation.

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Department of Veterans Affairs

Memorandum

Date: JAN 3 0 2020

From: Under Secretary for Benefits (20)

Subj: OIG Status Update – Oversight and Resolution of Home Loan Defaults [Report No. 18-03979-204] – VIEWS 01423608

To: Director, Operations Division, Office of Management and Administration (53B)

1. Attached is VBA's update on the OIG Report: Oversight and Resolution of Home Loan Defaults.

2. Questions may be referred (b)(6), Program Analyst, at (b)(6)

(b)(6)

Paul R. Lawrence, Ph.D

Attachment

Oversight and Resolution of Home Loan Defaults Report No. 18-03979-204, Issued September 30, 2019	
Recommendation 1:	**The Under Secretary for Benefits implements controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface (VALERI) system and implement compensating controls in the interim.**
OIG Comment:	See below.
VA Response:	VBA's 8/23/19 Reply to Draft Report: Concur. VBA will implement controls to identify and address unreported monthly loan status in the upgraded VA Loan Electronic Reporting Interface system and implement compensating controls in the interim. Target Completion Date: December 31, 2019 OIG's 12/30/19 Comment: Please provide compensating controls implemented in the interim to address unreported controls and any new controls in the upgraded VALERI-R system when implemented. VBA's Current Status: VBA upgraded the VALERI-R system to include analytic capability that allows Loan Guaranty Service (LGY) to monitor guaranteed loan statuses at the time of loan boarding, as well as during and after loan transfers. Upcoming additional releases will contain additional granularity into major categories of tracked loans. Attachment A provides a summary of loan boarding and loan transfer metrics, along with trends across time. In this dashboard, VBA is able to see how many cases are ascribed to the various categories of analysis, and view that data across time. Incomplete transfers are viewable in Attachment B, orphaned loans in Attachment C, and servicer-unassigned loans in Attachment D. This dashboard can also be filtered by servicer (Attachment E). LGY is working to incorporate these new Dashboards into its policy and oversight work, and plans to release additional guidance in the coming weeks. Target Completion Date: May 1, 2020

Supporting Documentation:	Attachment A.docx Attachment B.docx Attachment C.docx Attachment D.docx Attachment E.docx
Status:	Implementation of this recommendation is still in progress.

Recommendation 2:	**The Under Secretary for Benefits ensures that loan servicers report when loss mitigation letters are sent and impose necessary regulatory infractions when required.**
OIG Comment:	See below.
VA Response:	VBA's 8/23/19 Reply to Draft Report: Concur: VBA developed a Circular implementing new procedures establishing the requirement that loan servicers report all Loss Mitigation letters and provide a copy in the VALERI system when loans are selected for AOS and Post Audit (PA) review. On August 20, 2019, VBA released Circular 26-19-24 establishing policy requiring servicers to upload all Loss-Mitigation letters in the VALERI system and requiring Loan Technicians to cite for a regulatory infraction if evidence is not provided. The Circular is posted on the following sites: • https://www.benefits.va.gov/homeloans/resources_circulars.asp (Internet) • https://vbaw.vba.va.gov/homeloans/hot_topics.asp (VA Intranet) VBA requests closure of this recommendation. OIG's 9/30/19 Comment in Final Report: The Under Secretary requested closure of this recommendation; however, the OIG will follow up to verify that all actions stated in the Under Secretary's response have been completed prior to closing the recommendation. OIG's 12/30/19 Comment: Please provide three examples of copies put in the upgraded VALERI-R system when loans are selected for adequacy of servicing and post audit review. Please provide three examples or a report where Loan Technicians cited a regulatory infraction if evidence was not provided. VBA's Current Status: As requested, attached are three examples where the servicer provided the loss mitigation letter (Attachment F, Attachment G, Attachment H) during a post audit review. LGY found no instances in which servicers failed to follow the guidance contained in Circular 26-19-24, so VBA is unable to provide three examples where Loan Technicians cited a regulatory infraction. VBA requests closure of this recommendation.
Supporting Documentation:	Attachment F.pdf Attachment G.pdf Attachment H.pdf
Status:	We request closure of this recommendation based on the evidence provided above.

Recommendation 3:	**The Under Secretary for Benefits ensures post-audit and adequacy of servicing reviews are compiled and trended and generates key loan servicer performance statistics.**
OIG Comment:	See below.
VA Response:	VBA's 8/23/19 Reply to Draft Report: Concur: At the time of the OIG's engagement, LGY had already self-identified the limited reporting capabilities in the legacy VALERI system and developed a corrective action plan (CAP) through its risk management (RM) process. LGY's CAP to implement trending of AOS and PA finding was previously provided to OIG and included some limited trending analysis based on current reporting capabilities and enhanced reporting requirements in the new VALERI environment. LGY has been working with the contractor to develop requirements for enhance reporting capabilities and is on track to implement quality trending capabilities by December 31, 2019. Target Completion Date: December 31, 2019 OIG's 12/30/19 Comment: Please provide any quality trending reporting capabilities implemented in the upgraded VALERI-R system for the compilation and trending of post-audit and adequacy of servicing reviews and generation of key loan servicer performance statistics. VBA's Current Status: VBA built analytic functionality in several dashboards to track and report on Adequacy of Servicing (AoS) and Post-Audit cases across servicers and across time. The LGY dashboards have the ability to show trending information for both AoS and post audit reviews completed in the new system, as well as some limited historical data on AoS and Post Audit cases from the legacy VALERI system. On the AoS Summary screen (Attachment I), the dashboard has the ability to show the number of inadequate processes over the requested timeframe along with the reason; this can be filtered by servicer (Attachment J). To review more servicing trending information, the AoS Analysis screen shows how many total cases are deemed inadequate for all servicers (Attachment K) as well as the total by servicer (Attachment L). For the post audit process, the trending information from VALERI can be found on the Post Audit Summary screen (Attachment M). Starting in November 2019, post audit outcomes are included in the dashboard and can be used in the trending process to determine how many cases have an adjustment, regulatory infraction, or negative outcomes. This also can be filtered by servicer (Attachment N). The post audit analysis screen provides additional ways to break out the information (Attachment O) and has the ability to be filtered by servicer (Attachment P).

	VBA requests closure of this recommendation.
Supporting Documentation:	Attachment I.docx Attachment J.docx Attachment K.docx Attachment L.docx Attachment M.docx Attachment N.docx Attachment O.docx Attachment P.docx
Status:	We request closure of this recommendation based on the evidence provided above.