



U. S. DEPARTMENT OF VETERANS AFFAIRS
Regional Office, Fort Snelling
1 Federal Drive
St. Paul, MN 55111-4050

June 13, 2001

REGIONAL LOAN CENTER MEMORANDUM NO. 01-12

TO: ALL HOLDERS, AND SERVICERS

**SUBJ: FORECLOSURE OF WISCONSIN VA GUARANTEED LOANS INVOLVING A
BANKRUPTCY FILING AFTER THE FORECLOSURE SALE AND PRIOR TO THE ORDER
CONFIRMING SALE**

PURPOSE

To clarify the Department of Veterans Affairs (VA), St. Paul Regional Loan Center's requirement for processing Wisconsin foreclosures when a Chapter 13 Bankruptcy is filed after the foreclosure sale and prior to the confirmation of sale.

BACKGROUND

Chapter 13 bankruptcy filings on Wisconsin properties secured with VA loans have recently increased. We have had several cases where the court has confirmed a Chapter 13 bankruptcy plan instead of confirming the foreclosure sale. This is not a problem if the plan is successful and the loan brought current. When the plan is not successful, however, a petition is filed with the court to lift the automatic stay, and the court confirms the original foreclosure sale. This process provides VA no opportunity to prepare revised bidding instructions based on the current value and loan indebtedness.

ACTION

Effective immediately, whenever a Chapter 13 Bankruptcy plan is confirmed after the foreclosure sale but before it is confirmed, you will be required to set the sale aside.

Should the borrower fail to comply with the confirmed bankruptcy plan, you should take immediate action to obtain a relief of stay from the bankruptcy court and take appropriate action to schedule a new foreclosure sale. In addition, the account should be reviewed to determine if a new appraisal is necessary and a statement of account and sale notice forwarded to our office. We will then issue bidding instructions based on the new indebtedness and the current value of the property. Submit a completed VA Form 26-8903, Notice of Election to Convey and/or Invoice for Transfer of Property, along with the *filed* copy of the order confirming sale within 15 days of the filing of the order confirming sale.

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If the original foreclosure sale was not set aside and we were not afforded the opportunity to issue a revised bid, VA will not accept conveyance of the property.

FEES AND COSTS ASSOCIATED WITH THIS ACTION

VA Regulations limit the maximum attorney fees associated with the termination of a VA guaranteed loan to \$850. We will, however, reimburse court imposed costs associated with this action on your claim under guaranty as long as the appropriate documentation and statements are included with the claim package.

/S/D. F. MUNRO
D. F. MUNRO
Loan Guaranty Officer