

Special Relief Following California Wildfires

1. Purpose. This Circular expresses concern about Department of Veterans Affairs (VA) home loan borrowers affected by the California wildfires, and describes measures mortgagees may employ to provide relief. Mortgage servicers and borrowers alike should review VA's Guidance on Natural Disasters to ensure Veterans receive the assistance they need at the following link:

(http://www.benefits.va.gov/homeloans/documents/docs/va_policy_regarding_natural_disasters.pdf).

2. Forbearance Request. VA encourages holders of guaranteed loans to extend forbearance to borrowers in distress as a result of the California wildfires. Careful counseling with borrowers should help determine whether their difficulties are related to this disaster, 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 (C.F.R.), section 36.4311 allows the reapplication of prepayments to cure or prevent a default. Also, 38 C.F.R. 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.

3. VA Disaster Loan Modification. The VA Disaster Loan Modification allows servicers to extend permanent payment relief to impacted delinquent borrowers. All impacted borrowers should have an opportunity to be considered for a VA Disaster Loan Modification as long as eligibility requirements are met. Servicers are encouraged to continue VA Disaster Loan Modification Solicitation efforts throughout the delinquency and the foreclosure process, up to 12 months after the federally-declared disaster. Servicers should refer to VA Servicer Handbook, M26-4, Chapter 21, for eligibility requirements and additional guidance. The handbook can be found on VA's website at the following link:

(https://www.benefits.va.gov/WARMS/M26_4.asp)

4. Moratorium on Foreclosure. Although the loan holder is ultimately responsible for determining when to initiate foreclosure, and for completing termination action, VA has requested on its website (<http://www.benefits.va.gov/homeloans>) that holders establish a 90-day moratorium from the date of a disaster on initiating new foreclosures on loans affected by major disasters. VA regulation 38 C.F.R. 36.4324(a)(3)(ii) allows additional interest on a guaranty claim when eventual termination has been delayed due to circumstances beyond the control of the holder, such as VA-requested forbearance. Because of the widespread impact of the California wildfires, holders should review all foreclosure referrals to ensure that borrowers have not been affected significantly enough to justify delay in referral. Any questions about impact should be discussed with the VA Regional Loan Center (RLC) of jurisdiction.

5. Late Charge Waivers. VA believes that many servicers plan to waive late charges on affected loans, and encourages all servicers to adopt such a policy for any loans that may have been affected.

6. 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.

7. Activation of the National Guard. Members of the National Guard may be called to active duty to assist in recovery efforts. VA encourages servicers to extend special forbearance to National Guard members who experience financial difficulties as a result of their service.

8. Rescission: This Circular is rescinded January 1, 2019.

By Direction of the Under Secretary for Benefits

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