



MORTGAGE BANKERS ASSOCIATION

April 9, 2025

The Honorable Mike Bost
Chairman
Committee on Veterans' Affairs
U.S. House of Representatives
364 Cannon House Office Building
Washington, D.C. 20003

The Honorable Mark Takano
Ranking Member
Committee on Veterans' Affairs
U.S. House of Representatives
364 Cannon House Office Building
Washington, D.C. 20003

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

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

Dear Chairmen Van Orden and Bost and Ranking Members Pappas and Takano:

On behalf of the Mortgage Bankers Association (MBA), I write to provide our feedback on the *VA Home Loan Program Reform Act*, including amendments in the nature of a substitute (ANS) to H.R. 1815 offered by both the majority and the minority.

As the Department of Veterans Affairs (VA) prepares to move quickly to phase out the Veterans Affairs Servicing Purchase (VASP) program, the need for a **permanent partial claim option** has become increasingly urgent. Without swift legislative action and subsequent VA implementation, thousands of veteran homeowners recovering from temporary financial hardship could face heightened foreclosure risk due to the absence of a sustainable and scalable loss mitigation option. We should not repeat the mistakes of the past when a viable VA loss mitigation option was terminated without a replacement, unfairly stranding veterans without the options available to all other government supported borrowers.

MBA remains deeply concerned that ending the VASP program without a viable replacement will result in more veterans at risk of losing their homes. The partial claim authority outlined in the text of both the majority and minority versions of an ANS offer a practical and permanent solution that aligns with existing programs across other federal housing agencies and would ensure veterans are not left behind during moments of financial stress. While MBA would like to see several changes to the proposals to be offered, we are heartened by plans to move a partial claim program proposal promptly through the subcommittee and full committee this month – and to the House floor shortly thereafter.

Republican ANS to H.R. 1815, the VA Home Loan Program Reform Act

MBA appreciates the subcommittee's decision to advance H.R. 1815 and recognizes the meaningful progress made since MBA's witness (Elizabeth Balce) provided testimony at the panel's March 11 hearing. Our association commends Chairman Van Orden and committee staff for their responsiveness to stakeholder input and continued collaboration on this critical legislation.

For example, the most recent version of the bill reflects several improvements that MBA supports:

- **Eliminating interest on the partial claim balance** by striking subsection (c), ensuring alignment with FHA and GSE program structures that treat partial claims or loan deferrals as non-interest-bearing junior liens.
- **Replacing the fixed sunset date with a rolling three-year period** post-enactment (p. 11, line 4), which increases predictability for servicers and allows more borrowers to benefit from the program.

These changes, many of which echo recommendations outlined in our testimony, represent real progress toward creating a partial claim solution that protects veteran borrowers, provides servicer clarity, and aligns with existing government-backed programs.

At the same time, MBA continues to urge the committee to consider the following technical and policy improvements as the bill moves to full committee markup:

- **Clarify that the partial claim shall not diminish the guaranty on the existing VA loan.** As drafted, Section 3(d)(3) introduces ambiguity that could render loans ineligible for Ginnie Mae pooling. MBA recommends striking the word "new" to affirm that the guaranty remains tied to the current loan.
- **Increase the maximum claim amount from 20% to 30% of the unpaid principal balance,** providing parity with FHA and a broader safety net for distressed borrowers.
- **Permit more than one partial claim per loan,** at least in instances involving natural disasters or recurring hardships, to maintain flexibility in servicing borrowers long-term.
- **Require implementation through formal rulemaking,** rather than relying solely on administrative guidance. This will allow for public input to improve the policy, enhance operational readiness, and provide greater transparency.

Democratic Amendment in the Nature of a Substitute to H.R. 1815 the VA Home Loan Reform Act

MBA supports the Democratic ANS's overarching goal of enhancing VA's loss mitigation toolkit and, subsequently, the following provisions within the Democratic ANS:

- **Establishment of a Partial Claim Program:** The bill creates permanent partial claim authority (38 U.S.C. §3735), enabling VA to purchase a portion of a delinquent borrower's arrearages and secure the debt via a subordinate lien. This provides a viable, scalable loss mitigation tool to help resolve defaults and avoid foreclosure.
- **Servicer Participation and Operational Standards:** Provisions allowing the Secretary to set compliance standards, conduct post-payment audits, and compensate servicers for required actions support responsible implementation while ensuring program integrity.

Key Concern: Statutory Forbearance and Moratorium Authority

MBA **does not support** the provision in the ANS granting VA **new statutory forbearance and foreclosure moratorium authority**. MBA urges the subcommittee to consider removing or modifying this provision. While we understand the intent to codify borrower protections, we believe this language is **unnecessary and potentially counterproductive**, for the following reasons:

- **Existing Emergency Powers Are Sufficient:** The VA already possesses broad administrative authority to implement forbearance and foreclosure moratoriums during national emergencies or disasters.
- **Risk of Operational Confusion:** Codifying overlapping authority may create confusion or conflicts with existing policy frameworks, increasing compliance burdens for servicers and complicating implementation to support borrowers.
- **Need for Consistent Federal Response:** Divergent statutory regimes across agencies (VA, FHA, USDA) could undermine alignment in future crisis responses.

MBA Urges "Aye" Vote to Advance H.R. 1815 to Full Committee Consideration

MBA strongly supports the overarching goal of H.R. 1815 to enhance the VA's loss mitigation tool kit, and urges Members to vote "Aye" to advance H.R. 1815 to consideration by the full committee. The creation of a permanent partial claim program is a significant and overdue improvement that will benefit both veterans and the broader mortgage market.

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Conclusion

MBA supports the goal of this legislation — to provide VA borrowers with a long-overdue, effective and stable loss mitigation option — and looks forward to continuing our work with the subcommittee and full committee as the bill advances.

Our association and its members remain committed to helping to shape a final version for full House – and subsequent Senate – consideration that ensures a permanent partial claim option is sustainable – and protects both veteran homeowners and the long-term viability of the VA Home Loan Program.

We also look forward to working with Congress to help provide the VA with the resources necessary to implement changes and improve the delivery of the Home Loan Program benefit to our nation's heroes.

Thank you in advance for your consideration of the views expressed within this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Killmer", with a stylized flourish extending to the right.

Bill Killmer
Senior Vice President
Legislative and Political Affairs

cc: All Members, House Committee on Veterans' Affairs