

FAQs (Prioritized)

Question 1: What is the effective date of the updates to VA Servicer Handbook, M26-4, Chapter 5?

VA response 1: The date of posting, 5/8/2024 and must be fully implemented by October 1, 2024. The options listed in Chapter 5 are available as of the publish date.

Question 2: Are servicers required to operationalize the updates to VA Servicer Handbook, M26-4, Chapter 5 before offering VASP? Are there portions of the new VA Home Retention Waterfall that servicers can implement in pieces or, are servicers required to implement the Traditional Modification, 30/40-year streamline modification and VASP all at the same time? The VA must be clear about the effectiveness of policy during the interim between May 31 and October 1.

VA response 2: Chapter 5 was posted and effective as of 5/8/2024.

Servicers should consider borrowers for all available options in Chapter 5 prior to offering VASP. If it appears the borrower would be eligible for VASP, servicers should hold these files until they are operationally ready to process VASP requests.

Question 3: What should be done with borrower financials that have already been collected, or will be collected before the new waterfall is implemented? VA should provide direction for in-process/in-trial modifications, including whether servicers should re-evaluate those modifications based on the revised VA Servicer Handbook, M26-4, Chapter 5 guidance.

VA response 3: Unless there are CFPB requirements to collect new documents for the borrower (i.e. documents could be too old to make a proper decision), the servicer can use the documents they have in hand. Servicers can proceed with loss mitigation options that are in-process/in-trial.

Question 4: The VA will pay the servicer based on total eligible indebtedness. The VA will assume that all these amounts will be included in the post-modification UPB. Are there fees and costs that would not be capitalized but would transfer as borrower-collectible advance balances following the servicing transfer?

VA response 4: Late fees are the only item that would not be capitalized. Servicers are to waive these fees.

Question 5: According to VA Servicer Handbook, M26-4, Chapter 9, servicers are to pay all tax, insurance, and HOA payments due within the next 90 days and include this amount in the payoff statement. How does the VA expect servicers to handle tax and insurance bills not available 90 days in advance? If the borrower is current on their HOAs, are servicers to still advance the HOA funds and include in the total indebtedness? In instances where the borrowers are paying their own HOAs each month, this may result in duplicate payments.

VA response 5: VA recognizes there may be times when the servicer is unaware or unable to pay the tax and insurance payments early. If the loan has not yet transferred, servicers are to pay those bills as they come due. This will be reconciled during the service transfer. If the borrower is current with their HOA payments, no action is needed by the servicer. If the HOAs are behind, servicers should be reinstating the HOAs and including that amount in the payoff. As a reminder, if the HOA has placed a lien on the property that jeopardizes VA's first lien position, the loan is not eligible for VASP until that lien has been resolved.

Question 6: Confirm that the loan will still transfer to VA's designated contractor even if the borrower does not return the modification documents prior to transfer.

VA response 6: See [VA Servicer Handbook, M26-4, Chapter 9](#) section 9-8.

Question 7: Does a servicer have to offer a VA Disaster Extend Modification? This was unclear between VA Servicer Handbook, M26-4, Chapter 5, Appendix F, and verbal comments made during the training sessions.

VA response 7: Servicers are to review and offer available home retention options in the prescribed waterfall, however, VA cannot require the servicer to offer those options listed for disaster situations.

Question 8: Why did you choose to put in place this exception for no caps on modifications? We are concerned that this will lead to gaming by non-owner occupants?

VA response 8: VASP is not available to non-owner occupants.

Question 9: The event or circumstance that caused the default has been or will be resolved and is not expected to re-occur. The VA has not removed this from the CFR so we would need an exemption.

VA response 9: VA is not making an exemption to this requirement. If the event or circumstance that caused the default has not been resolved and is expected to re-occur in the future, then a more appropriate loss mitigation like forbearance should be utilized until the said circumstance is overcome.

Question 10: What does the VA expect that servicers will do to verify whether a property is abandoned or condemned? For example, how do we resolve a discrepancy between a property inspection that shows the property as abandoned, but the borrower states that they live in the property. Should we take the borrower's word or is other evidence needed?

VA response 10: Servicers should use commonly accepted practices (ex. removed power meter, unkept lawn, abandoned/untagged vehicles, posted notices of utility shutoff) or local/state law for determination of abandoned property.

Question 11: VA Regulation 38 C.F.R. 36.4315 indicates a modified rate may not be more than one percent higher than the existing rate on the loan without VA preapproval. Will the VA continue to grant preapproval to waive the 1% interest rate increase cap for modifications?

VA response 11: VA will be updating guidance in the handbook to include a waiver of the 1% interest rate cap for loan modifications. In the meantime, if a pre-approval to waive this requirement is submitted, the VA loan technician will approve the request.

Question 12: Will servicers be required to repurchase loans that have been certified, including regarding a borrower's verbal attestation of their occupancy status?

VA response 12: Once VA makes a determination to accept a VASP loan, and the servicer has made a good faith effort to review the file within requirements, there are no repurchase requirements.

Question 13: Can loans subject to an indemnification agreement be transferred to VA's servicer and reimbursed at the total eligible indebtedness?

VA response 13: If the timeframe specified within the indemnification agreement has expired, VA would allow VASP. VA would also allow VASP on an indemnified loan, if the indemnification was the result of an action taken by the lender. If the indemnification resulted from fraudulent actions on behalf of the borrower, VA would not allow VASP.