

VALERI Servicer Newsflash

May 1, 2024

VA Circular 26-23-25 – Loan Repayment Relief for Borrowers

<https://www.benefits.va.gov/HOMELOANS/documents/circulars/26-23-25.pdf> outlines parameters for a foreclosure moratorium on VA-guaranteed loans that are not vacant or abandoned.

VA Reimbursement of Fees and Costs related to Foreclosure Moratorium – Traditional foreclosure costs, as outlined in Chapter 14 of the VA Servicer Handbook, M26-4

https://www.benefits.va.gov/WARMS/M26_4.asp, will continue to be reimbursed through the traditional basic claim process. Through the appealed claim process, servicers will also be eligible for reimbursement of fees and costs that resulted from the foreclosure moratorium outlined in VA Circular 26-23-25, above the maximum guaranty amount, to include the following:

- Foreclosure Expenses resulting from the foreclosure moratorium
- Advances from November 17, 2023, until the next available sale date after the moratorium
- Property Inspections from November 17, 2023, until the next available sale date after the moratorium
- Accrued interest from November 17, 2023, until the next available sale date after the moratorium

Fees typically allowed above maximum guaranty, such as the VA appraisal, will still be paid according to the claim calculations outlined in Chapter 14.

Guaranty Claim – VA will reimburse servicers for traditional foreclosure fees and costs through a basic claim payment, after loan termination. Servicers will need to review the Claim Details Results report in VALERI to determine if the interest termination date should be extended, any foreclosure expenses and advances resulting from the foreclosure moratorium outlined in VA Circular 26-23-25 were denied on the basic claim, or if the basic claim was capped by maximum guaranty.

Appealed Claim – Servicers will need to request the denied advances, foreclosure expenses, property inspections, and additional interest resulting from the foreclosure moratorium outlined in VA Circular 26-23-25 through the appeal paid claim process. VA will review the appealed claim and allow expenses, advances, and additional interest that resulted from the foreclosure moratorium outlined in VA Circular 26-23-25.

Appealed claims are due within 30 calendar days from basic claim certification. For additional information on filing an appeal claim, review Chapter 16 of the VA Servicer Handbook, M26-4 https://www.benefits.va.gov/WARMS/M26_4.asp.

Above Max Claim Payment – Fees and costs incurred as a result of the foreclosure moratorium outlined in VA Circular 26-23-25 will be paid, even if the amount requested is above maximum guaranty. Since the VALERI application is not designed to allow a claim payment above the maximum guaranty amount, the payments may look different than our typical appealed claim payments.

- If the appealed claim payment does not reach the maximum guaranty amount, the allowed amount will be issued as a typical appealed claim payment.
- If the basic claim does not reach the maximum guaranty payment but the appealed claim does reach the maximum claim payment, VA will issue two separate payments. The first would

- include the claim payment, up to the maximum guaranty amount. The second would include a lump sum payment for the remaining allowed amount above maximum guaranty.
- If the basic claim was capped by the maximum guaranty amount, only one lump sum payment will be issued for the allowed amount during the appealed claim.

The Appeal Claim Detail Results report in the VALERI application will outline which line items were allowed, but the report may not reflect the second payment, if an amount was issued above maximum guaranty. The Cumulative Payments report in the VALERI application will provide details on any lump sum payments issued during the appeal.

Supporting Documentation - Appealed claims require adequate supporting documentation for each line item requested and any adjustments to the interest termination date. Because the appealed procedures outlined in this VALERI Servicer Newsflash only apply to loans impacted by the foreclosure moratorium outlined in VA Circular 26-23-25, servicers need to indicate the loan was placed on a moratorium and provide the impacted dates. Line-item requests will still require an invoice and explanation. For example, if a servicer was required to restart foreclosure proceedings, this should be provided in the appeal explanation to justify the additional costs.

The foreclosure moratorium is not applicable to vacant and/or abandoned properties. VA expects to reimburse property preservation advances for vacant or abandoned properties, but VA does understand servicers may need to complete property preservation activities on an occupied property, as well. If servicers incur preservation fees on an occupied property, as a result of the foreclosure moratorium outlined in VA Circular 26-23-25, VA will require a justification or explanation of these advances, in order to allow these items above the maximum guaranty amount.