

Loan Repayment Relief for Borrowers

1. **Purpose.** The Department of Veterans Affairs (VA) remains steadfast in our commitment to assist borrowers retain their homes and avoid foreclosure. VA is announcing a targeted foreclosure moratorium on VA-guaranteed loans. This will give servicers the time to implement the Veterans Affairs Servicing Purchase (VASP) program, which is described in Chapter 9 of the VA Servicer Handbook M26-4. Servicers can implement the VASP program beginning May 31, 2024. VA expects servicers to fully implement VASP not later than October 1, 2024.

2. **Background.** VA's guaranteed home loan benefit is an earned benefit that recognizes Veterans' service to our Nation. Over VA's nearly 80-year partnership with the housing industry, we have guaranteed more than 23 million home loans for Veterans and their families.

a. VA relies upon and values strong industry partnerships to help deliver this benefit and ensure our borrowers are afforded all opportunities for successful homeownership. Consistent with this relationship, as well as VA's longstanding regulations and policies, VA and servicers work with borrowers to consider all possible options to help borrowers retain their homes. When home retention is not feasible, VA and servicers help to mitigate losses by pursuing alternatives to foreclosure. This help includes providing accurate and easy-to-understand information so borrowers can make informed decisions.

b. VA recognizes that higher interest rates can make certain home retention options less viable for borrowers. The VASP program is an option for borrowers who cannot be assisted through other home retention solutions.

3. **Moratorium on Foreclosure.** VA strongly encourages servicers to implement, through December 31, 2024, a targeted foreclosure moratorium. Under this targeted moratorium, servicers are to cease initiating, continuing, and/or completing foreclosures on VA-guaranteed loans unless one or more of the following exceptions apply:

- a. The loan is secured by property that is vacant or abandoned.
- b. The servicer has documented that the borrower desires neither to retain homeownership nor avoid foreclosure.
- c. The servicer has not received a monthly payment for at least 210 days, and the borrower is not responding to the servicer's outreach attempts.
- d. The servicer has evaluated the borrower for all home retention options but has determined that no home retention option, including VASP, or alternative to foreclosure will work for the borrower.

4. **Servicing and Loss Mitigation during Moratorium.** For loans covered under the targeted moratorium, servicers are expected to continue loss mitigation efforts and offer reasonable solutions to resolve the delinquency. See VA Servicer Handbook M26-4, Chapters 5 and 9 and Appendix F. These efforts include fully implementing VASP as soon as practicable beginning May 31, 2024, but not later

than October 1, 2024.

5. Credit Reporting. In order to avoid damaging the credit records of Veterans, servicers are encouraged to avoid negative credit reporting, where permissible under applicable law, on affected loans.

6. Extending the Use of Certain Temporary Coronavirus Disease 2019 Home Retention Options. For borrowers affected by Coronavirus Disease 2019 (COVID-19), servicers should offer Loan Deferments, Disaster Extend Modifications, and COVID-19 Refund Modifications, as described in Circulars 26-24-2 and 26-24-3. These options may be offered to a borrower, without regard to the respective Circular's rescission date, until the servicer is able to implement VASP or through September 30, 2024, whichever is sooner. NOTE: Servicers are to evaluate these options for borrowers affected by COVID-19, before moving to the Appendix F waterfall mentioned in paragraph 4.

7. Oversight of Servicing Actions. Before loan termination, VA reviews the loan to help ensure that the borrower has received a reasonable opportunity to retain home ownership and avoid foreclosure. If VA identifies a servicer that is not properly servicing loans, the servicer may be subject to special audit and potential enforcement action(s).¹ Therefore, VA reminds servicers to continue following VA's updated guidance and instructions on how to best utilize available home retention options, including COVID-19 home retention options and VASP, as outlined in Circulars and the VA Servicer Handbook M26-4. VA also reminds servicers to consider other options in consultation with VA including for example, extended repayment plans (i.e., 9-months or longer) and COVID-19 Refund Modifications that achieve less than a 10% reduction in principal and interest payments.

8. Questions. For questions or comments please contact VA using the ServiceNow portal at <https://www.benefits.va.gov/HOMELOANS/contact.asp>.

9. Effective Date. This Circular is effective immediately.

10. Rescission. This Circular is valid until January 1, 2025.

By Direction of the Under Secretary for Benefits

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¹ See 38 U.S.C. § 3704(d); 38 C.F.R. § 36.4336.