

### **Special Relief Following the Federal Government Shutdown**

1. Purpose. This Circular expresses concern about Department of Veterans Affairs (VA) home loan borrowers affected by the Federal Government shutdown, and describes measures mortgagees may employ to provide relief.

2. Direct and Indirect Impact on Borrowers. Directly affected by the Federal Government shutdown are government employees, whether furloughed or otherwise not receiving pay due to the shutdown. Many others have been indirectly affected, including those reliant on income from government employee spending or government-related contracts.

3. Forbearance Request. VA encourages holders of guaranteed loans to extend special forbearance to borrowers in distress as a result of the Federal Government shutdown. Careful counseling with borrowers should help determine whether their difficulties are directly or indirectly related to the shutdown, or whether they stem from other sources that must be addressed. The proper use of authorities granted in VA regulations may be of assistance in appropriate cases. For example, Title 38, Code of Federal Regulations (CFR), section 36.4311 (Prepayments) allows the reapplication of prepayments to cure or prevent a default. This means that if a borrower has been making additional principal payments over a period of years, the principal balance may be increased up to the scheduled balance and the increase applied toward regular installments. Also, 38 CFR 36.4315 (Loan modifications) allows the terms of any guaranteed loan to be modified without the prior approval of VA, provided certain conditions in the regulation are satisfied.

4. Late Charge Waivers. VA believes that many servicers plan to waive late charges on loans where the borrower(s) suffered a loss of income due to the shutdown. VA also encourages all servicers to adopt such a policy for any loans that may have been affected due to the ripple effect of the shutdown as mentioned in paragraph 2.

5. Credit and VA Reporting. In order to avoid damaging credit records of Veteran borrowers affected by the shutdown, many servicers may suspend credit bureau reporting. At this time, VA would encourage servicers to consider suspension of credit reporting on Veteran borrowers nationwide who have been affected by the shutdown.

6. Rescission: This Circular is rescinded November 1, 2014.

By Direction of the Under Secretary for Benefits

Michael J. Frueh  
Director, Loan Guaranty Service

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