

VA HOME LOAN PROGRAM REFORM ACT

MAY 19, 2025.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. BOST, from the Committee on Veterans’ Affairs,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 1815]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans’ Affairs, to whom was referred the bill (H.R. 1815) to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to take certain actions in the case of a default on a home loan guaranteed by the Secretary, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “VA Home Loan Program Reform Act”.

SEC. 2. AUTHORITY OF THE SECRETARY OF VETERANS AFFAIRS TO TAKE CERTAIN ACTIONS IN THE CASE OF A DEFAULT ON A HOME LOAN GUARANTEED BY THE SECRETARY.

(a) IN GENERAL.—Section 3732 of title 38, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking “obligation” each place it appears and inserting “loan”;

(B) in paragraph (2)—

(i) by amending subparagraph (A) to read as follows:

“(A) The Secretary may, under terms and conditions determined by the Secretary—

“(i) pay the holder of a loan guaranteed under this chapter an amount necessary to avoid the foreclosure of such loan;

“(ii) require the holder of the loan and the veteran obligated on the loan to execute all documents necessary to ensure the Secretary obtains a secured interest in the property covered by the loan; and

“(iii) require the holder of the loan to take any actions necessary to carry out this paragraph, including preparing, executing, transmitting, receiving, and recording documents, and requiring the holder of the loan to place the loan in forbearance.”;

(ii) in subparagraph (B), by striking “obligation” each place it appears and inserting “housing loan”; and

(iii) by adding at the end the following new subparagraphs:

“(C)(i) Any decision by the Secretary under this paragraph is final and is not subject to judicial review.

“(ii) For purposes of section 511 of this title, any decision under this paragraph shall not be treated as a decision under a law that affects the provision of benefits.

“(D)(i) The Secretary may establish standards for processing payments under this paragraph based on a certification by a holder of a loan guaranteed under this chapter that the holder has complied with all applicable requirements established by the Secretary.

“(ii) The Secretary shall carry out, on a random-sampling basis, post-payment audits to ensure compliance with all requirements described in clause (i).”; and

(C) in paragraph (5), by striking “obligation” and inserting “loan”;

(2) in subsection (c)—

(A) in paragraph (1), in the matter preceding subparagraph (A), by striking “subsection—” and inserting “subsection.”; and

(B) in paragraph (10)(B)(i), by striking “forebearance” each place it appears and inserting “forbearance”; and

(3) by adding at the end the following new subsection:

“(d) The Secretary shall prescribe loss mitigation procedures, including a mandatory sequence in which the holder of a loan guaranteed under this chapter shall offer loss mitigation options (including an option to enter into a partial claim agreement under the VA Home Loan Program Reform Act) to a veteran, to help prevent the foreclosure of such loan. The Secretary may not purchase an entire such loan until the veteran has completed such sequence.”.

(b) RELATIONSHIP TO OTHER POWERS OF SECRETARY.—Section 3720 of such title is amended—

(1) in subsection (a), by striking “Notwithstanding” and inserting “Except as provided in subsection (h), notwithstanding”;

(2) by redesignating subsections (f) through (h) as subsections (e) through (g), respectively; and

(3) by adding at the end the following new subsection (h):

“(h) The Secretary may not take any action under paragraph (2), (3), (4), or (5) of subsection (a) with respect to a loan guaranteed under this chapter before the completion of the sequence of mitigation options offered to the veteran to whom the loan is made under section 3732(d) of this title.”.

SEC. 3. PARTIAL CLAIM PROGRAM OF THE DEPARTMENT OF VETERANS AFFAIRS.

(a) IN GENERAL.—Subchapter III of chapter 37 of title 38, United States Code, is amended by adding at the end the following new section:

“§ 3737. Partial Claim Program

“(a) ESTABLISHMENT.—The Secretary shall carry out a program, to be known as the ‘Partial Claim Program’, under which the Secretary may make a partial claim, described in subsection (b), with respect to a loan—

“(1) guaranteed under this chapter;

“(2) regarding the primary residence of the borrower; and

“(3) that the Secretary determines is in default or at imminent risk of default.

“(b) PARTIAL CLAIM DESCRIBED.—A partial claim described in this subsection, with respect to a loan described in subsection (a), is the purchase by the Secretary of a portion of indebtedness under the loan, through a transaction under which the Secretary—

“(1) pays to the holder of the loan the amount of indebtedness, subject to subsection (c), that the Secretary determines necessary to help prevent or resolve a default; and

“(2) receives a secured interest in the property that serves as collateral for the guaranteed loan, which is subordinate to the first lien guaranteed loan for such property.

“(c) ADMINISTRATION OF PARTIAL CLAIM.—(1)(A) Subject to subparagraph (B), the amount of a partial claim under this section with respect to a loan guaranteed described in subsection (a) may not exceed 25 percent of the unpaid principal balance of the loan on the date on which the partial claim is made.

“(B) In the case of an individual who failed to make a payment on a loan guaranteed under this chapter during the period beginning on March 1, 2020 and ending on May 1, 2025, the amount of a partial claim under this section may not exceed 30 percent of the unpaid principal balance of the guaranteed loan as of the date that the initial partial claim is made.

“(2)(A) Subject to subparagraph (B), the Secretary may make only one partial claim per loan.

“(B) The Secretary may make an additional partial claim on a loan guaranteed under this chapter in the case of an individual who failed to make a payment on such loan during—

“(i) a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170); or

“(ii) the period of 120 days following such a major disaster.

“(3) An amount paid to the holder of a loan as a partial claim—

“(A) shall not count against the amount of a loan that may otherwise be guaranteed under this chapter; and

“(B) may not be applied to the portion of the loan that is guaranteed under this chapter.

“(4) A holder of a loan guaranteed under such chapter for which the Secretary makes a partial claim under this section shall apply the amount paid by the Secretary for the partial claim first to arrearages, if any, on the guaranteed loan. Such arrearages may include any additional costs (such as taxes, insurance premiums, or homeowner’s dues) the Secretary determines necessary to prevent or resolve a default.

“(5) The Secretary may enter into a contract with an appropriate entity for the service of a partial claim made by the Secretary under this section. Any such contract shall provide that such entity shall provide quarterly statements to the holder of the loan for which the Secretary makes the partial claim.

“(d) REQUIREMENTS OF LOAN HOLDER.—(1) The Secretary may require the holder of a loan for which the Secretary makes a partial claim under this section to take any actions necessary to establish the partial claim, including preparing, executing, transmitting, receiving, and recording loan documents.

“(2) The Secretary shall compensate the holder of such a loan appropriately, as determined by the Secretary, for the services required of such holder under this subsection.

“(3) The Secretary may exercise the authority of the Secretary under this subsection without regard to any other provision of law not enacted expressly in limitation of this section that would otherwise govern the expenditure of public funds.

“(e) DEFAULT AND FORECLOSURE.—(1)(A) Notwithstanding section 3703(e) of this title, an individual who defaults on a loan for which the Secretary makes a partial claim made under this section shall be liable to the Secretary for any loss suffered by the Secretary resulting from such default. Such a loss may be recovered in the same manner as any other debt due the United States.

“(B) In the event of default by an individual on a loan for which the Secretary makes a partial claim made under this section, the Secretary may reduce the aggregate amount of guaranty or insurance housing loan entitlement available to the individual under this chapter.

“(2) Notwithstanding section 2410(c) of title 28, an action to foreclose a lien held by the United States arising under a partial claim made under this section shall follow foreclosure procedures in accordance with State or local law where the property involved is located.

“(f) DECISIONS BY THE SECRETARY.—(1) Any partial claim made under this section shall be made in the sole discretion of the Secretary and on terms and conditions acceptable to the Secretary that are consistent with this section.

“(2) Any decision by the Secretary under this section is final and conclusive and is not subject to judicial review.

“(3) For purposes of section 511 of this title, any decision under this section shall not be treated as a decision under a law that affects the provision of benefits.

