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BULLETIN NO. 2001-04

June 13, 2001

TO: ALL HOLDERS AND SERVICERS

**SUBJ: REQUIREMENTS FOR SERVICING LOANS WHEN PROPERTIES ARE
LOCATED IN DISASTER AREAS**

PURPOSE

This bulletin is to remind servicers of VA requirements regarding loans secured by properties which are located in major disaster areas designated by Federal or State authorities.

AREAS AFFECTED

The Texas counties and Louisiana parishes included in the June 2001 federal disaster declarations due to heavy rains and flooding associated with Tropical Storm Allison are listed below.

Texas: Anderson, Angelina, Brazoria, Cherokee, Chambers, Fort Bend, Galveston, Hardin, Harris, Houston, Jasper, Jefferson, Leon, Liberty, Madison, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Trinity, Tyler and Walker.

Louisiana: Ascension, Assumption, Beauregard, East Baton Rouge, Iberia, Iberville, Jefferson, Lafayette, Lafourche, Livingston, Orleans, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermillion, and Washington parishes. East Feliciana parish was declared eligible for federal aid to local governments for damaged public infrastructure.

ASSISTANCE TO HOMEOWNERS

VA encourages holders of guaranteed loans in disaster areas to extend every possible forbearance to borrowers in distress through no fault of their own. VA Regulations 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. It is the servicer's responsibility to inspect damages to properties and counsel borrowers concerning assistance which may be available to them. Please include a copy of the attached Disaster Information Bulletin for Homeowners with any correspondence you send borrowers in the disaster areas.

FORECLOSURE SALES

When a foreclosure sale is already scheduled as a result of an insoluble default which occurred prior to the disaster, the sale should be delayed only to the extent necessary to determine that the liquidation appraisal remains accurate, and for such time as it may take the holder to obtain an acceptable hazard insurance loss settlement for purposes of 38 CFR 36.4326.

Since the holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, we are requesting that holders carefully review loans being referred for foreclosure if the property is located in a disaster area. If a delay of foreclosure action appears to be warranted, servicers or holders should advise VA so that any interest cutoff date will be appropriately adjusted.

HAZARD INSURANCE

VA Regulation 38 CFR 36.4326 requires that holders ensure that homes financed with the assistance of VA guaranteed loans be sufficiently insured against hazards (including flooding, where appropriate).

38 CFR 36.4325(b) authorizes VA to adjust any claim resulting from a loan foreclosure in which the holder failed to properly procure insurance. The burden of proof is upon the holder to establish that no increase in VA's ultimate liability is attributable to the failure of the holder to have the property properly insured.

Holders are reminded that hazard insurance policies are not to be canceled in the event of a foreclosure sale. The policies should be endorsed to the Secretary of Veterans Affairs when property is conveyed to VA following a foreclosure sale.

QUESTIONS AND COMMENTS

Please E-mail questions and comments concerning this bulletin to LGYHGALE@vba.va.gov. You may also call Helen Galer, Loan Administration Officer, at 713-794-3602.

RESCISSION

This bulletin rescinds all previous bulletins on the subject.

A handwritten signature in black ink, appearing to read 'F. M. McREAKEN', with a long horizontal flourish extending to the right.

F. M. McREAKEN
Loan Guaranty Officer

**DEPARTMENT OF VETERANS AFFAIRS
DISASTER INFORMATION BULLETIN FOR HOMEOWNERS**

This bulletin provides information for individuals who have home loans guaranteed by the Department of Veterans Affairs (VA).

CONTACT YOUR MORTGAGE COMPANY

You are not excused from making your regular monthly loan payments even if your home is not habitable. Contact your mortgage company as soon as possible regarding your loss. You should discuss forbearance or possible extension or reamortization of your loan with the mortgage company if you are unable to make your payments on time. VA employees are available to discuss these relief measures with you. Talk to a VA Loan Service Representative by calling our toll free number 1-888-232-2571. Ask your mortgage company to explain their procedure regarding insurance loss checks and repairs to the property, payment to contractors, etc.

CONTACT YOUR INSURANCE COMPANY OR AGENT

File insurance loss claims as soon as possible. Do not make a hasty insurance loss settlement. If possible, get at least two estimates from reputable contractors for repairs or rebuilding. Attempt to get the city engineer's office to make an inspection for structural damage, when the property is damaged but repairable. If a city engineer's inspection is not obtainable, an inspection by a licensed professional engineer should be obtained before agreeing to an insurance loss settlement. Insurance checks for personal property and living expenses should be made payable to you only. Checks for damage to your home should be made payable to you and your mortgage company.

CHECK ALL SOURCES

Be sure to check every source at local disaster centers for maximum assistance. Low interest loans, cash grants, and housing assistance may be available. Information on applying for disaster assistance can be found at the Federal Emergency Management Agency's (FEMA's) website, www.fema.gov or by calling FEMA's toll free number 1-800-462-9029 (TDD 1-800-462-7585). Do not pay your loan in full before checking with the Small Business Administration on a loan for the uninsured portion of your loss.

Disabled veterans should contact local Disabled American Veterans (DAV) offices. Financial assistance is available to disabled veterans who qualify even if they are not a member of DAV. The numbers are 713-794-3665 for Texas and 504-619-4570 for Louisiana.

CHANGE YOUR ADDRESS

If you are receiving a monthly benefit check from VA and unable to receive mail at your regular address, notify your local post office and local VA Regional Office of your change of address. For information about VA benefits other than home loans, call 1-800-827-1000.