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Department of
Veterans Affairs

Information Bulletin

September 18, 2001

Loan Guaranty Letter 01-16
261-4

SUBJ: Relief Following Terrorist Attacks of September 11, 2001

1. PURPOSE: This circular expresses concern about VA home loan borrowers affected by the terrorist attacks of September 11, 2001, and describes measures mortgagees may employ to provide relief.

2. DIRECT AND INDIRECT IMPACT ON BORROWERS: Some borrowers were directly affected by the attacks, and include the families of those killed on the hijacked airplanes and their targets on the ground, as well as those who have died in the rescue efforts. Also directly affected were those whose work environments were destroyed or severely damaged as a result of the attacks. To a certain extent, many others have been less directly affected, including business partners of those in the vicinity of the attacks. And our understanding is that the impact continues to ripple throughout the country, as security concerns have lead to limiting air service, including air transport of mail, while electronic communications have also been affected.

3. FORBEARANCE REQUEST: VA encourages holders of guaranteed loans to extend every possible forbearance to borrowers in distress as a result of the attacks of September 11, 2001. Careful counseling with borrowers should help determine whether their difficulties are directly related to the attacks, or whether they stem from other sources which must be addressed. VA Regulations (located in title 38, Code of Federal Regulations, or CFR) regarding "Reapplication of Prepayments (38 CFR 36.4310), "Advances" (38 CFR 36.4313), "Extensions and Reamortizations" (38 CFR 36.4314), and "Supplemental Loans" (38 CFR 36.4355) may be of assistance in appropriate cases.

4. MORATORIUM ON FORECLOSURES: Although the loan holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, we are requesting that holders establish a 90 day moratorium from September 11, 2001, on initiating new foreclosures on loans affected by the attacks. Since VA is requesting this, the provisions of 38 CFR 36.4319(f) will not be applied by VA during the moratorium to loans where VA is notified that the moratorium is appropriate. Also, the period of the moratorium will be considered "VA-requested forbearance" for purposes of the no-bid avoidance provisions of 38 CFR 36.4321. Because of the national impact of the attacks, holders should ensure that all foreclosures scheduled nationwide during the moratorium are reviewed prior to sale, to ensure that borrowers have not been affected significantly enough to justify postponement or cancellation. Any questions about impact should be discussed with the appropriate VA Regional Loan Center (RLC).

5. LATE CHARGE WAIVERS: VA has already heard from several servicers about their plans to waive late charges due to the ripple impact of the attacks. VA regulations (38 CFR 36.4311(c)) allow a late charge not in excess of 4% on any installment paid more than 15 days after the due date. Based on reports of mail delays, as well as difficulties with electronic communications and transfer of funds, we support those servicers who are automatically extending dates for imposition of late charges, and encourage similar consideration by all VA loan holders.

6. REPORTING TO VA: VA has also heard from at least one servicer about difficulties with its computer access due to the attacks, which will delay reporting of defaults to VA. This servicer will focus its limited access on processing payments and servicing accounts. VA supports those efforts and will not penalize the servicer for any late reporting caused by the attacks. Contact the appropriate RLC with any questions.

7. ACTIVATION OF RESERVISTS/GUARD: The President has authorized the call to active military duty as many as 50,000 National Guard and Reservists. Those individuals may be entitled to relief provisions under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended (50 USC App. Sections 501-590). VA is not charged with enforcement of the Act, but in order to protect veterans we will attempt to inform loan holders about certain provisions of the Act in the near future.

8. OTHER VETERANS' BENEFITS: During the course of servicing VA-guaranteed loans, counselors may contact veterans who appear to be in need of additional benefits. In order to help those veterans, mortgagees may want to ensure that their staffs are aware of, and prepared to pass on a national toll-free number for obtaining information on veterans' benefits. The number is 1-800-827-1000. Other benefits which may be available to eligible veterans include compensation for service-connected disabilities, pension payments for needy veterans, vocational counseling and employment assistance, education assistance, and life insurance programs. Medical benefits may also be available for many conditions, including post traumatic stress disorder.

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Distribution: Holders and Servicers of VA Guaranteed Loans