

Special Relief Following the Federal Government Shutdown

1. Purpose. This Circular expresses concern about Department of Veterans Affairs (VA) home loan borrowers affected by the Federal Government shutdown, and describes measures mortgagees may employ to provide relief.

2. Direct and Indirect Impact on Borrowers. Directly affected by the Federal Government shutdown are government employees, whether furloughed or otherwise not receiving pay due to the shutdown. Many others have been indirectly affected, including those reliant on income from government employee spending or government-related contracts.

3. Forbearance Request. VA encourages holders of guaranteed loans to extend forbearance to borrowers in distress as a result of the Federal Government shutdown. Careful counseling with borrowers should help determine whether their difficulties are directly or indirectly related to the shutdown, or whether they stem from other sources that must be addressed. The proper use of authorities granted in VA regulations may be of assistance in appropriate cases. For example, Title 38, Code of Federal Regulations (CFR), section 36.4311 allows the reapplication of prepayments to cure or prevent a default. Also, 38 CFR 36.4315 allows the terms of any guaranteed loan to be modified without the prior approval of VA, provided conditions in the regulation are satisfied.

4. Late Charge Waivers. VA believes that many servicers plan to waive late charges on loans where the borrower(s) suffered a loss of income due to the shutdown. VA also encourages all servicers to adopt such a policy for any loans that may have been affected due to the ripple effect of the shutdown as mentioned in paragraph 2.

5. Credit and VA Reporting. In order to avoid damaging credit records of Veteran borrowers, servicers are encouraged to suspend credit bureau reporting on affected loans. VA will not penalize affected servicers for any late default reporting to VA as a result. Please contact the appropriate RLC with any questions.

6. Rescission: This Circular is rescinded January 1, 2020.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director, Loan Guaranty Service

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