VA HAMP

Frequently Asked Questions

Last Updated: January 27, 2010

1. **Q: Where can I find information related to VA's HAMP program?**
   A: www.homeloans.va.gov/valeri.htm

2. **Q: Are servicers required to evaluate borrowers for VA HAMP?**
   A: Yes. VA requires that servicers first evaluate traditional home retention loss mitigation options. If these options cannot provide an affordable payment, the servicer must evaluate the loan for a VA HAMP modification prior to deciding that the default is insoluble and exploring alternatives to foreclosure such as DIL or a compromise sale.

TREASURY REQUIREMENTS

3. **Q: Are there any loan origination criteria requirements for the VA HAMP program, similar to the Treasury requirement that the loan be originated on, or before, January 1st, 2009?**
   A: No. All VA loans are eligible for VA HAMP consideration.

4. **Q: What are the VA HAMP-specific seasoning requirements?**
   A: There is no VA HAMP seasoning eligibility criteria. However, all modifications, including VA HAMP, continue to be subject to CFR 36.4815 (a) requiring that at least 12 payments have been made since the closing date of the loan. Servicers must contact the assigned Loan Technician at a VA Regional Loan Center to obtain prior approval to modify loans with fewer than 12 payments.

5. **Q: Does VA require trial modifications?**
   A: VA is giving servicers authority to execute HAMP modifications in accordance with the Treasury guidelines, which require a three month trial period prior to execution of the final modification; however, there is no three month trial period prior to referring a loan to VA for refunding consideration.

6. **Q: Do servicers need to sign a participation agreement with Treasury to offer the VA HAMP program?**
   A: No. VA does not require servicers to sign a participation agreement with Treasury to offer the VA HAMP program.

7. **Q: Are servicers required to submit any Treasury HAMP forms such as those for Trial Mod, Hardship Affidavit, Form 4506-T, etc?**
   A: Servicers are required to follow the Treasury guidelines for processing HAMP reviews and completing modifications. When referring cases to VA for refunding consideration, upload all available information to VALERI.

8. **Q: Does VA have a mandated solicitation letter specific to VA HAMP?**
   A: No. VA does not have a VA HAMP solicitation letter. However, servicers should continue to use the standard loss mitigation language established in 38 CFR 36.4850, and may use their own HAMP solicitation letters for delinquent borrowers.

9. **Q: Will VA also be participating in the Treasury Home Affordable Foreclosure Alternatives (HAFA) program?**

A: No. VA does not currently intend on participating in the HAFA program. VA has already delegated authority to servicers to complete short sales and deeds-in-lieu, and requires consideration of such alternatives prior to foreclosure.

10. Q. What source do we use to determine the cap rate for the step rate mod (FHLMC weekly rate or VA monthly published rate)?
A. Follow the Treasury guidelines, which require the FHLMC weekly rate.

REPORTING AND RECORDING

11. Q: Are servicers required to report VA HAMP modifications pursuant to the Treasury HAMP?
A: VA does not require servicers to complete a Servicer Participation Agreement (SPA) which requires reporting on HAMP modifications. For servicers with existing SPAs, they should report in accordance with their agreements.

12. Q: Does VA require servicers to record loan modification agreements with the county?
A: Recording of loan modification agreements is not specifically required by VA. However, VA does require that the loan holder maintain a lien of proper dignity to secure the VA-guaranteed loan (38 CFR 36.4828(b)(1)). In some jurisdictions this may require recordation of any modification to the original loan terms.

13. Q: How should VA HAMP modification information be reported in VALERI?
A: Reporting for VA HAMP modifications should be executed in the same fashion that a traditional modification is reported. VA is currently considering the addition of a VA HAMP indicator in VALERI and will keep servicers informed regarding any future reporting requirements. However, VA continues to encourage servicers to provide information in loan notes, including details of any trial modifications implemented at the discretion of the servicer.

14. Q: If the VA increases the guarantee amount, will they be issuing a new certificate?
A: VA does not issue new guaranty certificates when the guaranty amount changes pursuant to 38 CFR36.4815(h).

