

CHAPTER 15. POST AUDIT

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15.01 POST AUDIT

a. The post-audit process protects the interests of both the Veteran and the government. The primary objectives of the post-audit are to confirm the appropriateness of payments, account for regulatory infractions, and to adjust, as necessary. The Department of Veterans Affairs (VA) conducts monthly post-audit reviews on the following types of cases:

1. Repayment Plan. A repayment plan is eligible for post-audit 30 days from the date the incentive payment is confirmed by VA's Financial Management System (FMS).
2. Special Forbearance. A special forbearance is eligible for post-audit 30 days from the date the incentive payment is confirmed by FMS.
3. Loan Modification. Loan modifications are eligible for post-audit 90 days from the date the incentive payment is confirmed by FMS.
4. Deed-in-Lieu of Foreclosure (DIL). A DIL is eligible for post-audit 60 days from the date the incentive payment is confirmed by FMS.
5. Short Sale. A short sale is eligible for post-audit 60 days from the date the incentive payment is confirmed by FMS.
6. Foreclosure Claim. A terminated loan is eligible for post-audit 60 days from the date the claim payment is confirmed by FMS.
7. Partial Release of Security. A partial release of security is eligible for post-audit 60 days after the VA Loan Electronic Reporting Interface (VALERI) receives the Partial Release of Security event.

Case	Post Audit Timeframe
Repayment plan	30 days
Special Forbearance	30 days
Loan Modification	90 days
Deed-in-Lieu (DIL)	60 days
Short Sale	60 days
Foreclosure Claim	60 days
Partial Release of Security	60 days

15.02 VALERI SELECTION, NOTIFICATION, AND ASSIGNMENT OF CASES

a. On a bi-monthly basis, VALERI selects a random sample of eligible cases for post-audit review. When necessary, VA Central Office (VACO) may identify an additional pool of cases for post-audit review.

b. VALERI automatically assigns and distributes cases nationwide to technicians for review. VALERI does not distribute a post-audit case to the same technician who was originally assigned the loan.

c. Once cases are selected, servicers are notified of the selected cases on the Post-Audit Selection report on the first and fifteenth day of each month.

15.03 REQUIRED DOCUMENTATION (38 C.F.R. §36.4324(d)(5))

a. Servicers are required to retain records for three years and provide supporting documentation on cases selected for post-audit within 22 business days. VA does not routinely give servicers additional time to submit documents without detailed justification to support a servicer's extension request. If the servicer uploads a document after day 22, but before the VA-assigned technician concluded their review, the document will be used to complete the post-audit. If the servicer did not submit the required document, VA may deny applicable fees and issue a Bill of Collections. Data elements must be validated using any available Post Audit documents, including the WebLGY appraisal.

b. A deficiency waiver letter is required to be sent to the borrower no later than 15-calendar days after VA certification of the guaranty claim payment on all loans where VA paid a maximum guaranty claim, and the property was conveyed to VA. NOTE: VA does not require the deficiency waiver letter if the borrower filed bankruptcy during the default period. The deficiency waiver letter must include the date and amount of the indebtedness that has been waived. In the event a servicer fails to provide evidence validating a deficiency waiver notice was sent covering all regulatory requirements, a regulatory infraction with no monetary value will be added during the post-audit review. The absence of a deficiency waiver letter does not increase or decrease VA's liability.

c. VALERI lists the supporting documentation servicers are required to submit in the Servicer Web Portal (SWP) under the Submit Documents link.

d. The following provides a definition for each post-audit document required:

1. Agreement to Purchase. An executed agreement to purchase a portion of the security.
2. Analysis and application of funds. The analysis of the property value and the breakdown and application of funds.
3. Appraiser's invoice. Invoice from an appraiser identifying the property that was appraised.
4. Bill and evidence of payment. Documentation outlining work completed and date the payment was issued.

