

CHAPTER 7. INCENTIVE PAYMENT

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7.01 INCENTIVE PAYMENT (38 C.F.R. §36.4319)

a. The Department of Veterans Affairs (VA) administers the incentive payment program to encourage servicers to provide every opportunity for Veterans to retain homeownership and avoid foreclosure. Servicers are eligible for an incentive payment upon the successful completion of a loss mitigation option which meets VA regulatory requirements. Incentive payment amounts depend upon the loss mitigation option and the servicer's tier ranking. VA does not charge any portion of an incentive payment to the borrower, and the payment does not affect the guaranty of the loan.

b. Servicers have 30-days from the denial date to exercise the option to appeal the decision in the VA Loan Electronic Interface (VALERI). Appeals procedures are located in chapter 16 of this manual.

7.02 ELIGIBILITY FOR PAYMENT

a. When the loss mitigation option meets all VA regulatory requirements, VALERI automatically generates a routine incentive payment through a certify incentive payment process.

b. When the completed loss mitigation option does not meet VA regulatory requirements, VALERI will initiate the review non-routine incentive process with the technician's review and recommendation. Upon approval, VALERI presents the payment to a certifying designee for certification and approval of the payment.

7.03 DETERMINATION OF INCENTIVE AMOUNT

a. Incentive payments are based upon the:

1. Most recent home retention option or alternative to foreclosure event submitted on the loan.

2. Servicer's tier ranking at the time the loan is brought current through a home retention option or completed alternative to foreclosure.

3. Incentive amounts for each loss mitigation option are reviewed and published in the Federal Register. The lists of incentive amounts are located in 38 C.F.R. §36.4319.

7.04 PAYMENT TIMING AND FREQUENCY

a. The incentive is presented for payment after VALERI processes a Default Cured Loan Reinstated (DCLR) event for home retention options or Compromise Sale Complete or Deed-in-Lieu (DIL) Complete event for alternatives to foreclosure.

Servicers are eligible for one incentive payment per reportable default when a successful loss mitigation option is completed.

b. Repayment Plan. VALERI automatically generates a repayment plan incentive payment for certification when the servicer reports:

1. The loan was at least 61-days delinquent and
2. The servicer reported the Repayment Plan Approved event and
3. VALERI processed a DCLR event and
4. A repayment plan for at least three calendar months in duration. (The servicer is entitled to an incentive if the borrower reinstates prior to the estimated cure date as long as the plan was established for at least three calendar months.) and
5. There are no business rule failures requiring further review.

c. Special Forbearance. VALERI automatically generates a special forbearance incentive payment for certification when servicer reports:

1. The loan was at least 61-days delinquent and
2. The servicer reported the Special Forbearance Approved event and
3. VALERI processes a DCLR event and
4. The special forbearance event indicated at least one calendar month in duration and the servicer provided an estimated cure date and
 - (a) Borrowers may or may not make payments during the forbearance timeframe.
5. VA did not prevent any incentive to the servicer and
6. There are no business rule failures requiring further review.

d. Loan Modification. VALERI automatically generates a loan modification incentive payment for certification when the servicer reports:

1. The loan was at least 61-days delinquent during the default period and
2. The servicer reported the Loan Modification Complete event and
3. VALERI processes a DCLR event and
4. There are no business rule failures that would require further review.

e. Compromise Sale. VALERI automatically generates a compromise sale incentive payment for certification when the servicer reports:

1. The loan was at least 61-days delinquent during the default period and
2. VA did not prevent the incentive to the servicer and
3. Submitted the Compromise Sale Complete event, and the event was successfully processed in VALERI and
4. There are no business rule failures that would require further review.

f. Deed-in-Lieu (DIL) of Foreclosure. VALERI automatically generates a DIL of foreclosure incentive payment for certification when the servicer reports:

1. The loan was at least 61-days delinquent during the default period and
2. VA did not prevent the incentive to the service and.
3. Submitted the Deed-in-Lieu Complete event, and the event was successfully processed in VALERI and
4. There are no business rule failures that would require further review.