



**DEPARTMENT OF VETERANS AFFAIRS**  
Regional Office  
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**In Reply Refer To: 317/26**

September 7, 2004

**INFORMATION BULLETIN 26-04-16**

**TO: ALL LENDERS, HOLDERS, & SERVICERS**

**SUBJ: FORBEARANCE TO BORROWERS AFFECTED BY NATURAL  
DISASTERS**

1. Forbearance Request: VA encourages holders of guaranteed loans to extend every possible forbearance to borrowers in distress as a result of damage resulting from a natural disaster. Careful counseling with borrowers should help determine whether their difficulties are directly related to the disaster, 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 Re-amortizations" (38 CFR 36.4314), and "Supplemental Loans" (38 CFR 36.4355) may be of assistance in appropriate cases.
2. 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 the date of the disaster on initiating new foreclosures on loans affected by the disaster. Since VA is making this request, 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. Holders should ensure that all foreclosures scheduled in the affected counties 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).

3. Property Inspections: Holders are reminded that it is their responsibility to inspect damages to properties. When requesting bidding instructions for properties in the designated counties, servicers must certify (see below) that the value of the property was not affected by the disaster on properties where the appraisal was completed prior to the date of the disaster, or the date that the county in which the subject property is located was declared a disaster area.
4. Lender Certification: “This is to affirm that the property which is security for VA loan number LH \_\_\_\_\_ suffered no damage, or if it did, the property has been restored to pre-disaster or better condition”.

WILLIAM A. CIPOLLA  
Loan Guaranty Officer