



**United States Department of Agriculture
Rural Development**
Single Family Housing

AUG 31 2005

TO: Rural Development Single Family Guaranteed Loan Holders and Servicers

FROM: Russell T. Davis /s/ *Russell T. Davis*
Administrator
Rural Housing Service

SUBJECT: Forbearance to Borrowers Affected by Hurricane Katrina

Rural Development is encouraging holders and servicers of Guaranteed Rural Housing (GRH) loans to extend forbearance to borrowers who are in distress because of damage to their homes in Louisiana, Mississippi, Alabama, and Florida by Hurricane Katrina. Loss mitigation actions can be helpful in determining whether a borrower's difficulties are directly related to the hurricanes, or whether they are due to other reasons that must be addressed. Rural Development also recommends waiving late charges for affected borrowers, and suspending delinquency reporting to credit bureaus pertaining to these borrowers for payments due on September 1, 2005.

Rural Development requests that loan holders and servicers establish a 90-day moratorium from the date of this letter for initiating new foreclosures on loans that are secured by properties located in the counties that have been declared disaster areas due to the hurricane. Although the loan holder is ultimately responsible for determining when to initiate a foreclosure, and for completing termination actions on a defaulted loan, Rural Development will appreciate efforts to help deserving borrowers maintain home ownership. Since Rural Development is making this request, it will not apply the provisions of 7 CFR §1980.374, concerning the expeditious liquidation of loans, during the moratorium. Also, if a qualified loan is ultimately liquidated, the period of the moratorium will be considered as "Rural Development-Requested Forbearance" when processing a loss claim. Holders and servicers should ensure that a foreclosure on a loan scheduled in an affected county during the moratorium is reviewed before the foreclosure sale date to ensure that the borrower has been affected significantly enough to justify postponing or canceling the sale.

Rural Development also wishes to remind loan holders and servicers of their responsibilities to inspect properties that secure GRH loans for damages. This is especially true if an appraisal or broker's price opinion was completed before the disaster, or when the county was declared a disaster area.

Questions regarding the issues addressed in this letter may be made to the staff of the Rural Development Single Family Housing Guaranteed Loan Division at (202) 720-1452.

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