NPV MODELS

15. Q: What are the VA Guaranteed Loan NPV Test, Conventional Loan NPV Test and VA NPV Test?
A: The VA Guaranteed Loan NPV and Conventional Loan NPV tests are tests run by servicers to evaluate VA loans for HAMP modifications or referral to VA for refunding consideration. Both tests are subject to requirements issued by Treasury. Servicers will first run the VA Guaranteed Loan NPV test, which means run their "normal" NPV test as if the loan were guaranteed by VA. If the test recommends modification, then the servicer will modify the loan subject to VA HAMP guidelines. If the test recommends foreclosure, the servicer will then run the test again with the same information with the exception being that the VA Guaranty is removed. This is known as the Conventional Loan NPV test. If the Conventional Loan NPV test recommends modification, the Servicer will notify VA to consider the loan for refunding. The VA NPV test is an internally developed NPV test available only to VA Loan Technicians to assist in the determination of refunding.

16. Q: Why do servicers have to run two NPV tests?
A: The VA Guaranty represents a favorable and immediate return to the servicer. The VA Guaranteed Loan NPV includes the Guaranty to determine if a servicer executed HAMP modification is beneficial. However, in most cases, the presence of the VA Guaranty will cause servicer NPV models to return a "foreclose" decision. The

Conventional Loan NPV test negates the influence of VA Guaranty for the purposes of determining if refunding and modification by VA might prevent unnecessary foreclosure.

17. **Q: Does VA have a NPV model that Servicers can use to evaluate borrowers for VA HAMP?**
A: VA is leveraging Treasury guidelines regarding NPV models. Under this guidance, servicers may use proprietary NPV models provided that those models meet Treasury requirements. The VA HAMP program does require servicer NPV tests to, in one scenario, include the VA Guaranty and under another scenario, omit the VA Guaranty. This flexibility is required as a means to evaluate the borrower for VA HAMP modification or refunding.

UNDERWRITING

18. **Q: Does the Treasury Standard Modification Waterfall model apply when calculating the 31% Target Payment?**
A: Yes.

19. **Q: VA uses Net Income not Gross for DTI, which should be used for this program as HAMP used Gross Income to 31% for eligibility, is VA ok with using Treasury guideline of Net Income * 1.25 to get Gross Income?**
A: Servicers must use gross income, pursuant to Treasury guidance. Net income (such as non-taxable disability income) should be multiplied by 1.25 to obtain a corresponding gross income amount.

20. **Q: Does VA require use of the Treasury DTI (Debt To Income) ratios?**
A: VA is giving servicers authority to execute HAMP modifications in accordance with the Treasury guidelines, which utilize the front-end DTI ratio in calculating an affordable mortgage payment, which in turn impacts the NPV decision as to whether or not the loan will be modified to achieve that payment. It appears to VA that the "back-end" DTI need only be calculated if the Servicer will be executing a VA HAMP modification, and further examination needs to be made as to ability to maintain all obligations. VA standard underwriting protocols are found in 38 CFR 36.4840, and may provide a different answer on creditworthiness than a back-end DTI ratio, although VA believes notifying a borrower of the availability of housing counseling may often be helping in avoiding future default when a modification is completed.

21. **Q: Should the affordable payment under VA HAMP include escrow shortages?**
A: Follow the Treasury guidelines on pages 11 and 12 of Supplemental Directive 09-01 about escrow requirements for treatment of escrow advances (capitalization in the modified loan amount) and shortages (appropriate actions in accordance with applicable laws, rules, and regulations, to eliminate shortages).

22. **Q: How should servicers treat unemployment, disability or rental income?**
A: Follow Treasury guidelines on income consideration, which can be found on page 6 of the Supplemental Directive 09-01. Please visit https://www.hmpadmin.com for additional information.

CURRENT LOANS

23. **Q: Can current loans be solicited for the VA HAMP program?**

A: No; however, if the borrower contacts the servicer warning them of "imminent danger of default" servicers may consider that borrower for loss mitigation options, including the VA HAMP program. See Circular 26-09-17 for more information on obtaining VA approval for modifying current loans.

24. **Q: What is the VA definition of a "current loan"? Circular 26-09-17 implies that it is any loan less than 61 days past due.**
A: VA considers a current loan any loan that is not delinquent. The reference in 26-09-17 to 61 days past due is in regards to actions eligible for incentives. Any loan modification (including VA HAMP) that is completed on loans that are not reportable defaults (61+ days past due) will not earn an incentive payment.

25. **Q: What is the VA timing for approval to modify a current loan with imminent default? Prior to the trial modification period, or during the trial modification period?**
A: Servicers will receive approval to modify a current loan (whether for VA HAMP or for a normal modification) prior to the trial modification period, pursuant to the guidance in Circular 26-09-17.

VA REFUNDING

26. **Q: If we email the VA with a suggested Refunding and we don't receive a response within 7 days, to whom do we escalate?**
A: Servicers should escalate to a Servicing Officer at the assigned Loan Technician's RLC. A list of Servicing Officers by RLC can be obtained at www.homeloans.va/valeri.htm.

