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BULLETIN NO. 2005-13

September 27, 2005

TO: ALL LENDERS, SARS, HOLDERS AND SERVICERS

**SUBJ: REQUIREMENTS FOR TEXAS AND LOUISIANA VA LOANS WHEN
PROPERTIES ARE LOCATED IN A DISASTER AREA – HURRICANE
RITA**

Purpose

This bulletin is to remind you of VA requirements regarding loans secured by properties that are located in the disaster areas designated by Federal or State authorities as a result of Hurricane Rita.

Areas Affected

All counties and parishes in Texas and Louisiana declared as disaster areas by Federal Emergency Management Agency (FEMA) and eligible for individual or public assistance.

Loan Closed Prior To Disaster

Any loan closed prior to the incident period of September 23, 2005, is eligible for VA guaranty without regard to the disaster except for those loans affected by Hurricane Katrina.

Property Appraised Prior To Disaster

For a property in one of the above counties or parishes that was appraised on or before September 23, 2005, and loans not closed prior to the disaster, the following certifications are necessary for the loan to be eligible for VA guaranty:

Both of the following certifications must be submitted with the guaranty request:

- **Lender Certification** - This is to affirm that the property which is the security for VA loan identification number 21-21-6-xxxxxxx or 62-62-6-xxxxxxx has been inspected to ensure that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better.

(Lender Signature)

(Lender Title)

(Date)

- **Veteran Certification** - I have inspected the property located at _____ and find its condition now to be acceptable to me. I certify that any disaster-related damage has been corrected to my satisfaction. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan.

(Veteran Signature)

(Date)

- The “Remarks” section of VA Form 26-0286, VA Loan Summary Sheet, must be annotated “Lender and Veteran Disaster Certifications Enclosed”. Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspections or repairs.
- If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, then the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser’s fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.
- The lender should ascertain prior to closing that the veteran’s employment and income have not changed since the loan application. If at the time of loan closing the veteran is no longer employed or family income has been reduced, report that information to VA or the automatic underwriter, as appropriate, for evaluation prior to closing the loan.

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 loan holders responsibility to inspect damage to properties and counsel borrowers concerning assistance that may be available to them. Loan holders are reminded that insurance proceeds must be sufficient to pay the loan balance or restore the security. Please include a copy of the attached Disaster Information Bulletin for Homeowners with any correspondence you send to borrowers in the disaster areas.

Foreclosure Sales

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 23, 2005, on initiating new foreclosures in the disaster areas. Since VA is requesting this, the provisions of 38 CFR 36.4319(f) will not be applied by VA during the moratorium to loans secured by properties in the disaster areas. Also, the period of the moratorium will be considered “VA-requested forbearance” for the purposes of the no-bid avoidance provisions of 38 CFR 36.4321. There are two exceptions to the 90 day moratorium on new foreclosures:

- 1) When a default is clearly insoluble and there is no likelihood of reinstatement, and the holder requests and receives VA prior approval to initiate foreclosure during the period of the moratorium, and

- 2) When a foreclosure sale, the product of an insoluble default which occurred prior to the disaster, was already scheduled. The sale should be delayed only to the extent necessary to determine whether or not 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. Loan holders will contact the VA fee appraiser assigned the case for an updated liquidation appraisal when there is damage to the property. VA will reimburse a re-inspection fee of \$100 when the claim under guaranty is submitted.

Hazard Insurance

VA Regulation 38 CFR 36.4326 requires that lenders and holders ensure that homes financed with the assistance of VA guaranteed loans are 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 obtain 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 if the property is to be conveyed to VA. The policies are to be endorsed to the Secretary of Veterans Affairs.

Questions And Comments

If there are any loan origination-related questions, please contact Karl Pack, Loan Production Officer, at 713-383-3104 or via E-mail at Karl.Pack@vba.va.gov. Please E-mail questions and comments concerning Loan Administration related issues to Helen M. Galer, Loan Administration Officer, at Helen.Galer@vba.va.gov. You may also call her at 713-794-3602. For Construction and Valuation related questions, please contact Dave Newton at (713) 383-3117 or via E-mail at David.Newton@vba.va.gov.

Rescission

This bulletin rescinds all previous disaster bulletins except RLC Bulletin No. 2005-09, dated August 30, 2005, and is effective for the duration of this disaster and until risk to the veteran, lender, holder, and VA have been mitigated or until rescinded.



R. BIAGIOLI
Loan Guaranty Officer

Attachment

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

President Bush has declared a number of Texas counties and Louisiana parishes as disaster areas due to Hurricane Rita. This bulletin provides information for individuals who have home loans guaranteed by the Department of Veterans Affairs (VA) and secured by property located in one of these counties or parishes.

Contact Your Mortgage Company

Contact your mortgage company as soon as possible regarding your loss. **You are not excused from making your regular monthly loan payments even if your home is not habitable.** You should discuss forbearance or possible extension or modification 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.

Contact FEMA (Federal Emergency Management Agency)

FEMA encourages those who sustained losses in the designated counties to begin the disaster application process by registering online at <http://www.fema.gov> or by calling 1-800-621-FEMA (3362), or 1-800-462-7585 (TTY) for the hearing and speech impaired. These numbers will be available 24 hours seven days a week until further notice. Registering online is encouraged due to the possibility of high call volume. In order to receive the maximum assistance, you must register with the FEMA before the deadline expires. You cannot obtain assistance for uninsured losses or damages to your home from the Small Business Administration (SBA) or any other disaster recovery agency if you have not registered with the FEMA. More information can be found at the FEMA website, www.fema.gov. Be sure to check every source for maximum assistance including the SBA. Do not pay your loan in full before checking with the SBA on a loan for the uninsured portion of your loss. Low interest loans, cash grants, and housing assistance may be available from agencies associated with the disaster recovery effort.

Other Contacts

Disabled veterans should contact local Disabled American Veterans (DAV) offices. Financial assistance may be available to disabled veterans who qualify, even if they are not members of DAV.

If you are a veteran who has a Specially Adapted Housing Grant, you should contact the VA Regional Office.

**RLC Bulletin 2005-
October 4, 2005
Attachment**

Change Your Address

If you are receiving a monthly benefit check from VA and are 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.