



March 7, 2025

The Honorable Derrick Van Orden  
Chairman, Subcommittee on Economic Opportunity  
Committee on Veterans' Affairs  
364 Cannon House Office Building  
Washington, D.C. 20003

The Honorable Chris Pappas  
Ranking Member, Subcommittee on Economic Opportunity  
Committee on Veterans' Affairs  
364 Cannon House Office Building  
Washington, D.C. 20003

Dear Chairman Van Orden and Ranking Member Pappas,

Thank you for the opportunity to submit a letter for the record for the March 11, 2025 Subcommittee on Economic Opportunity Legislative Hearing.

On behalf of the clients, communities, and Veterans we represent, **we urge Congress and the Department of Veterans Affairs (VA) to ensure that mortgage relief options available for Veteran borrowers are commensurate with the options available to other borrowers with federally-backed mortgage loans. VA mortgage borrowers must have mortgage relief options that allow them to retain their home when possible, in order to prevent avoidable foreclosures and the associated increase in VA claim costs.**

To meet this standard, Veterans facing financial hardship should have an option that allows them to cure their delinquency and keep their pre-hardship payments if they can afford it, and an option that provides payment relief if that is necessary. The other federally-backed mortgage programs provide these types of options to borrowers who meet eligibility criteria, and Veterans should not have inferior service. Without such options, many VA borrowers will face unnecessary foreclosures, and the claims associated with these foreclosures will unnecessarily raise the budgetary cost of the home loan program for the VA and taxpayers because foreclosures are generally much more costly for the government than a home retention option that keeps the homeowner in the home.

We write with three requests:

## 1. VASP Should Not Be Unilaterally Limited or Halted

Currently, with the Veterans Affairs Servicing Purchase (VASP) program in place, Veterans generally have access to a relief option that can reduce their monthly payment, keep them in their home, and avoid the high cost of foreclosure. However, if VASP is prematurely terminated or limited before Congress provides the VA with additional policy tools or before VA develops additional policy tools that can be stood up and made readily available, Veteran borrowers will face otherwise preventable foreclosures, which harm the government through increased payouts as well as harm Veteran homeowners.

To be clear, this is not a theoretical exercise—as of February 2025, there were about 81,000 active-duty servicemembers or Veterans who had already missed 3 or more payments on their VA mortgages and were in default. Without VASP or immediate access to alternative policy tools that provide relief as described above, many of these homeowners will be forced to sell their homes and move or face foreclosure, burdening the VA program with claims from foreclosures that could have been avoided.

Accordingly, it is critical for Congress and the VA to ensure that a new program is already in place and operational prior to any steps being taken to limit VASP. For example, through limiting VASP to 250 loans per year, H.R. 1814, Restoring the VA Home Loan Program in Perpetuity Act of 2025 will ensure that the vast majority of Veteran borrowers have no economically viable relief option in place should they encounter unexpected financial disruptions if it is passed before an alternative is in place. And without an alternative home retention option, the 81,000 VA borrowers who are already seriously delinquent and any VA borrowers who encounter a future hardship may lose their homes to foreclosure unnecessarily, driving up the cost of the VA's home loan program.

While there has been no evidence of Veteran borrowers with high-interest rate loans strategically defaulting just to access a 2.50% VASP loan, VA could directly address this concern by adjusting VASP to target a 20% reduction in the borrower's monthly payment rather than a 2.50% interest rate. A 20% reduction in monthly payment has been proven to reduce redefault rates significantly. Making this adjustment would ensure that VA captures the savings from lower redefault and foreclosures rates without incurring the cost of providing an unnecessarily large amount of payment relief.

## 2. Veteran Borrowers Should Have Access to a Partial Claim Option

In creating cost-effective hardship options for Veteran mortgage borrowers, VA and Congress should explore a partial claim program, including legislation to clarify VA's authority to establish a partial claim if the agency believes such clarification would be helpful. However, to implement a permanent partial claim that is broadly available, we believe that Congress and VA must

consider what budgetary and program steps are needed to make the partial claim economically feasible for VA as an agency.

In order to ensure that Veteran borrowers have options for repaying partial claims that do not increase the risk of redefault and foreclosure and the cost to VA, VA borrowers should not have to pay interest on partial claims, and they should not have to make payments to repay the partial claim during the mortgage loan period.<sup>1</sup> Both requirements would increase the likelihood that a Veteran borrower who has just overcome a hardship and regained their financial footing falls behind on their payments again, increasing the odds that VA has to absorb the cost of a foreclosure claim.

### 3. Veteran Borrowers Need a Comprehensive VA Loss Mitigation Program

Our common objective is to offer Veterans a comprehensive home loan program that meets their needs throughout their lives. To achieve this goal, we are committed to working on a bipartisan basis to reach common sense policy solutions to improve the long-term health of the VA Home Loan Guaranty program. We believe that Congress and the VA should consider a broader array of options for Veteran borrowers facing financial hardship. We pledge to work with Congress, VA, and other stakeholders to develop a comprehensive and cost-effective VA loss mitigation program that maintains the strength of the VA home loan program while providing Veteran borrowers facing hardship with economically viable options that allow them to retain their home and avoid foreclosure when possible.

We thank you for your work on behalf of Veterans and look forward to working with you on these issues.

Sincerely,

Center for Responsible Lending  
National Consumer Law Center (on behalf of its low-income clients)

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<sup>1</sup> Under H.R., VA Home Loan Program Reform Act, the Veteran borrower with a partial claim must either start making payments on the partial claim three years after it starts or interest will accrue.