“(g) COMPLIANCE.—(1) The Secretary may establish standards for processing payments under this section based on a certification by a holder of a loan guaranteed under such chapter that the holder has complied with all applicable requirements established by the Secretary.

“(2) The Secretary shall carry out, on a random-sampling basis, post-payment audits to ensure compliance with all requirements under paragraph (1).

“(h) GUIDANCE WITH RESPECT TO CERTAIN LOANS.—(1) With respect to a loan described in paragraph (2), the Secretary may—

“(A) before prescribing regulations, issue administrative guidance regarding the making of a partial claim relating to such loan; and

“(B) establish, through such guidance, additional requirements applicable to such a partial claim.

“(2) A loan described in this paragraph is a loan that the Secretary determines was in default on the date of the enactment of this section.

“(i) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to limit the authority of the Secretary under subsections (a) and (d) of section 3732 of this title.

“(j) TERMINATION.—The Secretary may not make a partial claim under this section after the date that is five years after the date of the enactment of this section.”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 3736 the following new item:

“3737. Partial Claim Program.”.

SEC. 4. STRATEGY OF THE SECRETARY OF VETERANS AFFAIRS REGARDING THE EFFECT OF CERTAIN LITIGATION.

Not later than 90 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans’ Affairs of the Senate and House of Representatives a report on the strategy of the Secretary to ensure that a veteran who seeks to purchase a home with a loan guaranteed under chapter 37 of title 38, United States Code, is not at a disadvantage when attempting to secure representation by a real estate agent or broker. Such strategy may include amendments to section 36.4313 of title 38, Code of Federal Regulations.

SEC. 5. INCREASE OF AUTHORIZATION OF APPROPRIATIONS FOR COMPREHENSIVE SERVICE PROGRAMS FOR HOMELESS VETERANS.

Section 2016 of title 38, United States Code, is amended—

(1) in paragraph (7), by striking “fiscal year 2015 and each subsequent fiscal year” and inserting “each of fiscal years 2015 through 2024”; and

(2) by adding at the end the following new paragraphs:

“(8) \$344,000,000 for each of fiscal years 2025 and 2026.

“(9) \$257,700,000 for each fiscal year thereafter.”.

PURPOSE AND SUMMARY

H.R. 1815, the “VA Home Loan Program Reform Act,” was introduced by Representative Derrick Van Orden of Wisconsin on March 3, 2025. H.R. 1815, as amended, would require the Secretary of the Department of Veterans Affairs (VA) to create and establish a partial claim program within the VA Home Loan program. This bill would ensure that when a veteran uses the partial claim program, the amount of money applied to a veteran’s arrearage would not count against the guarantee provided to the lender on the original loan. This bill would also require VA to develop a strategy to ensure veterans remain competitive in the home loan process. Addi-

tionally, this bill would authorize funding for the Grant Per-Diem (GPD) program.

BACKGROUND AND NEED FOR LEGISLATION

Section 1: Short Title

This Act may be cited as the “VA Home Loan Program Reform Act.”

Section 2: Authority of the Secretary of Veterans Affairs to Take Certain Actions in the Case of a Default on a Home Loan Guaranteed by the Secretary

VA has assisted veterans with homeownership since 1944, when Congress enacted the loan guaranty program to help veterans who were returning home from World War II purchase homes.¹ The loan guaranty program helps veterans by insuring mortgages made by private lenders. It is available for the purchase or construction of homes, as well as to refinance existing loans. The loan guaranty program has expanded over the years, updating its regulations through published circulars. During the COVID pandemic, through the CARES Act [P.L. 116–136], VA implemented the COVID–VAPCP, or VA’s Partial claim Program.

The COVID–VAPCP was a temporary program to help borrowers who were suffering from financial hardship due to the COVID pandemic. Under the CARES Act, a veteran who was experiencing financial hardship related to COVID was allowed to request forbearance on government guaranteed mortgage loans. VA was authorized to assist a borrower that had utilized a COVID forbearance by purchasing the veteran’s debt from the loan servicer. In exchange for VA’s partial claim payment on behalf of the borrower, the borrower agreed to repay VA, in the amount of such partial claim payment, upon loan terms established by the VA Secretary at the time.² Once the CARES Act provisions expired during the Biden-Harris administration, VA implemented the VA Servicer Purchasing (VASP) program.

The VASP program allowed any veteran who had missed at least three mortgage payments to apply for relief. Under the VASP program, VA would buy the loan of a veteran who was behind on their mortgage from the private lender and give them a new loan at a reduced interest rate of 2.5%. There were no guardrails on the VASP program, which was a cause for concern. A veteran did not need to show proof of income when applying for VASP; they would be eligible as long as they had missed three payments on their mortgage. Some at-risk veterans did have to go through a Trial Payment Plan (TTP) to ensure they could pay their mortgage at the new rate, but this applied to only about 3% of veterans participating in the program. The other 97% did not need to show financial need to participate in the program.

This program was implemented without congressional authority and was purported to save money according to VA and the Office of Management and Budget (OMB) at the time. VA also estimated that 80,000 veterans would participate in the VASP program. As of April 2025, over 17,000 people have participated in the program

¹ VA Housing: Guaranteed Loans, Direct Loans, and Specially Adapted Housing Grants.

² 26_21_17.pdf

and VA had purchased \$5.48 billion of loans. The average loan under the program is \$321,000. VA purchased these loans even though the average veteran who was delinquent was just \$22,000 behind on their mortgage. Under the Trump Administration, VA announced it was ending VASP and began a phased rollback of the program. All veterans enrolled in the program could be grandfathered in until May 1, 2025. After that, no new applications would be accepted.

This section of this bill would grant the Secretary the authority to implement a partial claim program. The Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA) both have partial claim programs. Creating a partial claim program within the VA Home Loan program would put the VA Home Loan program on the same level as other federal home loan programs and allow VA to provide needed relief to veterans without requiring VA to become the lender of record for billions of dollars of mortgage loans. It is important to note the partial claim would not count against VA's guarantee to the original lender to cover up to 25% of the loan if there is a foreclosure.

The Committee believes it is important to provide VA with the authority to establish a partial claim option within the VA Home Loan program to allow veterans who get behind on their mortgages to have options similar to other federal housing programs like FHA and USDA. The Committee believes this would help veterans who may fall behind on their mortgage in the current high-interest rate environment and that this program is more fiscally responsible than the VASP program. While VA's loss mitigation waterfall has multiple options to assist a veteran who is at risk of defaulting before foreclosure, adding a partial claim option to the program would prevent more veterans from foreclosure, and prevent VA from having to maintain a property post foreclosure.

Section 3: Partial Claim Program of the Department of Veterans Affairs

This section would amend subsection III of Chapter 37 of Title 38 to establish the partial claim program for five years after enactment of the legislation. This section would establish the program itself. The program would allow the Secretary to cover up to 25% of the unpaid principal balance of the original loan for a primary residence. This bill would also provide relief for a veteran during a natural disaster; if the President declares a major disaster a veteran or servicemember would be eligible for an additional partial claim of 25% during the duration of the declaration, or for 120 days after the President declares the major disaster. Specific individuals who were working through other loss mitigation options because of COVID-19 up until May 1, 2025, may qualify for a partial claim up to 30% of their unpaid principal balance to account for extra arrears because of the foreclosure moratorium that existed during that time period.

The Committee believes that allowing an additional 5% of the unpaid principal balance to be covered for those veterans experiencing financial hardships due to COVID would help them avoid foreclosure. The allowance of multiple partial claims for victims of a Presidentially declared major disaster may also assist veterans in avoiding foreclosure, which generally would cost VA more than al-

lowing for other loss mitigation options. Additionally, by placing a time limitation on the window to apply for a partial claim in the event of a major disaster, the federal government would prevent individuals who have missed payments not because of the disaster, but by being in the area of the disaster, from applying for a partial claim. The Committee is supportive of VA establishing a partial claim program as part of VA's loss mitigation process. This would allow veterans more options to get back on their feet when dealing with temporary financial hardship and prevent veteran homelessness.

