



Veteran Borrowers in Delinquency

Quick Reference Sheet

General Guidance

The US Department of Veterans Affairs urges all veterans who are encountering problems making their mortgage payments to speak with their servicers as soon as possible to explore options to avoid foreclosure. Contrary to popular opinion, servicers really do *not* want to foreclose because foreclosure costs a lot of money. Depending on a veteran's specific situation, servicers may offer any of the following options to avoid foreclosure:

- Repayment Plan – The borrower makes regular installment each month plus part of the missed installments.
- Special Forbearance – The servicer agrees not to initiate foreclosure to allow time for borrowers to repay the missed installments. An example of when this would be likely is when a borrower is waiting for a tax refund.
- Loan Modification - Provides the borrower a fresh start by adding the delinquency to the loan balance and establishing a new payment schedule.
- Additional time to arrange a private sale – The servicer agrees to delay foreclosure to allow a sale to close if the loan will be paid off.
- Short Sale – When the servicer agrees to allow a borrower to sell his/her home for a lesser amount than what is currently required to payoff the loan.
- Deed-in-Lieu of Foreclosure - The borrower voluntarily agrees to deed the property to the servicer instead of going through a lengthy foreclosure process.

Servicemembers Civil Relief Act

Veteran borrowers may be able to request relief pursuant to the Servicemembers Civil Relief Act (SCRA). In order to qualify for certain protections available under the Act, his or her obligation must have originated prior to the current period of active military service. SCRA may provide a lower interest rate for up to one year, and provide forbearance, or prevent foreclosure or eviction up to nine months from period of military service.

Assistance to Veterans with VA-Guaranteed Home Loans

When a VA-guaranteed home loan becomes delinquent, VA provides supplemental servicing assistance to help cure the default. The servicer has the primary responsibility of servicing the loan to resolve the default. However, in cases where the servicer is unable to help the veteran borrower, Loan Guaranty has Loan Technicians in eight Regional Loan Centers and two special servicing centers who take an active role in interceding with the servicer to explore all options to avoid foreclosure.

Veterans with VA-guaranteed home loans can call **(877) 827-3702** to reach the nearest Loan Guaranty office where loan specialists are prepared to discuss potential ways to help save the loan.



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Assistance to Veterans with non-VA Guaranteed Home Loans

For a veteran or service member who may have obtained a conventional or sub-prime loan, VA has a network of eight Regional Loan Centers and two special servicing centers that can offer advice and guidance. Borrowers may visit VA's Loan Guaranty website at <http://www.benefits.va.gov/homeloans> or call toll free (877) 827-3702 to speak with a VA Loan Technician. However, unlike the case of a veteran or service member with a VA-guaranteed home loan, VA does not have the legal authority or standing to intervene on the borrower's behalf. Therefore, it is imperative that a borrower contacts his/her servicer as quickly as possible.

VA Refinancing of a non-VA Guaranteed Home Loan

Veterans with conventional home loans now have new options for refinancing to a VA-guaranteed home loan. These new options are available as a result of the Veterans' Benefits Improvement Act of 2008, which the President signed into law on October 10, 2008. Veterans who wish to refinance their subprime or conventional mortgage may now do so for up to 100 percent of the value of the property, which is up from the previous limit of 90 percent.

Additionally, Congress raised VA's maximum loan amount for these types of refinancing loans to \$729,750 depending on where the property is located (this limit is significantly higher in Guam, Alaska, and Hawaii). These changes will allow more qualified veterans to refinance through VA, allowing for savings on interest costs and avoiding foreclosure. A VA refinancing loan may help a veteran who is facing a big payment increase.

Other Assistance for Delinquent Veteran Borrowers

If VA is not able to help a veteran borrower retain his/her home (whether a VA-guaranteed loan or not), the HOPE NOW Alliance may be of assistance. HOPE NOW is a joint alliance consisting of servicers, counselors, and investors whose main goal is to assist distressed borrowers retain their homes and avoid foreclosure. They have expertise in financial counseling, as well as programs that take advantage of relief measures that VA can not. HOPE Now provides outreach, counseling and assistance to homeowners who have the willingness and ability to keep their homes but are facing financial difficulty as a result of the crisis in the mortgage market. The HOPE NOW Alliance can be reached at (888) 995-HOPE (4673), or by visiting www.hopenow.com.