

Property Inspection Requirements on CARES Act Forbearance Cases

1. Purpose. The purpose of this Circular is to clarify inspection requirements for properties purchased with Department of Veterans Affairs (VA) guaranteed loans where the borrowers have been impacted by Coronavirus Disease 2019 (COVID-19).
2. Background. On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), [Public Law 116-136](#). Section 4022 of the CARES Act protects borrowers with Federally backed mortgage loans who are experiencing financial hardship due to the COVID-19 national emergency. In part, section 4022 states that no fees, penalties, or interest associated with a delinquent loan shall be charged to the borrower's account while the borrower is on a CARES Act forbearance. A loan must be treated as current or maintain the current status of delinquency while on a CARES Act forbearance.
3. Property Inspection Requirements. VA regulation at 38 CFR 36.4350(i)(1)(i) requires a mortgage servicer to complete a property inspection before the 60th day of delinquency unless a repayment plan is in place. In consideration of the COVID-19 national emergency, the CARES Act, and Executive Order 13924, *Regulatory Relief to Support Economic Recovery* ([81 FR 31353](#)), VA is temporarily suspending the requirement to perform a property inspection for loans before the 60th day of delinquency. This temporary suspension only applies to borrowers whose loans are currently in forbearance and were current or had not yet reached the 60th day of delinquency when borrowers requested a CARES Act forbearance. Inspections are still required for vacant and abandoned properties.
4. Associated Costs for Property Inspections. In temporarily suspending the property inspection requirement at 38 CFR 36.4350(i)(1)(i), VA seeks to reduce costly inspections that it believes do not provide enough value to meet the challenges in the current environment. In general, borrowers that have requested a CARES Act forbearance are indicating interest in retaining homeownership and are not vacating or abandoning properties. A national foreclosure and eviction moratorium is in place, and borrowers cannot be removed from the property and are therefore more likely to take care of the dwelling in which they reside. Under normal circumstances, the cost of the property inspection would be charged to the borrower's account. The borrower would pay the cost of the inspection if the loan became current subsequent to the property inspection, or VA would reimburse the cost of the inspection on a claim against guarantee on terminated loans. However, as noted above, servicers may not charge a borrower any fees associated with delinquency related to a CARES Act forbearance. The temporary suspension of property inspection requirements will therefore assist in mitigating the negative economic effects of the COVID-19 and lift a regulatory and costly burden upon industry.

Circular 26-20-21

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5. Rescission: This Circular is rescinded July 1, 2021.

By Direction of the Under Secretary for Benefits

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