Section 4: Strategy of the Secretary of Veterans Affairs Regarding the Effect of Certain Litigation

The National Association of Realtors (NAR) was sued by buyers in several states who alleged that the way compensation for real estate agents was set by the industry violated the law. The NAR entered into an agreement to settle numerous class action lawsuits alleging antitrust violations. The terms of NAR's settlement agreement, which were established in August 2024 and approved by the court in November 2024, included industry practice changes that impacted the settlement and payment of buyer's agent commissions. In some transactions, sellers may choose not to pay buyer broker compensation, particularly if competing buyers offer to cover the cost themselves. The settlement created a difficult situation for veteran buyers. Under the home loan program at VA, veterans were not permitted to pay a buyer agent to represent them. As the implementation date approached, VA temporarily lifted its longstanding policy that prohibited veterans from paying fees or commissions to real estate agents or brokers on a VA home loan.

This section would require VA to develop a long-term strategy to help ensure that veterans remain competitive buyers in the housing market. The Committee believes this is important because the strategy must guarantee that a veteran using a home loan backed by VA is not at a disadvantage when securing representation from a real estate agent or broker. While VA has published interim guidance, this would ensure that VA creates a long-term strategy to maintain the competitiveness of VA home loans for veteran homebuyers.

Section 5: Increase Authorizations of Appropriations for Comprehensive Service Programs for Homeless Veterans

In P.L. 118–210, the Senator Elizabeth Dole 21st Century Veterans Healthcare and Benefits Improvement Act (the Dole Act), Section 402, authorized an increase in the funding for the Grant Per Diem (GPD) program. The GPD rate increased during the COVID pandemic, and this provision increased the GPD from 115% to 133%, with certain providers in the program receiving 200%. This section would ensure there was sufficient authorization to cover the cost of the increase in the GPD rate. The Committee believes this authorization of funding is essential to pay for the Dole Act that was signed into law on January 2, 2025.

HEARINGS

On March 11, 2025, the Subcommittee on Economic Opportunity held a legislative hearing on H.R. 1815 and other bills that were pending before the subcommittee.

The following witnesses testified:

Mr. John Bell, Executive Director of Loan Guaranty Service, U.S. Department of Veterans Affairs; Mr. Nick Pamperin, Executive Director, Veterans Readiness and Employment, U.S. Department of Veterans Affairs; Mr. Thomas J. Alphonso, Assistant Director, Policy and Implementation, Veterans Benefits Administration, U.S. Department of Veterans Affairs; Ms. Jill Albanese, Director of Clinical Operations, U.S. Department of Veterans Affairs; Ms. Kristina Keenan, Deputy Director, National Legislative Service, Veterans of Foreign Wars; Ms. Julie Howell, Associate Legislative Director for Governmental Relations, Paralyzed Veterans of America; Ms. Elizabeth Balce, Executive Vice President of Servicing at Carrington Mortgage, Mortgage Bankers Association; Mr. Tobias Peter, Co-Director of the Housing Center, Senior Fellow, American Enterprise Institute; and Mr. Will Hubbard, Vice President for Veterans and Military Policy, Veterans Education Success.

The following individuals and organizations submitted statements for the record:

Freedom Mortgage, Student Veterans of America, the Veterans Education Project, National Association of Veterans Program Administrators, National Consumer Law Center, BraunAbility, National Mobility Equipment Dealers Association, and the National Alliance to End Homelessness.

SUBCOMMITTEE CONSIDERATION

On April 9, 2025, the Subcommittee on Economic Opportunity held an open markup session on H.R. 1815.

An amendment in the nature of a substitute was offered by Subcommittee Chairman Van Orden. This amendment in the nature of a substitute would strike a specific termination date and change it to three years after enactment of the law. This amendment in the nature of a substitute would also remove the interest rate on the partial claim to be in line with other federal home loan programs. This amendment was agreed to by voice vote.

Ranking Member Pappas offered a substitute amendment to H.R. 1815, as amended. This amendment would require VA to carry out the VA Service Purchase Program (VASP) by amending the statute. This substitute amendment would also allow VA to pay the servicer any unpaid loan balance plus accrued interest. Subcommittee Ranking Member Pappas requested a recorded vote on this substitute amendment. This amendment failed by recorded vote of 5–3.

Ranking Member Pappas offered a substitute amendment to H.R. 1815, as amended. This amendment would repeal VASP when partial claim legislation is enacted into law. Additionally, this substitute amendment would implement a permanent partial claim program at VA at 30% of the unpaid principal. Additionally, under this legislation, there would not be a maximum number of times a veteran could use a partial claim. The partial claim language is

identical to Representative Deluzio and Senators Tester and Brown's legislation from last Congress. Ranking Member Pappas requested a recorded vote on this substitute amendment. This amendment failed by a recorded vote of 5–3.

A motion by Rep. Barrett to favorably forward H.R. 1815, as amended, to the full Committee, was agreed to by voice vote.

COMMITTEE CONSIDERATION

On May 6, 2025, the full Committee met in an open markup session, a quorum being present, and ordered H.R. 1815, as amended, to be reported favorably to the House of Representatives by voice vote. During consideration of the bill one amendment to the amendment in the nature of a substitute was offered by Representative Van Orden. This amendment, in the nature of a substitute, would ensure that a partial claim does not count against the current or existing loan guarantee. The amendment in the nature of a substitute would also extend the program to five years and increase the amount of unpaid principal that could be covered by a partial claim to 25%.

An amendment to the amendment in the nature of a substitute to H.R. 1815 was offered by Ranking Member Takano. This amendment would allow the amount of unpaid principal balance that could be covered by a partial claim to be increased to 30% partial claim for veterans who missed a payment starting on March 1, 2020, until May 1, 2025. This amendment would also provide disaster relief when the President declares a major disaster by permitting a veteran who is a victim of a disaster to enter into more than one partial claim of 25%. Additionally, this amendment would authorize funding for the Grant Per-Diem (GPD) provision in the Dole Act. This amendment to the amendment in the nature of a substitute was agreed to by voice vote.

An additional amendment to the amendment in the nature of a substitute was offered by Ranking Member Takano. This amendment would encourage VA to continue to use the authorities under VASP. Additionally, the amendment would create a 90-day foreclosure moratorium after the enactment of the bill. This amendment to the amendment in the nature of a substitute failed by a recorded vote of 11–13.

A motion by Representative Bergman to report H.R. 1815, as amended, favorably to the House of Representatives, was agreed to by voice vote.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, one recorded vote was taken on amendments or in connection with ordering H.R. 1815, as amended, favorably reported to the House.

Committee on Veterans' Affairs

U.S. House of Representatives

119th Congress

Date: May 6, 2025

Recorded Vote #22

Meeting on / Amendment on : **Amendment to the Amendment in the Nature of a Substitute
#2 to H.R. 1815 offered by Ranking Member Takano**

Name & State	Aye	Nay	Not Voting	Name & State	Aye	Nay	Not Voting
Chairman Bost, IL		X		Ranking Member Takano, CA	X		
Rep. Radewagen, AS			X	Rep. Brownley, CA	X		
Rep. Bergman, MI		X		Rep. Pappas, NH	X		
Rep. Mace, SC		X		Rep. Cherfilus-McCormick, FL	X		
Rep. Miller-Meeks, IA		X		Rep. McGarvey, KY	X		
Rep. Murphy, NC		X		Rep. Ramirez, IL	X		
Rep. Van Orden, WI		X		Rep. Budzinski, IL	X		
Rep. Luttrell, TX		X		Rep. Kennedy, NY	X		
Rep. Ciscomani, AZ		X		Rep. Dexter, OR	X		
Rep. Self, TX		X		Rep. Conaway, NJ	X		
Rep. Kiggans, VA		X		Rep. Morrison, MN	X		
Rep. Hamadeh, AZ		X					
Rep. King-Hinds, NMI		X					
Rep. Barrett, MI		X		TOTAL	11	13	

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives of H.R. 1815, as amended, are to authorize and establish a partial claim program within the VA Home Loan Program. Additionally, the legislation would increase authorization caps from \$257 million to \$344 million for the Grant and Per-Diem program for Fiscal Years 2025 and 2026.

EARMARKS AND TAX AND TARIFF BENEFITS

H.R. 1815, as amended, does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI of the Rules of the House of Representatives.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the Congressional Budget Office cost estimate on this measure.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate for H.R. 1969, as amended, provided by the Congressional Budget Office (CBO) pursuant to section 402 of the Congressional Budget Act of 1974:

At a Glance			
H.R. 1815, VA Home Loan Program Reform Act			
As ordered reported by the House Committee on Veterans' Affairs on May 6, 2025			
By Fiscal Year, Millions of Dollars	2025	2025-2030	2025-2035
Direct Spending (Outlays)	10	-147	-147
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	10	-147	-147
Spending Subject to Appropriation (Outlays)	66	146	146
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2036?	No	Statutory pay-as-you-go procedures apply?	Yes
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2036?	No	Mandate Effects	
		Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

The bill would:

- Establish a Partial Claim Program through which the Department of Veterans Affairs (VA) would pay lenders amounts

to prevent foreclosure on guaranteed loans that are delinquent or in default

- Temporarily increase the amounts authorized for the Grant and Per Diem Program through which VA awards funding to organizations to provide transitional housing for veterans

Estimated budgetary effects would mainly stem from:

- Paying partial claims to lenders to avoid foreclosure of loans guaranteed by VA
- Increasing grants to organizations providing transitional housing for veterans

Bill summary: H.R. 1815 would temporarily increase the amounts authorized for the Grant and Per Diem Program through which The Department of Veterans Affairs (VA) awards funding to organizations to provide transitional housing for veterans. The bill also would establish a Partial Claim Program through which VA would pay lenders amounts to prevent foreclosure on guaranteed loans that are delinquent or in default.

Estimated Federal cost: The estimated budgetary effects of H.R. 1815 are shown in Table 1. The bill would decrease net direct spending by \$147 million and increase spending subject to appropriation by \$146 million over the 2025–2035 period. The costs of the legislation fall within budget function 700 (veterans benefits and services).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 1815

	By fiscal year, millions of dollars—													
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025– 2030	2025– 2035	
INCREASES OR DECREASES (–) IN DIRECT SPENDING														
Estimated Budget Authority	11	–13	–34	–39	–41	–30	0	0	0	0	0	–146	–146	
Estimated Outlays	10	–14	–33	–39	–41	–30	0	0	0	0	0	–147	–147	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION AUTHORIZATION														
Authorization	75	73	0	0	0	0	0	0	0	0	0	148	148	
Estimated Outlays	66	71	8	1	0	0	0	0	0	0	0	146	146	

Basis of estimate: For this estimate, CBO assumes that H.R. 1815 will be enacted in fiscal year 2025 and that provisions will take effect upon or soon after enactment. CBO also estimates that outlays will follow historical spending patterns for affected programs.

Provisions that affect spending subject to appropriation and direct spending: Section 5 would temporarily increase the amounts authorized for the Grant and Per Diem Program through which VA pays a daily rate to public and nonprofit entities that provide housing and supportive services to homeless veterans.

Current law limits the total amount that VA can award for those grants to \$258 million each year; section 5 would raise that limit to \$344 million for 2025 and 2026. Using information on past grant payments and historical spending patterns, CBO estimates that the amounts paid for grants would increase by a total of \$169 million over the 2025–2035 period.

Some of the homeless veterans who would obtain services under section 5 would be veterans who have been exposed to environ-

mental hazards; thus, CBO expects that some of the costs of implementing the bill would be paid from the Toxic Exposures Fund (TEF) established by Public Law 117–168, the Honoring our PACT Act. The TEF is a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, and information technology modernization that benefit veterans who were exposed to environmental hazards. Additional spending from the TEF occurs if legislation increases the costs of similar activities that benefit veterans with such exposure. Thus, in addition to increasing spending subject to appropriation, enacting section 5 would increase amounts paid from the TEF, which are classified as direct spending.

CBO projects that the proportion of costs paid by the TEF will grow over time based on the amount of formerly discretionary appropriations that CBO expects will be provided through the mandatory appropriation as specified in the Honoring our PACT Act.¹ CBO estimates that over the 2025–2035 period, implementing section 5 would increase outlays for spending subject to appropriation by \$146 million and direct spending by \$23 million.

Direct spending: The discussion above in “Provisions That Affect Spending Subject to Appropriation and Direct Spending” describes the increased authorizations for the Grant and Per Diem Program that would increase direct spending from the TEF under section 5. Section 3 of the bill would establish a Partial Claim Program described below, which would decrease direct spending. In total, the bill would decrease net direct spending outlays by \$147 million over the 2025–2035 period (see Table 2).

Partial Claim Program. VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, construct, improve, or refinance a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower’s home is foreclosed upon. Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.² Such costs are paid from mandatory appropriations and, thus, are reflected in the budget as direct spending.

Section 3 would establish a Partial Claim Program through which VA would pay lenders amounts to prevent foreclosure on guaranteed loans that are in or at risk of default. That amount would cover a portion of indebtedness sufficient to prevent or resolve the default, not to exceed 25 percent of the outstanding mortgage balance (or 30 percent if the borrower became delinquent before May 1, 2025). The partial claim payment would be classified as a direct loan from VA to the delinquent borrower. Those direct loans would be secured by a government lien on the property and would not accrue interest. The bill would authorize one partial

¹For additional information about estimated spending from the TEF, see CBO’s most recent table with details about baseline projections: <https://www.cbo.gov/system/files/2025-01/60044-2025-01-tef.pdf>.

²Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

claim on a loan guaranteed by the department, unless subsequent delinquencies occur within 120 days following a major disaster declared by the President. A partial claim would not reduce the amount of VA's guarantee on the existing loan. The authority for the program would expire five years after the enactment of H.R.1815. In CBO's estimation, that program also would reduce costs of the loan guarantees the VA provides.

Using its projection of loan volume based on data provided by VA, CBO expects that VA will pay roughly 12,200 partial claims on behalf of borrowers at an average amount of \$27,200 over the course of the program. In addition, CBO estimates that some of those loans would not be repaid by the borrowers. The combination of defaults and lack of interest income result in a subsidy rate of 37 percent and total subsidy costs of \$124 million over the 2025–2035 period, CBO estimates.

Other Loan Effects. In addition to the costs described above, CBO expects that the partial claims payments under section 3 would reduce the number of foreclosures on guaranteed loans. As a result, they would reduce the net amount that VA pays related to defaults on those guaranteed loans by an estimated \$294 million over the 2025–2035 period.

Taken together, CBO estimates that enacting section 3 would decrease net direct spending by \$170 million over the 2025–2035 period.

TABLE 2.—ESTIMATED INCREASES IN DIRECT SPENDING UNDER H.R. 1815

	By fiscal year, millions of dollars—													
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025– 2030	2025– 2035	
Partial Claim Program:														
Estimate Budget Au- thority	0	23	25	26	28	22	0	0	0	0	0	124	124	
Estimated Outlays ...	0	23	25	26	28	22	0	0	0	0	0	124	124	
Other Loan Effects:														
Estimate Budget Au- thority	0	–49	–59	–65	–69	–52	0	0	0	0	0	–294	–294	
Estimated Outlays ...	0	–49	–59	–65	–69	–52	0	0	0	0	0	–294	–294	
Grant & Per Diem:														
Estimate Budget Au- thority	11	13	0	0	0	0	0	0	0	0	0	24	24	
Estimated Outlays ...	10	12	1	*	0	0	0	0	0	0	0	23	23	
Total Changes:														
Estimate Bud- get Authority	11	–13	–34	–39	–41	–30	0	0	0	0	0	–146	–146	
Estimated Out- lays	10	–14	–33	–39	–41	–30	0	0	0	0	0	–147	–147	

* = between zero and \$500,000.

Spending subject to appropriation: The discussion above in “Provisions That Affect Spending Subject to Appropriation and Direct Spending” describes the increased authorizations for the Grant and Per Diem Program that would increase spending subject to appropriation under section 5, totaling \$146 million over the 2025–2035 period (see Table 3).

TABLE 3.—ESTIMATED INCREASES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 1815

	By fiscal year, millions of dollars—													
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025– 2030	2025– 2035	
Grant & Per Diem:														
Authorization	75	73	0	0	0	0	0	0	0	0	0	148	148	
Estimated Outlays	66	71	8	1	0	0	0	0	0	0	0	146	146	

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 2.

Increase in long-term net direct spending and deficits: CBO estimates that enacting H.R. 1815 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2036.

Mandates: H.R. 1815 contains an intergovernmental and private-sector mandate, as defined in the Unfunded Mandates Reform Act (UMRA). By not allowing judicial review of the Department of Veterans Affairs decision to obtain secured interest in a veteran's defaulted home loan, the bill would eliminate an existing right of action for any public or private entity that would otherwise be able to seek judicial review. There is no cost associated with this mandate because judicial review does not result in monetary damages; the cost is therefore well below the thresholds established in UMRA for intergovernmental and private-sector mandates (\$103 million and \$206 million in 2025, respectively, adjusted annually for inflation).

Estimate prepared by: Federal costs: Paul B.A. Holland; Mandates: Grace Watson.

Estimate reviewed by: David Newman, Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit; Kathleen FitzGerald, Chief, Public and Private Mandates Unit; Christina Hawley Anthony, Deputy Director of Budget Analysis.

Estimate approved by: Phillip L. Swagel, Director, Congressional Budget Office.

FEDERAL MANDATES STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104–4 is inapplicable to H.R. 1815, as amended.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act would be created by H.R. 1815, as amended.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that H.R. 1815, as amended, does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

STATEMENT ON DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee finds that no provision of H.R. 1815, as amended, would establish or reauthorize a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section would establish the short title of the bill as the “VA Home Loan Program Reform Act.”

Section 2. Authority of the Secretary of Veterans Affairs to take certain actions in the case of a default on the home loan guaranteed by the Secretary

This section would amend 38 U.S.C. § 3732 by adding in a subsection that would grant VA the authority to establish a partial claim option as part of the loss mitigation waterfall process before foreclosure. Under this subsection the VA Secretary shall, on a random sampling basis, post a payment audit to ensure compliance with the requirements. The VA Secretary would also be required to establish a mandatory sequence for the loss mitigation waterfall within the VA Home Loan program.

Section 3. Partial claim program of the Department of Veterans Affairs

This section would amend Subchapter III of chapter 37 of Title 38 in order to establish and implement a partial claim program at VA. The payments made to a lender under the partial claim program to bring a mortgage loan up-to-date would not count against the 25% that VA guarantees to pay the original lender if there is a foreclosure. The partial claim would pay up to 25% of the unpaid principal balance to the lender to bring a loan up-to-date. This section would also provide disaster relief if the President declares a major disaster. A veteran or servicemember would be eligible for an additional partial claim of 25% during the duration of the declaration, or for 120 days after the President declares the major disaster. Specific individuals who were working through other loss mitigation options due to COVID–19 up until May 1, 2025, may also qualify for a partial claim up to 30% of their unpaid principal balance to account for extra arrears that may exist because of the foreclosure moratorium that existed during that time period. This section would establish the right to recovery by VA when an individual defaults on their mortgage payment even after using a partial claim. This section would terminate the program five years after the enactment of this law.

Section 4: Strategy of the Secretary of Veterans Affairs regarding the effect of certain litigation

This section would require that no later than 90 days after the date of enactment of this Act that the VA Secretary shall submit

to the House and Senate Committees on Veterans' Affairs a report on the strategy the VA Secretary will use to ensure that veterans remain competitive in the real estate market and secure representation to ensure that veterans are not at a disadvantage in the marketplace.

Section 5: Increase authorizations of appropriations for comprehensive service programs for homeless veterans

This section would authorize funding for the Grant Per Diem (GPD) program by amending 38 U.S.C. § 2016 in paragraph 7 by striking “fiscal year 2015 and each subsequent year after” and inserting “each of the fiscal years 2015 through 2024.” Adding in a new subsection that would increase authorizations from \$257,000,000 to \$344,000,000 for Fiscal Years 2025 and 2026. Beginning in 2027, authorizations would return to \$257,000,000.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * *

PART II—GENERAL BENEFITS

* * * * *

CHAPTER 20—BENEFITS FOR HOMELESS VETERANS

* * * * *

SUBCHAPTER II—COMPREHENSIVE SERVICE PROGRAMS

* * * * *

§ 2016. Authorization of appropriations

There is authorized to be appropriated to carry out this subchapter amounts as follows:

- (1) \$150,000,000 for each of fiscal years 2007 through 2009.
- (2) \$175,100,000 for fiscal year 2010.
- (3) \$217,700,000 for fiscal year 2011.
- (4) \$250,000,000 for fiscal year 2012.
- (5) \$250,000,000 for fiscal year 2013.
- (6) \$250,000,000 for fiscal year 2014.

(7) \$257,700,000 for **fiscal year 2015** and each subsequent fiscal year] *each of fiscal years 2015 through 2024.*

(8) \$344,000,000 for each of fiscal years 2025 and 2026.

(9) \$257,700,000 for each fiscal year thereafter.

* * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

* * * * *

CHAPTER 37—HOUSING AND SMALL BUSINESS LOANS

SUBCHAPTER I—GENERAL

Sec.

3701. Definitions.

* * * * *

3737. *Partial Claim Program.*

* * * * *

SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

§ 3720. Powers of Secretary

(a) **[Notwithstanding]** *Except as provided in subsection (h), notwithstanding* the provisions of any other law, with respect to matters arising by reason of this chapter, the Secretary may—

(1) sue and be sued in the Secretary's official capacity in any court of competent jurisdiction, State or Federal, but nothing in this clause shall be construed as authorizing garnishment or attachment against the Secretary, the Department of Veterans Affairs, or any of its employees;

(2) subject to specific limitations in this chapter, consent to the modification, with respect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage or other instrument securing a loan which has been guaranteed, insured, made or acquired under this chapter;

(3) pay, or compromise, any claim on, or arising because of, any such guaranty or insurance;

(4) pay, compromise, waive or release any right, title, claim, lien or demand, however acquired, including any equity or any right of redemption;

(5) purchase at any sale, public or private, upon such terms and for such prices as the Secretary determines to be reasonable, and take title to, property, real, personal or mixed; and similarly sell, at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this chapter. The acquisition of any such property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law

of any persons on such property. Without regard to section 3302(b) of title 31 or any other provision of law not expressly in limitation of this paragraph, the Secretary may permit brokers utilized by the Secretary in connection with such properties to deduct from rental collections amounts covering authorized fees, costs, and expenses incurred in connection with the management, repair, sale, or lease of any such properties and remit the net balances to the Secretary.

(b) The powers granted by this section may be exercised by the Secretary without regard to any other provision of law not enacted expressly in limitation of this section, which otherwise would govern the expenditure of public funds, except that division C (except sections 3302, 3501(b), 3509, 3906, 4710, and 4711) of subtitle I of title 41 shall apply to any contract for services or supplies on account of any property acquired pursuant to this section.

(c) The financial transactions of the Secretary incident to, or arising out of, the guaranty or insurance of loans pursuant to this chapter, and the acquisition, management, and disposition of property, real, personal, or mixed, incident to such activities and pursuant to this section, shall be final and conclusive upon all officers of the Government.

(d) The right to redeem provided for by section 2410(c) of title 28 shall not arise in any case in which the subordinate lien or interest of the United States derives from a guaranteed or insured loan.

[(f)] (e) Whenever loss, destruction, or damage to any residential property securing loans guaranteed, insured, made, or acquired by the Secretary under this chapter occurs as the result of a major disaster as determined by the President under the Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.), the Secretary shall (1) provide counseling and such other service to the owner of such property as may be feasible and shall inform such owner concerning the disaster assistance available from other Federal agencies and from State or local agencies, and (2) pursuant to subsection (a)(2) of this section, extend on an individual case basis such forbearance or indulgence to such owner as the Secretary determines to be warranted by the facts of the case and the circumstances of such owner.

[(g)] (f) The Secretary shall, at the request of the Secretary of Housing and Urban Development and without reimbursement, certify to such Secretary whether an applicant for assistance under any law administered by the Department of Housing and Urban Development is a veteran.

[(h)] (g) The Secretary may, upon such terms and conditions as the Secretary considers appropriate, issue or approve the issuance of, and guarantee the timely payment of principal and interest on, certificates or other securities evidencing an interest in a pool of mortgage loans made in connection with the sale of properties acquired under this chapter.

(h) *The Secretary may not take any action under paragraph (2), (3), (4), or (5) of subsection (a) with respect to a loan guaranteed under this chapter before the completion of the sequence of mitigation options offered to the veteran to whom the loan is made under section 3732(d) of this title.*

* * * * *

§ 3732. Procedure on default

(a)(1) In the event of default in the payment of any loan guaranteed under this chapter, the holder of the [obligation] *loan* shall notify the Secretary of such default. Upon receipt of such notice, the Secretary may, subject to subsection (c) of this section, pay to such holder the guaranty not in excess of the pro rata portion of the amount originally guaranteed. Except as provided in section 3703(e) of this title, if the Secretary makes such a payment, the Secretary shall be subrogated to the rights of the holder of the [obligation] *loan* to the extent of the amount paid on the guaranty.

(2)[(A) Before suit or foreclosure the holder of the obligation shall notify the Secretary of the default, and within thirty days thereafter the Secretary may, at the Secretary's option, pay the holder of the obligation the unpaid balance of the obligation plus accrued interest and receive an assignment of the loan and security. Nothing in this section shall preclude any forbearance for the benefit of the veteran as may be agreed upon by the parties to the loan and approved by the Secretary.] (A) *The Secretary may, under terms and conditions determined by the Secretary—*

(i) pay the holder of a loan guaranteed under this chapter an amount necessary to avoid the foreclosure of such loan;

(ii) require the holder of the loan and the veteran obligated on the loan to execute all documents necessary to ensure the Secretary obtains a secured interest in the property covered by the loan; and

(iii) require the holder of the loan to take any actions necessary to carry out this paragraph, including preparing, executing, transmitting, receiving, and recording documents, and requiring the holder of the loan to place the loan in forbearance.

(B) In the event that a housing loan guaranteed under this chapter is modified under the authority provided under section 1322(b) of title 11, the Secretary may pay the holder of the [obligation] *housing loan* the unpaid principal balance of the [obligation] *housing loan* due, plus accrued interest, as of the date of the filing of the petition under title 11, but only upon the assignment, transfer, and delivery to the Secretary (in a form and manner satisfactory to the Secretary) of all rights, interest, claims, evidence, and records with respect to the housing loan.

(C)(i) *Any decision by the Secretary under this paragraph is final and is not subject to judicial review.*

(ii) For purposes of section 511 of this title, any decision under this paragraph shall not be treated as a decision under a law that affects the provision of benefits.

(D)(i) *The Secretary may establish standards for processing payments under this paragraph based on a certification by a holder of a loan guaranteed under this chapter that the holder has complied with all applicable requirements established by the Secretary.*

(ii) The Secretary shall carry out, on a random-sampling basis, post-payment audits to ensure compliance with all requirements described in clause (i).

(3) The Secretary may establish the date, not later than the date of judgment and decree of foreclosure or sale, upon which accrual of interest or charges shall cease.

(4)(A) Upon receiving a notice pursuant to paragraph (1) of this subsection, the Secretary shall—

(i) provide the veteran with information and, to the extent feasible, counseling regarding—

(I) alternatives to foreclosure, as appropriate in light of the veteran's particular circumstances, including possible methods of curing the default, conveyance of the property to the Secretary by means of a deed in lieu of foreclosure, and the actions authorized by paragraph (2) of this subsection; and

(II) what the Department of Veterans Affairs' and the veteran's liabilities would be with respect to the loan in the event of foreclosure; and

(ii) advise the veteran regarding the availability of such counseling;

except with respect to loans made by a lender which the Secretary has determined has a demonstrated record of consistently providing timely and accurate information to veterans with respect to such matters.

(B) The Secretary shall, to the extent of the availability of appropriations, ensure that sufficient personnel are available to administer subparagraph (A) of this paragraph effectively and efficiently.

(5) In the event of default in the payment of any loan guaranteed or insured under this chapter in which a partial payment has been tendered by the veteran concerned and refused by the holder, the holder of the **[obligation]** loan shall notify the Secretary as soon as such payment has been refused. The Secretary may require that any such notification include a statement of the circumstances of the default, the amount tendered, the amount of the indebtedness on the date of the tender, and the reasons for the holder's refusal.

(b) With respect to any loan made under section 3711 which has not been sold as provided in subsection (g) of such section, if the Secretary finds, after there has been a default in the payment of any installment of principal or interest owing on such loan, that the default was due to the fact that the veteran who is obligated under the loan has become unemployed as the result of the closing (in whole or in part) of a Federal installation, the Secretary shall (1) extend the time for curing the default to such time as the Secretary determines is necessary and desirable to enable such veteran to complete payments on such loan, including an extension of time beyond the stated maturity thereof, or (2) modify the terms of such loan for the purpose of changing the amortization provisions thereof by recasting, over the remaining term of the loan, or over such longer period as the Secretary may determine, the total unpaid amount then due with the modification to become effective currently or upon the termination of an agreed-upon extension of the period for curing the default.

(c)(1) For purposes of this **[subsection—]** subsection:

(A) The term "defaulted loan" means a loan that is guaranteed under this chapter, that was made for a purpose described in section 3710(a) of this title, and that is in default.

(B) The term "liquidation sale" means a judicial sale or other disposition of real property to liquidate a defaulted loan that is secured by such property.

(C) The term "net value", with respect to real property, means the amount equal to (i) the fair market value of the property, minus (ii) the total of the amounts which the Sec-

retary estimates the Secretary would incur (if the Secretary were to acquire and dispose of the property) for property taxes, assessments, liens, property maintenance, property improvement, administration, resale (including losses sustained on the resale of the property), and other costs resulting from the acquisition and disposition of the property, excluding any amount attributed to the cost to the Government of borrowing funds.

(D) Except as provided in subparagraph (D) of paragraph (10) of this subsection, the term “total indebtedness”, with respect to a defaulted loan, means the amount equal to the total of (i) the unpaid principal of the loan, (ii) the interest on the loan as of the date applicable under paragraph (10) of this subsection, and (iii) such reasonably necessary and proper charges (as specified in the loan instrument and permitted by regulations prescribed by the Secretary to implement this subsection) associated with liquidation of the loan, including advances for taxes, insurance, and maintenance or repair of the real property securing the loan.

(2)(A) Except as provided in subparagraph (B) of this paragraph, this subsection applies to any case in which the holder of a defaulted loan undertakes to liquidate the loan by means of a liquidation sale.

(B) This subsection does not apply to a case in which the Secretary proceeds under subsection (a)(2) of this section.

(3)(A) Before carrying out a liquidation sale of real property securing a defaulted loan, the holder of the loan shall notify the Secretary of the proposed sale. Such notice shall be provided in accordance with regulations prescribed by the Secretary to implement this subsection.

(B) After receiving a notice described in subparagraph (A) of this paragraph, the Secretary shall determine the net value of the property securing the loan and the amount of the total indebtedness under the loan and shall notify the holder of the loan of the determination of such net value.

(4) A case referred to in paragraphs (5), (6), and (7) of this subsection as being described in this paragraph is a case in which the net value of the property securing a defaulted loan exceeds the amount of the total indebtedness under the loan minus the amount guaranteed under this chapter.

(5) In a case described in paragraph (4) of this subsection, if the holder of the defaulted loan acquires the property securing the loan at a liquidation sale for an amount that does not exceed the lesser of the net value of the property or the total indebtedness under the loan—

(A) the holder shall have the option to convey the property to the United States in return for payment by the Secretary of an amount equal to the lesser of such net value or total indebtedness; and

(B) the liability of the United States under the loan guaranty under this chapter shall be limited to the amount of such total indebtedness minus the net value of the property.

(6) In a case described in paragraph (4) of this subsection, if the holder of the defaulted loan does not acquire the property securing the loan at the liquidation sale, the liability of the United States under the loan guaranty under this chapter shall be limited to the

amount equal to (A) the amount of such total indebtedness, minus (B) the amount realized by the holder incident to the sale or the net value of the property, whichever is greater.

(7) In a case described in paragraph (4) of this subsection, if the holder of the defaulted loan acquires the property securing the loan at the liquidation sale for an amount that exceeds the lesser of the total indebtedness under the loan or the net value and—

(A)(i) the amount was the minimum amount for which, under applicable State law, the property was permitted to be sold at the liquidation sale, the holder shall have the option to convey the property to the United States in return for payment by the Secretary of an amount equal to the lesser of the amount for which the holder acquired the property or the total indebtedness under the loan; or

(ii) there was no minimum amount for which the property had to be sold at the liquidation sale under applicable State law, the holder shall have the option to convey the property to the United States in return for payment by the Secretary of an amount equal to the lesser of such net value or total indebtedness; and

(B) the liability of the United States under the loan guaranty under this chapter is as provided in paragraph (6) of this subsection.

(8) If the net value of the property securing a defaulted loan is not greater than the amount of the total indebtedness under the loan minus the amount guaranteed under this chapter—

(A) the Secretary may not accept conveyance of the property from the holder of the loan; and

(B) the liability of the United States under the loan guaranty shall be limited to the amount of the total indebtedness under the loan minus the amount realized by the holder of the loan incident to the sale at a liquidation sale of the property.

(9) In no event may the liability of the United States under a guaranteed loan exceed the amount guaranteed with respect to that loan under section 3703(b) of this title. All determinations under this subsection of net value and total indebtedness shall be made by the Secretary.

(10)(A) Except as provided in subparagraphs (B) and (C) of this paragraph, the date referred to in paragraph (1)(D)(ii) of this subsection shall be the date of the liquidation sale of the property securing the loan (or such earlier date following the expiration of a reasonable period of time for such sale to occur as the Secretary may specify pursuant to regulations prescribed by the Secretary to implement this subsection).

(B)(i) Subject to division (ii) of this subparagraph, in any case in which there is a substantial delay in such sale caused by the holder of the loan exercising **forebearance** *forebearance* at the request of the Secretary, the date referred to in paragraph (1)(D)(ii) of this subsection shall be such date, on or after the date on which **forebearance** *forebearance* was requested and prior to the date of such sale, as the Secretary specifies pursuant to regulations which the Secretary shall prescribe to implement this paragraph.

(ii) The Secretary may specify a date under subdivision (i) of this subparagraph only if, based on the use of a date so specified for the purposes of such paragraph (1)(D)(ii), the Secretary is authorized,

under paragraph (5)(A) or (7)(A) of this subsection, to accept conveyance of the property.

(C) In any case in which there is an excessive delay in such liquidation sale caused—

(i) by the Department of Veterans Affairs (including any delay caused by its failure to provide bidding instructions in a timely fashion); or

(ii) by a voluntary case commenced under title 11, United States Code (relating to bankruptcy);

the date referred to in paragraph (1)(D)(ii) of this subsection shall be a date, earlier than the date of such liquidation sale, which the Secretary specifies pursuant to regulations which the Secretary shall prescribe to implement this paragraph.

(D) For the purpose of determining the liability of the United States under a loan guaranty under paragraphs (5)(B), (6), (7)(B), and (8)(B), the amount of the total indebtedness with respect to such loan guaranty shall include, in any case in which there was an excessive delay caused by the Department of Veterans Affairs in the liquidation sale of the property securing such loan, any interest which had accrued as of the date of such sale and which would not be included, except for this subparagraph, in the calculation of such total indebtedness as a result of the specification of an earlier date under subparagraph (C)(i) of this paragraph.

(d) The Secretary shall prescribe loss mitigation procedures, including a mandatory sequence in which the holder of a loan guaranteed under this chapter shall offer loss mitigation options (including an option to enter into a partial claim agreement under the VA Home Loan Program Reform Act) to a veteran, to help prevent the foreclosure of such loan. The Secretary may not purchase an entire such loan until the veteran has completed such sequence.

* * * * *

§3737. Partial Claim Program

(a) ESTABLISHMENT.—The Secretary shall carry out a program, to be known as the “Partial Claim Program”, under which the Secretary may make a partial claim, described in subsection (b), with respect to a loan—

(1) guaranteed under this chapter;

(2) regarding the primary residence of the borrower; and

(3) that the Secretary determines is in default or at imminent risk of default.

(b) PARTIAL CLAIM DESCRIBED.—A partial claim described in this subsection, with respect to a loan described in subsection (a), is the purchase by the Secretary of a portion of indebtedness under the loan, through a transaction under which the Secretary—

(1) pays to the holder of the loan the amount of indebtedness, subject to subsection (c), that the Secretary determines necessary to help prevent or resolve a default; and

(2) receives a secured interest in the property that serves as collateral for the guaranteed loan, which is subordinate to the first lien guaranteed loan for such property.

(c) ADMINISTRATION OF PARTIAL CLAIM.—(1)(A) Subject to subparagraph (B), the amount of a partial claim under this section with respect to a loan guaranteed described in subsection (a) may

not exceed 25 percent of the unpaid principal balance of the loan on the date on which the partial claim is made.

(B) In the case of an individual who failed to make a payment on a loan guaranteed under this chapter during the period beginning on March 1, 2020 and ending on May 1, 2025, the amount of a partial claim under this section may not exceed 30 percent of the unpaid principal balance of the guaranteed loan as of the date that the initial partial claim is made.

(2)(A) Subject to subparagraph (B), the Secretary may make only one partial claim per loan.

(B) The Secretary may make an additional partial claim on a loan guaranteed under this chapter in the case of an individual who failed to make a payment on such loan during—

(i) a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170); or

(ii) the period of 120 days following such a major disaster.

(3) An amount paid to the holder of a loan as a partial claim—

(A) shall not count against the amount of a loan that may otherwise be guaranteed under this chapter; and

(B) may not be applied to the portion of the loan that is guaranteed under this chapter.

(4) A holder of a loan guaranteed under such chapter for which the Secretary makes a partial claim under this section shall apply the amount paid by the Secretary for the partial claim first to arrearages, if any, on the guaranteed loan. Such arrearages may include any additional costs (such as taxes, insurance premiums, or homeowner's dues) the Secretary determines necessary to prevent or resolve a default.

(5) The Secretary may enter into a contract with an appropriate entity for the service of a partial claim made by the Secretary under this section. Any such contract shall provide that such entity shall provide quarterly statements to the holder of the loan for which the Secretary makes the partial claim.

(d) REQUIREMENTS OF LOAN HOLDER.—(1) The Secretary may require the holder of a loan for which the Secretary makes a partial claim under this section to take any actions necessary to establish the partial claim, including preparing, executing, transmitting, receiving, and recording loan documents.

(2) The Secretary shall compensate the holder of such a loan appropriately, as determined by the Secretary, for the services required of such holder under this subsection.

(3) The Secretary may exercise the authority of the Secretary under this subsection without regard to any other provision of law not enacted expressly in limitation of this section that would otherwise govern the expenditure of public funds.

(e) DEFAULT AND FORECLOSURE.—(1)(A) Notwithstanding section 3703(e) of this title, an individual who defaults on a loan for which the Secretary makes a partial claim made under this section shall be liable to the Secretary for any loss suffered by the Secretary resulting from such default. Such a loss may be recovered in the same manner as any other debt due the United States.

