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B-153726 May 4, 1964

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The Honorable Albert Thomas House of Representatives

Dear Mr. Thomas:

Further reference is made to your letter of March 13, 1964, and enclosure from Bobby A. and Mary A. Daniels, Houston, Texas, concerning their indebtedness to the United States Government which resulted from the default on a G.I. loan.

As stated to you in our letter on April 24, we requested and received a report regarding the indebtedness from the Veterans Administration. That report reads, in pertinent part, as follows:

"Mr. Daniels obtained a G.I. home loan on February 26, 1960 for $10,625.00, which was also the purchase price of the property. On November 14, 1962, the holder of the loan, First Federal Savings and Loan Association, reported the loan was in default for the August, September, October, and November installments, and therefore intended to foreclose the loan. The holder also reported the owner property was Mr. Ray N. Ludwig who had paid only one loan installment since assuming the loan in June 1962. We had no prior knowledge of the property sale; the terms of the sale, or if Mr. Daniels had received any amount for his equity. The sale did not release him from his liability under the guaranty on the loan.

"We notified Mr. Daniels of the loan default both by letter and by personal contact, before the holder foreclosed the loan on February 5, 1963. We explained his liability and urged him to contact the owner of the property in an effort to avoid the foreclosure. At that time we also told him of the procedures available to him for obtaining a release of his liability on the loan, if the loan was paid to date and assumed by a qualified purchaser acceptable to Veterans Administration.

When Mr. Daniels sold the property he could have availed himself of the procedures established by V.A. to afford veterans who find it necessary to sell their homes an opportunity to be released from liability.

This release is given at the request of a veteran-seller if his loan is current and the purchaser is a satisfactory credit risk and assumes the liability of the veteran-seller in connection with the guaranty of the G.I. home loan. Maximum efforts have been made by V.A. via radio, press, and other public information media to fully inform veterans of these benefits. In addition, V.A. has followed the practice of including pamphlets with each Certificate of Eligibility issued

to a veteran for a G.I. loan. The pamphlets contain information informing the veteran of his personal liability for the loan as long as the loan remains outstanding unless he is released from liability by a release or cancellation of his mortgage debt. Within the past year mortgage lenders making G.I. loan have been requested by V.A. to have each veteran sign and acknowledgement of his liability on the loan at the time the loan is closed.

"It is unfortunate that Mr. Daniels did not request a release of liability and make this a condition of the sale when he transferred the property. If he had done so, he might have been able to obtain a release of liability from the Veterans Administration. Since this was not done, Mr. Daniels remained liable for the G.I. loan regardless of how the transferees took, title to the property."

"Veterans Administration regulations specify than any amount paid by this agency on account of the liability of a veteran shall constitute a debt owing to the United States by such veteran. It is therefore the duty of V.A. to make reasonable efforts to collect from Mr. Daniels the indebtedness created by the foreclosure of the G.I. loan made to him. However, it is not our policy to effect collection in a manner which would work an undue hardship on the veteran or his family."

In view of the facts as now reported, it seems clear that the Daniels are legally liable to the Government for the indebtedness here involved. Under the provisions of 38 U.S.C. 1820(c) the financial transactions of the Administrator of Veterans Affairs incident to or arising out of the loan guaranty program are final and conclusive on all officers of the Government. Hence, since the Veterans Administration forwarded this indebtedness to us for collection, we have no alternative but to continue our collection action thereon. However, under 38 U.S.C. 1820(a)(4) the Administrator of Veterans Affairs is authorized to compromise, waive, or release any right acquired under the loan guaranty program.

While the Daniels, in a letter received here on March 12 have offered to pay the indebtedness at the rate of $2 per month, the record discloses that no offer in compromise nor a request for a waiver of the indebtedness has been submitted to the Administrator pursuant to the provisions of 38 U.S.C. 1820(a)(4). While we cannot, of course, give any assurance that a request for a waiver or an offer in compromise would be accepted by the Administrator, we suggest that the Daniels be advised to submit on our Claims Division an offer in compromise or a request for a waiver of the indebtedness which we will promptly forward to the Administrator.

According, action here on the indebtedness will be withheld for a reasonable period of time to give the Daniels an opportunity to present and to have their case considered under the provisions of 38 U.S.C. 1820(a)(4).

Pursuant to your request, the letter from Mr. And Mrs. Daniels is returned.

Sincerely yours,

Joseph Campbell Comptroller General of the United States