



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

April 25, 2000

**In Reply Refer To: 325/263**  
Information Letter 26-00-14

**TO: All VA Loan Servicers and Holders Doing Business in  
Delaware,  
Indiana, Michigan, New Jersey, Ohio, and Pennsylvania**

**SUBJ: Expenses for Property Inspections/Preservation of Security**

1. **PURPOSE:** Holders of loans guaranteed by the Department of Veterans Affairs (VA) and holders of VA Regulation (VAR) 4600 loans are responsible for taking proper measures to protect and preserve property pledged as security for these VA Guaranteed and VAR 4600 loans. This information letter describes the minimum requirements for securing vacant properties and the maximum expenses allowed for properties which are used as security for VA guaranteed and VAR 4600 loans in **Delaware, Indiana, Michigan, New Jersey, Ohio, and Pennsylvania**. It is not our intent to regulate the amounts that holders pay to protect and preserve properties or to decide what measures the holder needs to take to preserve a property. Our purpose is to specify the maximum amount that will be reimbursed by this Regional Loan Center (RLC).

2. **EFFECTIVE DATE:** This policy is effective for all VA loan foreclosures on or after May 1, 2000.

3. **PRIOR APPROVAL:** PRIOR APPROVAL IS NOT REQUIRED AND WILL NOT BE GIVEN. If an item is not covered by this information letter or there are unusual circumstances that support additional expense, you may submit complete information to justify the additional expense with the Claim Under Loan Guaranty and request reimbursement at that time. The holder is responsible for measures needed to protect and preserve the security for the loan. The decision as to what action to take to preserve and protect the property is the holder's decision, and it is independent of the amount of the costs that VA will reimburse.

4. **HOLDER'S RESPONSIBILITY:** It is the holder's responsibility to protect and preserve properties when they become vacant and abandoned. **HOLDERS ARE TO ENSURE COMPLIANCE WITH ALL CITY, COUNTY OR OTHER ORDINANCES** in accordance with the terms of the mortgage loan agreement. A holder may advance any reasonable amount necessary and proper for the maintenance or repair of the security and such advance may be added to the guaranteed indebtedness. Most security instruments have a provision to protect the property securing the loan. The removal of hazardous materials, the correction of hazardous conditions, and the avoidance of liens are primary concerns. Failure to protect and preserve the security may result in additional losses to the holder. A diminution in value may cause VA not to specify an amount for credit to the indebtedness in the event of foreclosure (no bid). If the holder's failure to protect and preserve the property increases VA's liability, the holder's claim payment may be adjusted (reduced).

5. **REIMBURSEMENT:** Holders will be reimbursed via the Claim Under Loan Guaranty for property inspections and preservation costs incurred before the interest cutoff date and before custody of a property is delivered to VA up to the limits specified below when the prescribed guidelines are followed. Evidence of payment must be submitted with the Claim Under Loan Guaranty, must describe the service provided and the materials used, and specify the date the service was performed. You may find the attached summary (Attachment A) helpful.

6. **ABANDONED PROPERTY:** 38 CFR 36.4346(i)(2) requires that in cases where the loan is more than 30 days delinquent and the property is abandoned, the holder must take appropriate action to protect the property from vandalism and the elements. Within 15 days after confirming abandonment, the holder must report the abandonment to the Secretary and immediately initiate appropriate action to terminate the loan (38 CFR 36.4317(a)).

7. **RESCISSION:** This information letter rescinds all previous Loan Guaranty letters or bulletins issued on this subject by the Cleveland Regional Loan Center.

8. Thank you for your continuing participation in our VA Loan Guaranty program.

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer

Enclosures (Exhibits A and B)