

RELIEF FOR VETERAN HOMEOWNERS AFFECTED BY THE GULF OIL CRISIS

1. Purpose. This circular expresses concern for VA-guaranteed home loan borrowers who are experiencing difficulties due to the oil spill in the Gulf of Mexico and describes measures VA urges mortgage servicers to employ in providing relief to distressed borrowers.

2. Background. VA has a longstanding policy requesting the extension of all reasonable forbearance to borrowers affected by a natural disaster. The situation in the Gulf of Mexico is a widespread disaster caused by human actions and is continuing to directly impact significant areas of the Southeastern United States. Some predictions indicate many more areas could be directly affected as the oil continues to spill, while the impact of the crisis may indirectly affect borrowers throughout the country, especially those with commercial ties to the Gulf States.

3. Forbearance. VA strongly encourages servicers of VA-guaranteed home loans to extend every possible forbearance to veterans experiencing difficulties because of the oil spill crisis. Careful counseling with borrowers should help determine whether their difficulties are directly or indirectly related to the crisis, or whether they stem from other reasons. Servicers should consider payment histories and age of loans, and extend forbearance for those borrowers with excellent records who are suddenly in distress due to the crisis. Even borrowers with less than excellent payment records should be afforded additional opportunities to resolve their issues.

4. Special Actions. The proper use of authorities granted in VA regulations may be of assistance in appropriate cases. For example, title 38, Code of Federal Regulations (CFR), section 36.4311 (Prepayments) allows the reapplication of prepayments to cure or prevent a default. This means that if a borrower has been making additional principal payments over a period of years, the principal balance may be increased up to the scheduled balance and the increase applied toward regular installments. Also, 38 CFR 36.4315 (Loan modifications) allows the terms of any guaranteed loan to be modified without the prior approval of VA, provided certain conditions in the regulation are satisfied.

5. Other Relief. Many servicers have announced plans to waive late payment charges on loans as well as the fact that many servicers have suspended derogatory reporting to credit bureaus on borrowers affected by the crisis. VA strongly encourages all servicers to employ these practices.

6. Other Veterans' Benefits. During the course of servicing VA-guaranteed home loans, servicers' counselors may contact veterans who appear to be in need of additional VA benefits. In order to help those veterans, we encourage servicers to ensure their staffs are aware of, and are prepared to pass on the national toll-free number for obtaining information on veterans' benefits, 1-800-827-1000.

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

By Direction of the Under Secretary for Benefits

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Loan Guaranty Service

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