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CHAPTER 11. RECONVEYANCE OF PROPERTY

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11.01 RECONVEYANCE OF PROPERTY

 a. 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 Bill of Collections 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, and litigation).

 3. Contested foreclosure.

 4. Third-party fails to consummate.

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

 4. 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 for VA review.

 7. Title Problems. When VA reconveys a property to the servicer due to title issues, VA’s Contract Assurance – Property Management (CA-PM) unit 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. The VA-assigned technician, or designated technician at the RLC, will 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 timely, the VA office will submit the event to begin the process of transferring the property back to the servicer.

 f. 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. The servicer should notify the VA-assigned technician when they are made aware of the situation.

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 timely 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 also 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 VA-assigned technician. If the loan is unassigned in VALERI, the quitclaim documents should be forwarded to the Loan Administration Officer at the VA RLC of jurisdiction where the property is located. Contact information for each RLC is located at: <http://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp>. Refer to Chapter 12, Quitclaim Deeds, of this handbook 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 via email 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, and

 6. Reason for dispute.

 b. Reconveyance disputes must be submitted within 10-business days of receipt of the final reconveyance letter. Through the property management contractor, VA will respond to disputes within 72 hours of receipt.