27. **Q: In item 4.a it states that "if a decision is made to NOT proceed with a refunding…" How will the VA notify us if they decline the refunding?**
A: The assigned Loan Technician will e-mail the Servicer with VA's decision.

28. **Q: Item e of the circular states that verification sent to the VA must include but is not limited to total eligible indebtedness, borrowers expected gross income, and expected monthly escrow amount. Later in the paragraph it says if insufficient information is provided they will cut our interest. What are the other items they "could" need and how can we know in advance of submission so as not to have the interest cut?**
A: At this time, we expect servicers to submit sufficient information for a VA loan technician to underwrite a refund decision. We believe that the items listed will be sufficient, and will issue further guidance if necessary.

FEES AND INCENTIVES

29. **Q: Will VA reimburse servicers for fees associated with Automated Valuation Models (AVM) or BPOs ordered to support VA HAMP NPV calculations?**
A: No. AVM and BPO fees for the purposes of HAMP evaluation are not reimbursable. However, if a loan is seriously delinquent when HAMP is considered, and the servicer would otherwise be proceeding with foreclosure and ordering a VA liquidation appraisal, then that cost may be included in computing the claim under guaranty.

30. **Q: Do Servicers receive incentive payments for HAMP approved loans? Section C.2 states that the servicer doesn't get incentives issued by the Department of the Treasury.**

A: Loans that are reportable defaults at the time the modification is completed (VA HAMP modifications and normal modifications) will receive normal VA modification incentives. Treasury will not pay additional incentives on VA loans modified according to the Treasury HAMP program.

31. Q. Can the expense of a BPO be passed on to the borrower as a required contribution or can it be capitalized since the VA is not reimbursing?

A. VA is authorizing servicers to execute HAMP modifications in accordance with the Treasury guidelines. Supplemental Directive 09-01, on page 22 under "Administrative Costs", prohibits charging the borrower to cover administrative processing costs, and requires the servicer to pay any actual out-of-pocket expenses, including any property valuation fees. Therefore the fees may not be passed on to borrowers or capitalized.

32. Q. Can we capitalize attorney fees and costs?

A. The guidelines also preclude requiring the borrower to make any up-front cash contribution. Because attorney fees and costs incurred in the foreclosure process are legitimate expenses that are typically chargeable to borrowers, VA will allow capitalization of these expenses in any HAMP modification. We have also been considering revision to our regulations to allow this on other modifications, but have not been able to publish that change yet.

ELIGIBILITY

33. Q: If the servicer previously executed a traditional modification for a borrower, can they be considered for VA HAMP?

A: Yes. Borrowers can be considered for HAMP modification even if their loan had been modified in the past. If the prior modification was completed less than 3 years ago, the servicer must obtain prior approval from VA for the new modification, in accordance with 38 CFR 36.4815.

34. Q: Is a divorced non-Veteran spouse, previously listed on the Note and subsequently awarded the home in the divorce decree, eligible to qualify for a VA HAMP?

A: Yes. The surviving spouse or divorced spouse is eligible for all loss mitigation and alternatives to foreclosure options available, including VA HAMP.

LIENS AND LOAN TYPES

35. Q: Two liens exist on the property and the second lien holder refuses to resubordinate. How should we proceed?

A: Assuming that all traditional loss mitigation home retention options are not viable in addition to the VA HAMP program, servicers should pursue alternatives to foreclosure.

36. Q: The loan in default is a Mortgage Revenue Bond. If state law precludes resubordination, how should we proceed?

A: Servicers should conduct the HAMP review, and if appropriate, contact the assigned Loan Technician for refunding consideration. The contact information for the assigned Loan Technician can be found in the Loan Information screen in VALERI. In the event that a servicer is unable to contact the assigned Loan Technician, a contact list of VA management in each Regional Loan Center (RLC) has been posted to http://www.homeloans.va.gov/valeri.htm.

37. Q: How can I implement HAMP if the VA loan is owned by a State Housing Finance Authority that does not allow modification of the loan due to the law governing the program?

A: Follow the HAMP review procedures in Circular 26-10-2 to see if either the VA Guaranteed Loan NPV Test or the Conventional Loan NPV Test favor modification. If so, refer to the assigned VA Loan Technician to consider refunding by VA. If neither favors modification, pursue foreclosure alternatives such as DIL or a compromise sale, and if unsuccessful, then foreclose.