

## FORBEARANCE FOR HOMEOWNERS WITH PROBLEM DRYWALL

1. Purpose. This circular provides guidance on the servicing of VA-guaranteed home loans where borrowers are experiencing difficulty due to the presence of drywall that may be causing health issues and/or damage to homes.

2. Background. The Consumer Product Safety Commission (CPSC) has received nearly 3,300 reports from residents in the District of Columbia and 37 states (primarily in Florida, Louisiana, and Virginia) who believe their health symptoms or the corrosion of certain metal components in their homes are related to problem drywall. Consumers largely report that their homes were built in 2006 to 2007, when an unprecedented increase in new construction occurred. The increase in building demand led to the importation of drywall, which ultimately proved to be problematic in many cases. Problematic drywall emits hydrogen sulfide gas, which has been associated with the corrosion of wiring, metal pipes, and household appliances. The CPSC has released information on studies indicating, that of the imported drywall tested, the top 10 problematic samples were produced in China. In addition, the Centers for Disease Control and Prevention (CDC) is examining possible health consequences related to this drywall. The CPSC and the CDC have joined with the Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD) to form the Intergovernmental Task Force on Problem Drywall. Homeowners who believe they may have problem drywall should visit the Drywall Information Center at: (<http://www.cpsc.gov/info/drywall/index.html>) or contact the CPSC at 800-638-2772. Deaf or hard-of-hearing individuals may access the phone number through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

3. Impact. Veterans who own homes with problem drywall may have experienced health symptoms to such an extent that they have moved from their affected homes and may be considering what actions to take so that they may return to their homes. When corrosion of metal components has occurred, it is imperative to address this damage. CPSC and HUD have issued recommendations that consumers remove all problem drywall from their homes and replace electrical components and wiring, gas service piping, fire suppression sprinkler systems, smoke alarms, and carbon monoxide alarms. The costs of such actions would likely be significant.

4. Forbearance Request. VA strongly encourages servicers of VA-guaranteed loans to extend forbearance for at least six months to veterans experiencing difficulties because of suspected problem drywall. Due to the limited sources of funds currently available to remedy affected homes, this forbearance may need to be extended to provide borrowers the opportunity to obtain funding and sufficient time in which to remediate the damage to their homes. In cases where forbearance in excess of the original six months is being considered, servicers of VA-guaranteed

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loans may contact the VALERI-assigned VA Loan Technician for guidance. In addition to a period of forbearance, VA strongly encourages servicers to suspend derogatory credit reporting on borrowers affected by this issue. VA also strongly encourages servicers not to assess late fees during the established forbearance period. This is intended to help veteran borrowers by easing the financial stress they are facing and by providing them time to determine a suitable course of action.

5. Veteran Information. VA maintains a network of Loan Technicians to provide financial counseling and information to veteran borrowers. When veterans have loans guaranteed by VA, these Loan Technicians may be able to intercede with loan servicers to help veterans arrange special forbearance agreements. However, the Loan Technicians are available to all Veterans, even those who do not have a VA-guaranteed loan, by calling our toll-free number, (877) 827-3702.

6. Rescission: This circular is automatically rescinded July 1, 2012.

By Direction of the Under Secretary for Benefits

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Loan Guaranty Service

Distribution: CO: RPC 2024  
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2024)