

Relief for Borrowers Affected by COVID-19

1. Purpose. The purpose of this Circular is to update servicers on how to assist borrowers who are affected by the COVID-19 national emergency. This Circular also announces updates regarding COVID-related forbearances and foreclosure and eviction moratoriums.
2. Background. Consistent with VA's longstanding policies, servicers must continue to work with VA and borrowers to consider all possible options to help borrowers retain their homes, or when that is not feasible, to mitigate losses by pursuing alternatives to foreclosure. Before loan termination, VA conducts a review of the loan information to help ensure that the borrower has received reasonable opportunity to retain home ownership and avoid foreclosure. When a servicer reports a Foreclosure Sale Date Scheduled event via the VA Electronic Reporting Interface (VALERI), VALERI automatically initiates a Pre-Foreclosure Review and assigns the case to a VA technician. The technician performs a thorough review of the case and assists the borrower with pursuing home retention options and, in cases where such options are not feasible, alternatives to foreclosure.
3. Action. Servicers are to continue reporting the Electronic Default Notification with "National Emergency Declaration" as the reason for default in cases where borrowers are financially affected by the COVID-19 national emergency. Additionally, servicers are to continue to make every reasonable effort to assist borrowers who are experiencing financial difficulties due to the national emergency. These efforts, which must be documented in servicers' loan systems, include a servicer review of relevant loan files and consideration of all possible home retention options and alternatives to foreclosure.
4. Requesting COVID-Related Forbearance. For borrowers who have not received a COVID-related forbearance as of the date of this Circular, servicers should allow such borrowers to receive a COVID-related forbearance if the borrower makes the request not later than September 30, 2021.
5. Reporting COVID-Related Forbearance. When a borrower requests a COVID-related forbearance, servicers are to use the "National Emergency Declaration" as the reason for default and then report the Special Forbearance event. As mentioned in previous guidance, VALERI can (as of June 1, 2020) accept this reason for default before the 61st day of delinquency.
6. Moratoriums on Foreclosure and Eviction. Due to the ongoing COVID-19 national emergency and its financial effects on borrowers, all properties securing VA-guaranteed loans are subject to moratoriums on foreclosures and evictions through July 31, 2021. The moratoriums include a prohibition on initiation and/or completion of such actions. Properties that previously secured VA-guaranteed loans and are currently in VA's real estate owned inventory are also subject to the moratoriums. The moratoriums do not apply to vacant or abandoned properties.

7. Homeowner Assistance. The American Rescue Plan Act of 2021 established the Homeowner Assistance Fund (HAF) to provide financial assistance to eligible homeowners who have suffered financial hardships during the COVID-19 national emergency. Qualified expenses may include mortgage payment assistance, mortgage reinstatement, utilities, insurance, and other housing related costs. Additional information on the HAF is available at [treasury.gov](https://www.treasury.gov).

8. Questions. Any questions regarding this Circular should be submitted via email to valerihelpdesk.vbaco@va.gov.

9. Rescission. This Circular is rescinded July 1, 2023.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Executive Director
Loan Guaranty Service

Distribution: CO: RPC 2024
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2024)