

CONTINUED FORBEARANCE DUE TO HURRICANE SANDY

1. Purpose. This circular requests continued forbearance for Department of Veterans Affairs (VA) home loan borrowers affected by Hurricane Sandy and associated storms affecting the Eastern United States.

2. Continued Forbearance. VA issued Circular 26-12-10 on November 1, 2012, to request forbearance and consideration of special assistance to all borrowers in distress as a result of Hurricane Sandy. This included borrowers within the federally declared disaster areas, as well as borrowers in other areas of the country who provided information indicating the hurricane had impacted their income (due to business partner relationships in the disaster areas) or their family expenses (due to provision of assistance to relatives evacuated from the disaster areas). This circular encourages holders of guaranteed loans to continue to extend additional forbearance and assistance to distressed borrowers in the hope that an additional period of forbearance will assist to clarify prospects for resumption of regular payments and restoration of damaged properties.

3. Extended Moratorium on Foreclosure Initiation. VA policy, as published on its website (<http://www.benefits.va.gov/homeloans>) is to request that holders establish a 90-day moratorium from the date of a disaster on initiating new foreclosures on loans affected by major disasters. For loans that servicers document as affected by Hurricane Sandy, that request is hereby extended for another 90 days. VA recognizes that the scope of the disaster has been such that, in some cases, in the disaster areas mortgagees have been unable to obtain necessary information about borrower prospects for repairs to homes or resumption of employment income. VA expects that the additional forbearance and moratorium periods will enable loan servicers to obtain necessary information on accounts that remain unpaid in the disaster areas, even though initiation of termination action might be the usual response to lack of contact from borrowers on delinquent loans. VA requests this delay in normal processing based on an understanding that conditions are still so unsettled in some parts of the disaster areas that clear information cannot be obtained. Should later events lead to loan termination, VA will accept documented reports of reasonable servicing efforts on loans in disaster areas that result in lack of definitive information, when considering requests for interest in excess of the 210 days from the due date of the last paid installment specified in title 38, Code of Federal Regulations, section 36.4324(a)(3)(ii).

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4. Waiver of Late Charges and Credit Reporting. As announced in Circular 26-12-10, VA encourages servicers to waive late charges and suspend credit reporting as appropriate. VA will not penalize servicers for late reporting to VA resulting from storm issues.

5. Rescission: This circular is automatically rescinded January 1, 2015.

By Direction of the Under Secretary for Benefits

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Director, Loan Guaranty Service

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