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BULLETIN NO. 2006-09

March 20, 2006

TO: ALL SERVICERS AND HOLDERS

SUBJ: DELAYS IN FILING CLAIMS FOR REPURCHASE OF LOANS UNDER 38 CFR 36.4600

Purpose

The purpose of this bulletin is to remind holders of the regulation for filing a claim under 38 CFR 36.4600.

Background

Since October 1, 1989, the following policy has been in effect in connection with delinquent loans guaranteed by the Department of Veterans Affairs (VA) under 38 CFR 36.4600. When a loan is six months past due and the holder has not filed a claim for repurchase, VA exercises its right under 38 CFR 36.4600(c) (14) to demand repurchase of the loan. VA makes such demand by letter.

Delay In Filing A Claim

Delay in filing a claim for repurchase increases the potential for loss. VA obtains an appraisal of the security property when a demand for repurchase is made. If there is further delay and the claim is not received promptly, a second appraisal is obtained when the claim is finally received. Any decline in the value of the security between the dates of the two appraisals is deducted from the claim payment made to the holder. All appraisal costs are deducted from the claim payment to the holder too.

Interest Cutoff

VA does not pay interest on 38 CFR 36.4600 claims after the 120th day following the date of first uncured default. Prompt filing of claims minimizes losses to both holders and VA.

Rescission

This bulletin rescinds Loan Guaranty Letter No. 89-18 dated August 31, 1989, on the same subject.

Questions and Comments

If you have questions or comments concerning this bulletin, please contact Helen M. Galer, Loan Administration Officer, at 713-383-1799 or Helen.Galer@vba.va.gov

R. BIAGIOLI
Loan Guaranty Officer