

New Reason for Default for those Affected by COVID-19

1. Background and Purpose. 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. The related protections are outlined in VA Circular 26-20-12. The purpose of this Circular is to announce a new Reason for Default (RFD) to help the Department of Veterans Affairs (VA) identify borrowers affected by COVID-19.

2. Reason for Default. To identify borrowers who have been impacted by COVID-19, VA is replacing the reason for default of “Energy/Environmental Cost” with “National Emergency Declaration” in the Electronic Default Notice (EDN) event. When a borrower requests forbearance due to COVID-19, servicers should use the new reason for default when reporting the EDN and then report the Special Forbearance event. Effective June 1, 2020, VALERI will accept the new reason for default prior to the 61st day of delinquency.

3. Nightly File Reporting. Effective June 1, 2020, servicers reporting through a nightly file Secure File Transfer Protocol (SFTP) Connection will be required to change the description for code “ENE” to “National Emergency Declaration.”

4. VALERI Event Bulk Upload. Effective June 1, 2020, servicers must utilize the updated VALERI Events Bulk Upload Template version 21 to report events in VALERI. This version of the template will include the new reason for default.

5. Current Reporting. Until the “National Emergency Declaration” reason for default is placed in VALERI, servicers should use the reason “Energy/Environmental Cost” when reporting an EDN for borrowers who were impacted by COVID-19. At this time, servicers should continue to wait to report the EDN on the 61st day of delinquency in order for VALERI to accept the event. After June 1, 2020, servicers can report the EDN with “National Emergency Declaration” as the RFD on COVID-19 impacted borrowers when a forbearance is requested, even if it’s prior to the 61st day of delinquency.

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 Rescission: This Circular is rescinded April 1, 2021.

By Direction of the Under Secretary for Benefits

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Director, Loan Guaranty Service

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