

VA RELEASE OF LIABILITY ASSUMPTION CLAUSE

Lender:

Property address:

VA Case #

1. Under the governing law, a veteran who obtains from a private lender a loan which is guaranteed or insured by the Department of Veterans Affairs is legally obligated to indemnify the United States Government for the net amount of any guaranty or insurance claim VA may thereafter be required to pay to the holder of the loan. However, title 38, United States Code, Section 1817, and applicable VA regulations, provide for the release of a veteran from liability to the government when the veteran sells the property securing the guaranteed or insured loan and allows the loan to continue on the property if the loan is current, the purchaser-transferee is acceptable to VA from an income and credit standpoint, and the purchaser transferee assumes the loan and also assumes the above mentioned indemnity obligation. The same conditions also pertain to the release of veterans from liability on account of direct loans made by VA.

2. It is extremely important that veterans who find it necessary or expedient to sell their homes without their VA guaranteed, insured, or direct loans being paid in full, avail themselves of this opportunity to be released by VA since those who have not done so have frequently found themselves obligated for the repayment of sizable amounts in the many cases in which their purchasers, or subsequent owners, have defaulted.

3. Pursuant to Public Law 100-198, veterans who obtained their home loans under commitments dated after March 1, 1988 must go through release of liability processing. Failure to do so may result in the immediate foreclosure of the loan, even if there is no delinquency in the required monthly installment payments.

4. The proper practice is for the veteran to include in the sales contract a provision that the purchaser will assume all the obligations on the guaranteed or insured loan including the potential indemnity liability to VA, and that the sale will not be consummated unless and until VA approves the income and credit of the purchaser. Experience has shown, however, that for various reasons, sales are frequently consummated without prior submission of release applications to VA and, in many cases, without the purchaser even assuming the payment of the loan. This makes it difficult, if not impossible, for the veteran to obtain a release from VA at a later date. It may also lead to exercise of the "due on sale" clause in mortgages executed under provisions of Public Law 100-198.

VETERAN'S SIGNATURE

VETERAN'S SIGNATURE

DATE