



DEPARTMENT OF VETERANS AFFAIRS  
Regional Office  
1240 East Ninth Street  
Cleveland, OH 44199

September 22, 1998  
325/263

In Reply Refer To:

Information Letter 26-98-11

**TO: All Lenders, Holders, and Servicers**

**SUBJ: New Procedures for Refunding VA-Guaranteed Home Loans**

1. This is to notify you of VA requirements regarding new procedures for Refunding VA-Guaranteed Home Loans as discussed in VA Circular 26-98-5 dated July 10, 1998. These changes are designed to expedite the process for calculating amounts owed mortgage servicers under the Refunding Program as specified under 38 CFR 36.4318. In the past, loan holders frequently took several months to submit a claim for refunding and an acceptable assignment of mortgage to VA. These delays often resulted in VA having to hold funds from veterans in suspense until the claim was submitted. Due to VA contracting the servicing of these acquired loans out to a private mortgage loan servicer, we no longer have the capability to efficiently account for funds held in suspense. Therefore, a new procedure was needed to establish the account with the contract servicer as quickly as possible.
2. Summary of Changes. The major changes in the way refunded loans will be handled are:
  - a. Loan holders will now be requested to submit the claim and assignment documents separately.
  - b. VA will establish a settlement date that is 60 days after the VA approves the refunding request. VA will pay interest and advances up to the settlement date regardless of any prior 4319(f) cutoff, provided VA Form 26-1874, Claim Under Loan Guaranty, is received prior to the settlement date.
  - c. VA will calculate the claim payable on the settlement date, even if no claim form has been received from the holder. The claim will not be vouchered for payment, however, until acceptable title documentation has been received.
  - d. If no supporting documentation regarding liquidation expenses and advances has been received by the settlement date, these items will not be reimbursed.
  - e. No supplemental claims will be paid on refunding claims, except to correct errors made by VA.

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3. If there are any questions concerning these new procedures, please contact the Team Leader for the state in which the property is located. Please call our toll free number **1 - (800) - 729-5772** and the appropriate extension number listed below:

Ohio	Ms. Aleta Wynn	extension <b>3916</b>
Pennsylvania or Michigan	Mr. Peter Wadrose	extension <b>3912</b>
New Jersey	Mr. James Haller	extension <b>3904</b>
Kentucky, Indiana or New York	Mr. Fred Council	extension <b>3933</b>

4. We appreciate your cooperation and participation in the VA Home Loan Guaranty Program.

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer