

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. The purpose of this Circular is to announce a foreclosure moratorium and update servicers on how to assist borrowers.

2. Background. VA's guaranteed home loan benefit is an earned benefit that recognizes Veterans' service to our Nation. Our nearly 80-year partnership with the housing industry has made homeownership a reality for more than 23 million 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 to be successful in homeownership. Consistent with this relationship, as well as VA's longstanding regulations and policies, servicers must continue to work with VA and borrowers to consider all possible options to help borrowers retain their homes, or when home retention is not feasible, to mitigate losses by pursuing alternatives to foreclosure. This includes servicers providing accurate and easy-to-understand information so borrowers can make the most informed decision possible.

b. VA recognizes that higher interest rates have made certain home retention options less viable, especially for those borrowers who requested a COVID-19 forbearance. VA will soon announce a new home retention program, the VA Servicing Purchase (VASP) program, as an option for borrowers who cannot be assisted through other home retention options. However, VA anticipates the VASP program will not be available until March 2024. Therefore, VA is strongly encouraging a foreclosure moratorium on VA-guaranteed loans. This will give servicers time to work with borrowers and VA to ensure that all borrowers who are behind on their VA-guaranteed loans are given the opportunity to retain their home.

3. Moratorium on Foreclosure. To help ensure comprehensive home retention efforts, VA is strongly encouraging a foreclosure moratorium on all VA-guaranteed loans through May 31, 2024. Effective immediately, VA urges servicers to cease initiating, continuing, and/or completing foreclosures on all VA-guaranteed loans during this moratorium. This moratorium does not apply to vacant or abandoned properties.

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

5. Updating Certain Home Retention Options. VA issued VA's COVID-19 Refund Modification and Loan Deferment home retention options in VA Circulars 26-23-12 and 26-21-07, respectively, to help Veterans affected directly or indirectly by the COVID-19 national emergency. Because the financial impacts of the COVID-19 national emergency continue to affect borrowers and the marketplace has continued to evolve at an unprecedented pace, VA has had to make multiple changes, in the form of Change Circulars, to ensure Veterans have the opportunity to retain their homes. VA is concerned that issuing additional Change Circulars could be confusing. Therefore, to help stakeholders better understand the servicing options that are applicable, VA will consolidate recent changes related to COVID-19 Refund Modification and Loan Deferment options and issue new circulars that will be effective through May 31, 2024.

6. Oversight of Servicing Actions. Before loan termination, VA conducts a review of the loan information 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 referred to VA's external audit team for special audit and potential enforcement action(s).¹ VA therefore 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, as outlined in circulars and the VA Servicer Handbook. VA also reminds servicers to consider other options in consultation with VA including, but not limited to, extended repayment plans (e.g., 9-months or longer) and COVID-19 Refund Modifications that achieve less than a 10 percent reduction in principal and interest payments.

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

8. Effective Date. This Circular is effective immediately.

9. Rescission. This Circular is valid until May 31, 2024.

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.