

HOUSE COMMITTEE ON VETERANS' AFFAIRS

CHAIRMAN MIKE BOST

VA Home Loan Program Reform Act of 2025

Background:

The Department of Veterans Affairs (VA) provides veterans with a variety of competitive home loan options. During the Biden-Harris administration, a new home retention tool called the VA Servicer Purchasing Program (VASP) was created by the Secretary. The VASP program allows veterans who meet the following criteria:

1. Have missed at least three payments on their mortgage;
2. Or who have been behind on their mortgage payments for up to five years **to pay their mortgage at a reduced interest rate of 2.5%.**

While Congress does not want to displace veterans from their homes, this reduced interest rate unintentionally puts an undue burden on the taxpayers who have invested in the VA home loan program, instead of the veteran homeowner. During the COVID pandemic, veterans were granted temporary authority and able to utilize a partial claims program, as authorized by the CARES Act [P.L. 116-136], if they fell behind on their mortgage payments. A partial claims program assists homeowners in catching up on their mortgage payments to prevent foreclosure by covering unpaid amounts and adding them to the end of the mortgage. However, once those authorities expired in 2021, veterans were no longer able to access this partial claim program. Currently, all other federal home loan programs offer a partial claims home retention option, except for VA.

The VA Home Loan Program Reform Act of 2025 would establish a partial claim program as part of VA's waterfall process and would allow veterans to have the same programs non-veterans have available to them through Federal Housing Administration (FHA) loans. This initiative would allow veterans who have fallen behind on their mortgages to receive federal assistance. This bill seeks to help veterans who are struggling to catch up due to high interest rates in the current market, which makes refinancing difficult and puts them at-risk of losing their home, while still protecting the taxpayers' investment in the VA home loan program.

The Message:

- A partial claim fix for veterans offers a fiscally responsible solution that is in line with other government agencies.
- Every other federal home loan program offers partial claims as a retention tool and federal home loan programs utilize partial claims; it's time the VA Home Loan Program does too.
- The Biden-Harris implementation of the VASP Program is costly for taxpayers and borrowers: *The VA Home Loan Program Reform Act of 2025* introduces a retention option while safeguarding taxpayers' investment.