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CHAPTER 11. RECONVEYANCE OF PROPERTY

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11.01 RECONVEYANCE OF PROPERTY

 a. Department of Veterans Affairs (VA) reconveys a property to the servicer for the following reasons:

 1. Invalid sale.

 2. Improper transfer of custody (TOC).

 3. Title problems.

 b. Reconveyance of the property back to the servicer commences after the servicer reports an improper TOC or Invalid Sale event, or after VA determines the need to reconvey the property. Once the Improper TOC or Invalid Sale event is processed in the VA Loan Electronic Reporting Interface (VALERI), a Bill of Collection (BOC) is initiated to recover the acquisition and/or other additional costs. The servicer can review all notices on the BOC Status and Offsets report in the Reports application of VALERI. The report includes the date VA reconveyed the property and the reason for the return.

 c. Invalid Sale. An invalid sale occurs when any of the following exist:

1. Invalid sale results due to bankruptcy.
2. Procedural errors by the court, attorney, and/or servicer (including title problems,

missing publication, litigation).

1. Contested foreclosure.
2. Third party fails to consummate.
3. The borrower is protected under the Servicemembers Civil Relief Act (SCRA).

 d. Improper TOC. An improper TOC occurs when any

of the following exist and the servicer has no option to reconvey in the future:

 1. A third party was the successful bidder and the servicer transferred custody to

VA in error.

 2. The servicer has chosen to retain the property and transferred custody to VA in

error.

 3. VA’s Loan Guaranty National Practice Group (NPG) reviewed and determined the servicer failed to provide clear and marketable title.

 4. The servicer failed to provide all required title documents to VA within the required

timeframes.

 e. If reconveyance is necessary, the servicer must report the Invalid Sale or Improper TOC event in the Servicer Web Portal (SWP) and VALERI will automatically initiate a BOC Process. The process will be completed by the VA-assigned technician. If the loan is unassigned in VALERI, the last office that certified a payment will complete the process to issue the BOC. The technician must fully document case notes with their review of the loan and their recommendation for the BOC. All recommendations are then reviewed for approval and certification before the BOC is issued. The BOC process must be completed within the VALERI-established timeframes.

 f. Title Problems. When VA reconveys a property to the servicer due to title

issues, VA’s Contract Assurance – Property Management (CA-PM) section is the point of contact and notifies the servicer, by letter, with the reason(s) for the return. CA-PM also notifies the appropriate Regional Loan Center (RLC) of the reconveyance, via email. The VA-assigned technician, or designated technician at the RLC, must manually open the Return of Custody process to monitor the reconveyance. The VA-assigned technician must thoroughly annotate the notes regarding the reconveyance, upload all supporting documents, and contact the servicer to advise them to submit the Improper TOC event so the BOC can be established. If the servicer does not report an Invalid Sale or Improper TOC event within the VALERI-established timeframe, the VA RLC will submit the event to begin the process of transferring the property back to the servicer.

 g. If the servicer discovers an invalid sale or improper TOC after reporting the TOC event, they should not report the invalid sale or improper TOC event until VA has certified the acquisition payment.

11.02 PREPARATION/EXECUTION OF QUITCLAIM DEEDS

 a. When a servicer elects to convey a property to VA following loan termination, the servicer typically records a deed to the property in VA’s name. If the servicer does not provide title evidence by the established state title submission due date or if it is deemed unacceptable by VA’s NPG, VA’s property management contractor handles the preparation of a quitclaim deed to transfer the title of the property back to the servicer. For state title submission due dates, please refer to the Title Documentation, Insurance and Timeframe requirements located at: <http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp> .

 b. It may be necessary to record a quitclaim deed back to the servicer in circumstances where VA did not acquire the property, an invalid sale was held, or a third party was the successful bidder and the servicer recorded the deed to VA in error. If a property was conveyed in error, the servicer must prepare a quitclaim deed for VA’s execution to remove VA from title. The servicer should forward the quitclaim deed documents to the assigned technician. If the loan is unassigned in VALERI, the quitclaim documents should be forwarded to the Loan Administration Officer (LAO) at the VA RLC of jurisdiction where the property is located. Refer to Chapter 12, Quitclaim Deeds, of this Manual for additional guidance.

11.03 RECONVEYANCE DISPUTES

 a. Servicers can notify VA’s property management contractor of any concerns pertaining to the reconveyance of an asset due to untimely or unacceptable title. The dispute must be emailed to the designated contact at VA’s property management contractor at title-va-reconveyance@vrmco.com and must be received directly from the servicer (not the foreclosure attorney). The email submission must include the following information:

 1. Email Subject Line: Reconveyance Dispute.

 2. Title Package Due Date.

 3. Copy of Pre-Reconveyance or Incomplete Letter.

 4. Copy of Final Reconveyance Letter.

 5. Proof of compliance in resolving any/all noted deficiencies by the due date in either

the Pre-Reconveyance or Incomplete Letter.

 6. Reason for Dispute.

 b. Reconveyance Disputes must be submitted within 10 business days of receipt of the Final Reconveyance Letter. VA will respond to disputes within 72 hours of receipt through VA’s property management contractor.