5. Closing Disclosure. Document prepared by a closing agent describing a real estate transaction, including the escrow deposits for taxes, commissions, loan fees, points, and hazard insurance.
6. Deficiency waiver letter. Notification from the holder to the borrower that they would be held harmless from the unguaranteed portion of the loan. Must include dollar amount being waived and the date the letter was sent.
7. Bankruptcy docket report. A Docket Report for each bankruptcy filed during the default period.
8. Termination bid analysis. The document used to calculate total debt to determine bid type at time of foreclosure.
9. Foreclosure document (per state requirements). Requirement document(s) providing results of sale.
10. Insurance adjuster's report. An insurance adjuster's settlement recommendations for insurance claims or claims for damages. Copy of document(s) providing evidence that an insurance claim was filed. This evidence will also provide information on the approval, or denial of the insurance claim.
11. Insurance proceeds check (copy). A copy of the check issued by an insurance company to cover property damage.
12. Itemized attorney invoice. Invoice for any services provided by an attorney towards the termination of a loan.
13. Itemized invoice for property preservation and work completed. Invoices for all services, work completed, and materials used.
14. Ledger/loan payment history. All ledger/payment histories from the first uncured default showing all debits/credits to the account, including refunds for tax and insurance. This includes running balances for principal, escrow, and suspense/unapplied accounts.
15. Executed loan modification agreement. The executed loan modification agreement and any step rate changes, if applicable, between the servicer and the borrower that changed one or more terms of an existing mortgage loan such as the interest rate, number of years allowed for repayment, or amount of monthly payment.
16. Loss mitigation letter. A copy of the letter sent to the borrower, as required by 38 C.F.R. §36.4317(c).
17. Mortgage note (includes variable mortgage addendums, if applicable – Growing Equity Mortgages, ARM, Graduated Payment Mortgages). The note, including variable mortgage addendums if applicable, is a written agreement between the borrower and servicer signed at

closing to repay a loan. The note is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be paid. The note also states the actual amount of the debt secured by the mortgage and renders the mortgagor personally responsible for repayment.

18. Property inspection verification. A document that includes at minimum the following: date of the property inspection, cost of the inspection, and occupancy status.
19. Recorded deed from the borrower to servicer. The recorded legal document that was used to transfer ownership from the borrower to the servicer on a DIL.
20. Recorded deed with release. The recorded legal document that was used to transfer ownership of a portion of the security from the borrower to a third party.
21. Repayment plan agreement. The written repayment plan agreement between the borrower and servicer.
22. Servicemember Civil Relief Act (SCRA) rate changes and eligibility. Evidence to support the rate change dates and Veteran eligibility.
23. Sheriff's appraisal/notice of value (NOV). A document that shows the "as-is" value of the property, which is used to determine the bid amount for a foreclosure sale or alternative to foreclosure.
24. Special forbearance agreement. The written special forbearance agreement between the borrower and servicer.

15.04 TECHNICIAN REVIEW REQUIREMENTS

- a. During a post-audit review, the VA-assigned technician determines the validity of the application of mortgage payments, credits, and disbursements from the borrowers account during the default period. VA-assigned technicians review the cumulative claim to validate that all suspended/unapplied funds have been properly accounted for and applied to the account during the default period. VALERI loan notes must be documented to support the Post Audit decision including any adjustments to data elements if applicable. If an error is identified and the only ability to correct it is through the post-audit process, the VA-assigned technician makes the adjustment and documents the case notes of the action. All post-audit reviews must be completed within the VALERI established timeframes.
- b. VA-assigned technicians use all documents provided during the post-audit timeframe to verify information during their review. If an appraisal invoice has not been provided by the servicer, the VA-assigned technicians review the appraisal information in Wembley to determine if an invoice is available in order to validate the fee.

15.05 POST AUDIT RESULTS

- a. Results of the post-audit review can be found on the Post Audit and Appeal Post Audit Summary report. Regulatory infractions issued on the post-audit may impact the servicer's performance for tier ranking purposes. If the final results reveal an overpayment, VA will issue a bill of collection (BOC), which can be found on the BOC Status and Offsets report.

15.06 QUARTERLY POST AUDIT REPORTS

a. Every quarter, VACO analyzes system-generated reports to identify patterns, trends, or common mistakes to determine if there are servicer specific issues. If the error trend continues on a regular basis, VACO may increase the number of cases selected for post-audit. Servicer consequences of continued negative post-audit findings include:

1. Tier ranking is adversely affected.
2. Mandatory training.
3. Full on-site audit.
4. Referral to the Office of the Inspector General.