

## PROCESSING REQUESTS FOR EXECUTION OF QUITCLAIM DEEDS

1. Purpose. This circular provides guidance on the Department of Veterans Affairs (VA) handling of requests for execution of quitclaim deeds.

2. Usual Transfer and Reconveyance. When a holder elects to convey a property to VA following loan termination, the holder typically records a deed to the property in VA's name. VA pays for the property upon receipt of the notice of election to convey via the Transfer of Custody event in the VA Loan Electronic Reporting Interface (VALERI) and allows 60 days (sometimes longer) for acceptable evidence of title to be provided. If the holder does not provide title evidence timely, or if it is unacceptable, VA's property management contractor handles preparation of a quitclaim deed to transfer the property back to the former holder, based on the authority delegated in 38 CFR 36.4845(f).

3. Title Transfers Needing Reversal. VA does not accept conveyances submitted late unless the holder appeals rejection of the conveyance timely and provides a compelling reason why the delay was beyond its control. However, the holder may have already recorded a deed transferring the property to VA. In other cases, deeds to VA may be recorded in error, such as when a third party is the successful bidder, but a deed to VA had been prepared in advance and was mistakenly submitted for recording, instead of a deed to the actual purchaser. There have been some cases where deeds were recorded to VA on properties securing Federal Housing Administration (FHA) loans. In many cases a sale may not be valid (e.g., due to the borrower filing a bankruptcy petition that is not discovered until after a deed to VA is recorded). While in some cases deeds to VA may have no effect (common in bankruptcy filings), in other cases it may be necessary to record a quitclaim deed transferring any interest purportedly conveyed to VA to remove a cloud on title.

### 4. Processing Quitclaim Deeds

a. Active Default in VALERI. Whenever a holder or its agent determines that a quitclaim deed is needed to transfer any interest previously conveyed to VA, the request will be sent via e-mail to the VA technician assigned to the case in VALERI. The e-mail will explain the basis for the request and include an electronic version of the quitclaim deed to be executed by VA, along with instructions for transmittal of the executed deed to the party that will handle recordation.

b. Not an Active Default in VALERI. Any request for a quitclaim deed involving a property that is not associated with an active default of a VA-guaranteed loan will be sent to the Loan Administration Officer (LAO) at the VA Regional Loan Center (RLC)

(LOCAL REPRODUCTION AUTHORIZED)

nearest the location of the property. Examples might include a case where the property was actually the security for an FHA-insured loan, or where a deed on a VA-guaranteed loan was recorded, even though the loan fully reinstated prior to a scheduled foreclosure sale. The LAO will oversee research on the case to ensure that VA has no interest in the property and then review the deed in accordance with the following paragraph.

c. VA Review. In the case of an active default, the assigned VA technician will update VALERI notes and forward the request to the LAO. If there is not an active default, the LAO will update the VALERI notes. In both cases, the LAO will review the deed to ensure that it conveys only whatever interest VA may have in the property, without any type of warranty. In addition, the effective date of the quitclaim deed must be the same date as the initial transfer of the property to VA. By using the same date as the initial transfer to VA, the quitclaim deed essentially demonstrates that VA never accepted title to the property, despite the previously recorded conveyance.

d. VA Execution. If the deed appears acceptable under the general guideline described above, it will be sent to the Loan Guaranty Officer (LGO) or Assistant LGO for execution and transmittal in accordance with the request. Under 38 CFR 36.4845(b) the LGO or ALGO has the authority to execute deeds in any area of the country on behalf of the Secretary of Veterans Affairs.

5. VA-Initiated Deeds. In some cases holders may be slow to request quitclaim deeds from VA when conveyances are not accepted. In other cases, deeds to VA may be erroneously recorded without any notice to VA. In fact, VA's first notice may be in the form of a tax bill or a demand for action from local authorities. In such cases, after determining that VA should not be the owner of a property, the responsible LAO will ensure that contact is initiated with the holder to prepare a quitclaim deed for VA's execution. The LAO will also monitor the situation to ensure that title to the property is transferred from VA's name as soon as reasonably possible.

6. RESCISSION: This circular is rescinded January 1, 2012.

By Direction of the Under Secretary for Benefits

Mark Bologna, Director  
Loan Guaranty Service

Distribution: CO: RPC 2024  
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2024)