Circular 26-01-7, Procedures for Obtaining “Bidding Instructions” From VA, is changed as follows:

**Page 2:** Remove and insert page 2 attached.

Paragraph 6 was revised to further define field stations with Loan Guaranty servicing activities.

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3. **STANDARDIZATION OF BUYDOWN POLICY**: Effective October 1, 2001, it will be the policy of all VA offices to require written verification of a buydown in the form of a copy of a payment history which reflects the date and amount of the actual buydown. VA will not provide new bidding instructions based on a VA Form Letter 26-567 showing a buydown until such time as written verification is received. Holders should make certain that the history which accompanies the VA Form Letter 26-567 shows the reduction taking place on the same date reported on VA Form Letter 26-567.

4. **ARM ADVICE**: VA has distributed VA Form 26-1874a, Claim Form Addendum – Adjustable Rate Mortgages, for use by holders and servicers in providing information required to compute the interest paid and accrued on an adjustable rate mortgage (ARM). However, this information is actually needed by VA when reviewing the account indebtedness in order to decide what bidding instructions to issue. Therefore, whenever holders or servicers provide VA Form Letter 26-567 on an ARM loan, they should also provide VA Form 26-1874a. In addition, it will be helpful to VA if the column labeled “YEAR” actually contains the month, day and year of each adjustment in interest rate.

5. **OTHER ISSUES**: It may be necessary for a holder to postpone a foreclosure sale in order to complete a buydown and provide verification. If no earlier cutoff date is in effect, the date of the first scheduled foreclosure sale will become the cutoff date under Title 38 CFR 36.4319(f). That cutoff date, or an earlier existing cutoff date, will be moved forward by VA to coincide with the actual buydown date if the reduction occurs after an earlier cutoff date. Additional expenses incurred as a result of the postponement, including but not limited to additional attorney’s fees, a new appraisal, and advances for insurance premiums, will not be reimbursed by VA.

6. **STATION RELEASES**: Field stations with Loan Guaranty servicing activities (Regional Loan Centers, San Juan and Hawaii) will reproduce paragraphs 1 through 5 of this circular for immediate release to program participants in their jurisdiction. Copies of these releases need not be submitted to Central Office. Questions may be directed to Carl Wasson at 202-273-7345.

7. **RESCISSION**: This circular is rescinded April 1, 2003.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director
Loan Guaranty Service

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