(B) In the event of default by an individual on a loan for which the Secretary makes a partial claim made under this section, the Secretary may reduce the aggregate amount of guaranty or insur-

ance housing loan entitlement available to the individual under this chapter.

(2) Notwithstanding section 2410(c) of title 28, an action to foreclose a lien held by the United States arising under a partial claim made under this section shall follow foreclosure procedures in accordance with State or local law where the property involved is located.

(f) *DECISIONS BY THE SECRETARY.*—(1) Any partial claim made under this section shall be made in the sole discretion of the Secretary and on terms and conditions acceptable to the Secretary that are consistent with this section.

(2) Any decision by the Secretary under this section is final and conclusive and is not subject to judicial review.

(3) For purposes of section 511 of this title, any decision under this section shall not be treated as a decision under a law that affects the provision of benefits.

(g) *COMPLIANCE.*—(1) The Secretary may establish standards for processing payments under this section based on a certification by a holder of a loan guaranteed under such chapter that the holder has complied with all applicable requirements established by the Secretary.

(2) The Secretary shall carry out, on a random-sampling basis, post-payment audits to ensure compliance with all requirements under paragraph (1).

(h) *GUIDANCE WITH RESPECT TO CERTAIN LOANS.*—(1) With respect to a loan described in paragraph (2), the Secretary may—

(A) before prescribing regulations, issue administrative guidance regarding the making of a partial claim relating to such loan; and

(B) establish, through such guidance, additional requirements applicable to such a partial claim.

(2) A loan described in this paragraph is a loan that the Secretary determines was in default on the date of the enactment of this section.

(i) *RULE OF CONSTRUCTION.*—Nothing in this section shall be construed to limit the authority of the Secretary under subsections (a) and (d) of section 3732 of this title.

(j) *TERMINATION.*—The Secretary may not make a partial claim under this section after the date that is five years after the date of the enactment of this section.

* * * * *

MINORITY VIEWS

INTRODUCTION

The creation of the GI Bill during World War II offered returning servicemembers significant assistance as they began the readjustment to civilian life. In addition to the educational benefit that could provide job training and improved employment outcomes, the GI Bill offered these newly transitioned veterans a leg up to buy a home. The first ten years of this benefit represented twenty percent of all U.S. home purchases.¹ The terms of the program offered veterans a way to close on a home with limited money down, competitive mortgage rates, and expanded protections to prevent foreclosure.

Historically, VA has used the authorities granted as part of the VA Loan Guarantee program to historically keep foreclosure rates as the lowest among major loan types.² However, these low rates of foreclosure were a reflection of existing authorities and their dependence on consistently low 30-year mortgage rates from banks.

During the COVID-19 pandemic, there was a severe rise in the number of missed mortgage payments among veterans. Combined with rising 30-year mortgage rates, the long-used VA foreclosure mitigation measures lost their effectiveness. This led to the Biden Administration to use several existing authorities to help as many veterans as possible to avoid foreclosure. According to VA data, in 2023 alone, these authorities helped over 145,000 veterans and their families avoid foreclosure.³

In 2024, President Biden built off these successes at VA and offered veterans and servicemembers with delinquencies a new program to avoid foreclosure, the Veteran Affairs Servicing Purchase (VASP) program. This program offered the delinquent payers a way to refinance into rates not available in the open market. From program creation, 18,000 borrowers used VASP prior to the Trump Administration abruptly ending this program on May 1, 2025.

DIRE RISK TO VETERAN FORECLOSURES

According to lenders and housing trade groups, upwards of 60,000 to 85,000 VA borrowers are still severely delinquent on their mortgage payments. This means they have missed more than three consecutive months of payments. As mortgage rates in the open market remain high compared to recent years, and with the closure of the VASP program, the only options available to these borrowers are either selling their home or being foreclosed upon. As

¹ <https://www.archives.gov/milestone-documents/servicemens-readjustment-act>.

² <https://www.mba.org/news-and-research/newsroom/news/2025/05/13/mortgage-delinquencies-increase-slightly-in-the-first-quarter-of-2025>.

³ <https://news.va.gov/press-room/va-servicing-purchase-program-avoid-foreclosure/>.

VASP was the program of last resort, ending VASP has accelerated the risk to these borrowers.

Subcommittee Chairman Van Orden has called VASP a “disaster,” referred to a veteran facing foreclosure as “bum loan,” and has repeatedly urged VA to end the program—even as officials in the Trump VA and other witnesses testified to the program’s successes. As recently as March 11, 2025, the VA reported, “We continue to see strong performance from our VA portfolio. Matter of fact, we’re up in every category from a loan guarantee standpoint. We are up a year over year in purchase and refinance as well as, you know, our comparative default ratios versus other programs. So, we’re continuing to see VA perform very well against its competition.”⁴

The Mortgage Bankers Association also testified on March 11, 2025, that VASP “has provided critical relief to thousands of veterans whose loan payments became unaffordable in today’s higher rate environment. While partial claims should be the first line of defense, VASP has been an essential safety net for borrowers who had no other options. Without VASP, VA would have foreclosed on tens of thousands of borrowers.”⁵ That is the reality borrowers now face.

Democratic Members of the Committee continue to call on VA to reinstate VASP⁶ (at least in the interim and until an alternative program is offered) and offer the program to these tens of thousands of borrowers. Helping veteran borrowers upholds the goals and ideals of the VA Loan Guarantee program—which promised veterans an easy entry point to home ownership. Further, the program is meant to offer protections to veterans to only allow foreclosure in the most extreme circumstances. As of the date of this report, President Trump and Secretary Collins have refused to offer these borrowers any options beyond already exhausted program options.

IMPLEMENTATION TIMELINE

Based on prior Government Accountability Office (GAO) reports,⁷ foreclosures cost VA an estimated \$60,000 per loan and are always the most expensive option for the agency. Short of VA reinstating VASP or putting in place a foreclosure moratorium prior to enactment and implementation of H.R. 1815 as amended into law, the agency is likely to incur significant costs while placing even more financial and emotional costs on veterans.

Committee on House Veterans’ Affairs Democrats urge the Trump administration to take all possible administration actions, including but not necessarily limited to, reinstating VASP, or issuing a foreclosure moratorium while this legislation works its way through Congress and potentially becomes law and is implemented.

⁴ House Veterans’ Affairs Subcommittee on Economic Opportunity Legislative Hearing, March 11, 2025. Bell, John.

⁵ House Veterans’ Affairs Subcommittee on Economic Opportunity Legislative Hearing, March 11, 2025. Balce, Elizabeth.

⁶ <https://democrats-veterans.house.gov/news/press-releases/ranking-members-takano-and-blumenthal-denounce-va-decision-to-end-program-helping-veterans-stay-in-their-homes>.

⁷ <https://www.gao.gov/products/rced-90-4>.

Veterans who are at risk of foreclosure, and who would use the authorities granted by H.R. 1815, as amended, to avoid such foreclosure, should be offered assistance instead of being unfairly punished by the unknown timetable to move H.R. 1815, as amended, from law to functional program.

GRANT PER DIEM FUNDING

Public Law 118–210, the Senator Elizabeth Dole 21st Century Veterans Healthcare and Benefits Improvement Act authorized increased per diem payments from VA to homeless providers.⁸ However, while S. 141 included offsets identified by the Congressional Budget Office and required by Republican House Rules to cover the cost of these per diem payments for the next three years, VA shared with Congress that they lack authorities to carry out this portion of law.

H.R. 1815 as amended includes authorization for funding for the next two years of these payments, however the Committee holds that these provisions should not require a second offset when they have already been offset as part of S. 141. Committee Democrats recommend that the House Budget Committee not require further offsets for Fiscal Year 2027. The three years of increased funding granted by S. 141, along with H.R. 1815, as amended, for grant per diem payments in lieu of a permanent authorization of these authorities is based on an agreement between House and Senate Veterans' Affairs Committees (Majority and Minority) to determine a more appropriate method to calculate adequate payments to providers in the future.

MARK TAKANO,
Ranking Member.



⁸P.L. 118–210.