



Loan Guaranty Conference 2023

VA Loan Modifications

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VA



U.S. Department
of Veterans Affairs

VA Loan Modifications

▶ General Modification Guidance

- ✓ Modification regulations outlined in 38 C.F.R. §36.4315
- ✓ All modifications have basic requirements that must be met, intended to ensure affordability
- ✓ VA Servicer Handbook, M26-4 Chapter 5 outlines the modification options and requirements of each program

▶ Modification References and Resources

- ✓ VA regulations https://www.benefits.va.gov/homeloans/servicers_valeri.asp
- ✓ VA Servicer Handbook, M26-4 Chapter 5
- ✓ Modification Comparison Chart

Note: The Modifications and guidance discussed does not apply to the Partial Claim or Refund Modification program.

Loan Modification Options

▶ Traditional Modification

- ✓ Loan bears a fixed rate and follows terms outline in 38 C.F.R. §36.4315

▶ Streamline Modification

- ✓ Must achieve a 10% reduction in P&I
- ✓ Trial Payment Plan is required
- ✓ Incomplete or No Underwriting Package Submitted

▶ VA Affordable Modification (VAAM)

- ✓ The PITIA cannot exceed 31% of gross monthly income
- ✓ Principal deferment is allowed

▶ VA Disaster Modification

- ✓ Reason for Default must be Natural Disaster
- ✓ Trial Payment Plan is required
- ✓ Incomplete or No Underwriting Package Submitted

▶ Disaster Extend Modification

- ✓ Reason for default must be Natural Disaster
- ✓ Servicer must forgive all delinquent interest
- ✓ Terms are extended by the number of months past due
- ✓ Incomplete or No Underwriting Package Submitted

Pre-Approval Requests for Modifications

- ✓ Must be submitted through the VALERI application, along with supporting documentation to justify the need to deviate from a VA regulation
- ✓ Servicers may request deviations from multiple regulations in a single request, but all deviations must be supported
- ✓ Pre-Approvals are not a blanket approval to proceed with a modification, they are a response to the specific deviations requested
- ✓ Request for Pre-Approval must be completed before the modification is approved or completed; VA cannot grant approval retroactively

Additional information on the Pre-Approval process can be found in the VA Servicer Handbook, M26-4, Chapter 6. Instruction on requesting Pre-Approval in the VALERI application can be found in the VALERI Servicer User Guide.

Loan Modification Complete Event Reporting

- ✓ **Fully Executed Date:** This is the date the Veteran signs the modification agreement
- ✓ **First Payment Date:** Ensure this is the first payment due under the modification; inaccurate reporting of this data field generates a Suspicious Loan Modification (SLM) process
- ✓ **Approval Date:** This date needs to be populated in the Loan Modification Complete event; if the date was removed from your system, it will leave this data field blank and generate an SLM
- ✓ **Terms:** In most cases, VA requires the terms to be the lesser 360 months or 120 months after the original maturity date

Loan Modification Data Elements are specified and outlined in the Documentation Tab of the VALERI Events Bulk Upload Template

Suspicious Loan Mod (SLM) Process

▶ Common Reason for the SLM process:

- ✓ Loan Modification Complete event was missing the Approval Date
- ✓ Servicer reported incorrect Modification Terms in the Loan Modification Complete event
- ✓ Failure to request Pre-Approval for a deviation from a VA regulation:
 - Previous modification was completed within the last 3 years
 - Less than 12 payments were made on the loan
 - Interest rate is more than 1% above the existing rate

Additional information on the Suspicious Loan Modification process can be found in the VA Servicer Handbook, M26-4

Questions?

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