

Extended Relief Under the CARES Act for those Affected by COVID-19

1. Purpose and Background. During the COVID-19 national emergency the Department of Veterans Affairs (VA), through its home loan program, continues to work toward keeping Veterans and stakeholders safe. On March 27, 2020, the President signed into law the [Coronavirus Aid, Relief, and Economic Security Act](#) (the CARES Act), Public Law 116-136. The CARES Act protects borrowers with Federally backed mortgage loans who are experiencing financial hardship due to the COVID-19 national emergency. These protections are outlined below. The servicer must ensure the borrower has been given every opportunity to pursue all possible loss mitigation options in order to bring their loan current. Failure to do so could impact a future claim payment and could lead to other legal or administrative action(s) against the servicer. The CARES Act preempts section 3 of Circular 26-20-7, “Special Relief for those Potentially Impacted by COVID-19.”

2. Eligibility. A borrower with a VA-guaranteed or VA-held loan, including a Native American Direct Loan or a vendee loan, who is experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency may request a loan forbearance, regardless of delinquency status, by:

- a. submitting a request to the borrower’s servicer; and
- b. attesting that the borrower is experiencing a financial hardship due to the COVID-19 emergency.

3. Forbearance. The borrower may request an initial forbearance period of up to 180-days, regardless of the borrower’s delinquency status. If the borrower makes the attestation discussed above, the servicer must grant the forbearance request, with no additional documentation. This forbearance must be extended, at the borrower’s request, for an additional period of up to 180 days. When a borrower contacts the servicer, VA expects the servicer to inform the borrower of the borrower’s forbearance rights. The borrower, not the servicer, is entitled to determine the period of the forbearance, subject to the statutory limit of up to 360 days.

4. Accrual of Fees, Penalties, and Interest / Credit Reporting. During a period of forbearance described above, servicers shall not charge fees, penalties, or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract. When reporting credit information to credit bureaus, servicers must follow the CARES Act requirements for reporting a borrower’s account as current or delinquent.

5. Exiting Forbearance.

a. Servicers should consider all the loss mitigation options described by Chapter 5 of the VA Servicer Handbook M26-4 (including those related to disasters) in determining how to account for payments that were subject to a CARES Act forbearance. Such loss mitigation options include, but are not limited to:

- (1) Repayment plans,
- (2) Loan modifications,
- (3) Streamline modifications,
- (4) VA Affordable modifications,
- (5) VA Disaster modifications, and
- (6) Disaster Extend modifications.

b. Servicers are not to require a borrower who receives a CARES Act forbearance to make a lump sum payment, equating to what would have been due if a forbearance was not in effect, after the forbearance period ends. However, a lump sum is acceptable if it is to be paid back at the end of the loan or if a borrower opts to make a lump sum payment instead of pursuing the options discussed above.

c. Servicers should review loan files for all possible loss mitigation options no later than 30 days before the forbearance period is scheduled to end. Servicers should document such reviews in their loan servicing systems. If no loss mitigation options are possible, in cases where the home has equity, servicers must refer the file to the relevant Regional Loan Center for VA's consideration of a loan refunding. Where a such a refunding is not possible, servicers should consider alternatives to foreclosure including compromise sales (short sales) and deeds in lieu of foreclosure.

6. Foreclosure Moratorium. Except with respect to a vacant or abandoned property, a servicer of a Federally-backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on March 18, 2020.

7. Rescission: This Circular is rescinded April 1, 2021.

By Direction of the Under Secretary for Benefits

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