APPENDIX D. MILITARY BASE CUTBACKS OR CLOSINGS AND THE HOMEOWNERS ASSISTANCE PROGRAM

a. The Homeowners Assistance program (HAP) authorizes the Department of Defense (DoD) to provide assistance to eligible military and civilian homeowners by reducing their losses in connection to the disposal of their homes when the military installation at which they were employed or serving is ordered to close in whole or in part. Under this Act, the Secretary of Defense is, among other things, authorized to acquire title to, hold, manage, and dispose of, or in lieu thereof, to reimburse eligible homeowners for certain losses sustained upon private sale of, or foreclosure (including the payment of debts incident to foreclosure) against, any property improved with a one-or two-family dwelling. DoD has the sole responsibility for determining the eligibility of homeowners under HAP.

b. VA’s Role in HAP. Under HAP, VA offers assistance to Veterans and DoD. VA has three primary responsibilities: (a) establish initial contacts; (b) report to VA Central Office; and (c) determine whether a purchaser is “Satisfactory” under HAP.

c. Establish Initial Contacts. In the event that DoD announces actions to consolidate, reduce, realign, or close military installations and activities, designated employees of Loan Guaranty:

1. Visit the installations.

2. Contact the commanding officers, appropriate staff officers, or civilian personnel officials.

3. Establish a proper liaison to assist those borrowers with VA-guaranteed loans that will

either lose their jobs or will be transferred.

4. Loan Guaranty contacts the coordinating officer with the District Office of the U.S. Army Core of Engineers to make available the full cooperation of VA and to obtain information to assess the possible impact that the DoD-announced actions will have on the Loan Guaranty program.

d. Report to VA Central Office. Regional Loan Center (RLC) management sends an assessment of the probable impact that the DoD actions will have on liquidations of security for guaranteed loans, as well as any resulting increase in property acquisitions and curtailment of the sale of VA-owned properties in the areas affected. For guaranteed loans, this report should generally include the following information:

1. Name of installation and number of military and/or civilian employees affected by the

announcement.

2. Names of the affected counties.

3. Estimated number of outstanding guaranteed loans in each affected community.

4. Number of claims and foreclosures that are likely to result from the closing or cutback.

5. Extent to which local economy can provide employment for displaced workers.

6. Extent to which the local real estate market is dependent on the installation.

7. General condition of the residential real estate market at this time and the short- and long-

term outlook.

8. Present vacancy rate and the trend for owner-occupied housing units and rented-occupied

housing units.

9. Description of the actions underway or being contemplated by the business community or

State or local Government to minimize the impact on the community or assist those who have

been displaced as a result of the closing or cutback.

10. Current general assessment.

e. Determine Whether the Purchaser is “Satisfactory” Under HAP. DoD asks VA to determine whether or not the purchasers of certain homes are “satisfactory” under section 1013(c), Public Law 89-754 (42 U.S.C. 3374(c)). Upon receipt of a request from DoD for a determination that a purchaser of a property securing a guarantee issue loan is satisfactory, VA determines that the current title holder (this may or may not be the original purchaser) has assumed personal liability to the mortgage holder for repayment of the debt by a clause in the deed of conveyance or otherwise, in accordance with applicable State laws.

1. Purchasers are “satisfactory” under section 1013(c), Public Law 89-754 (42 U.S.C. 3374(c)), if:

(a) The repayment terms of the loan bear a proper relation to present and anticipated income

and expenses, and

(b) The purchaser is a satisfactory credit risk.

f. VA makes this determination based on employment verifications, financial information, and status of the related mortgage loan, debt verifications and credit reports. The seller or the purchaser of the property pays the cost of the credit report. VA does not pay for the credit report.

g. Assistance to Veterans under HAP. Under HAP, DoD may offer assistance to Veterans and other Federal employees in the following three ways: (a) private sale; (b) Government

purchase; and (c) foreclosure or deed-in-lieu (DIL) of foreclosure.

i. Private Sale. For dwellings privately sold, DoD may compensate eligible applicants for the difference between 95 percent of the appraised fair market value (FMV) of the property prior to the announcement date, and the appraised FMV of property at the time of sale, or the sales price, whichever is greater. Closing costs are reimbursable for private sales. Payment of closing costs may be made to individuals who elect to sell their homes privately, but do not receive a cash payment under the private sale option. However, if the program implementation letter advises that applicants must suffer a loss to receive benefits, this loss must occur to receive reimbursement for closing costs for private sale benefits. Prior to or at the time the payment is made, the loan must be paid-in-full or assumed by a purchaser acceptable to VA. The Veteran’s application for such benefits should specify that he or she is applying for “reimbursement for loss on a private sale.”

j. Government Purchase. An eligible applicant may elect to sell the property to the Government and receive, as the purchase price, an amount not to exceed 75 percent of the FMV prior to the date of the announcement, or the current total amount of outstanding mortgages, whichever is greater. Mortgages refinanced after the announcement date are accepted if, at the time of Government acquisition, the balance does not exceed what it was at the time of refinancing. Eligible applicants may also be reimbursed for mortgage interest, and property insurance and taxes, from the date of receipt of the application, the date the dwelling is vacated, or the date of program approval, whichever is later through the date of acquisition.

k. Foreclosure or DIL of Foreclosure. If foreclosure proceedings have commenced, an applicant may elect to receive either foreclosure benefits or private sale benefits. DoD may pay foreclosure benefits directly to the applicant to reimburse for foreclosure costs paid by the applicant or paid to third parties on the applicant’s behalf. These costs may include direct costs of judicial foreclosure, expenses and enforceable liabilities according to the terms of the mortgage or promissory notes, and the amount of debts, if any, established against the applicant by a Federal agency for loans made, guaranteed, or insured by such agency following liquidation of the security for such loans. Any foreclosure entered into after the program approval date must have an enforceable liability in order for the applicant to receive benefits. DoD may pay benefits in order to restore VA eligibility. The obligor’s application for this benefit should specify that he or she is applying for “foreclosure relief.”

l. DoD considers conveyance of a residence by DIL of foreclosure a private sale. However, if an applicant is required to execute a promissory note as a condition precedent to acceptance of a DIL of foreclosure, and foreclosure proceedings have commenced, the applicant can elect between private sale and foreclosure benefits. DoD does not pay outstanding judgment liens, encumbrances of a personal nature, or junior mortgages acquired after the announcement date.

m. When the applicant signs a promissory note, DoD treats VA compromise sales as foreclosures for the purpose of paying benefits. The Veteran and VA agree to a sale of the property to another party at the current FMV, as determined by a VA appraisal. VA will pay off the mortgagee to eliminate the Veteran’s obligation to the mortgagee. A promissory note covers the difference between the sale price and the remaining obligation. The HAP benefit pays off this note. If VA waives payment of the promissory note, the applicant may elect to receive private sale benefits, but the amount of the debt waived is added to the sale price of the property.

n. When DoD accepts a conveyance and assumes the loan, but does not pay off the indebtedness on the loan, VA will remain liable as guarantor.