



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

July 11, 2008

In Reply Refer To: 325/261
Information Letter 26-08-05

TO: All VA Lenders, Servicers, and Sales Brokers

SUBJ: Equity Skimming

1. Equity skimming occurs when an individual or business willfully engages in a pattern of acquiring properties secured by home loans insured, guaranteed or made by the government, failing to make payments which become due on those loans within one year subsequent to the purchase, and diverting rental proceeds from the property for personal use.

2. The equity skimming statute (Public Law 100-242) of 1987, was broadened to clarify that a purchaser who collects rents without making loan payments does not have to be personally liable for repayment of the loan to be found guilty of equity skimming and that the types of dwellings (1-4 family dwellings) include condominiums and cooperatives. The maximum criminal penalty was increased to \$250,000.00 and/or 5 years imprisonment.

3. A property transfer to a purchaser intent on equity skimming may be averted if the borrower requests a release from liability incident to the sale, since the proposed purchaser would then have to be qualified from an income and credit standpoint and agree to assume legal responsibility for repayment of the loan indebtedness. Therefore, all lenders, holders, servicers and sales brokers are encouraged to provide the above information to all GI loan borrowers and/or prospective assumers of such loans, and stress the importance of obtaining a release of liability before allowing a purchaser to assume a loan.

/s/

JENNIFER R. NADIAK
Loan Guaranty Officer