

August 31, 2023

Mr. Michael Frueh
Principal Deputy Under Secretary for Benefits
Veterans Benefits Administration
Department of Veterans Affairs
810 Vermont Avenue NW
Washington, DC 20420

RE: Public Comment Process for Foreclosure Prevention Solution for Veteran Borrowers

Dear Mr. Frueh,

On behalf of the clients, communities, companies, and borrowers we serve, we urge the VA to post a draft policy document regarding Veterans Assistance Servicing Purchase (VASP) program by September 21, 2023. The current state of loss mitigation options requires urgent action, and while we appreciate the dialogue VA has had with stakeholders, it is time for the agency to start a public process for review and comment on VA's new foreclosure prevention solution.

In response to the dramatic increase in interest rates, our organizations wrote to the VA in January asking for expansion of the VA's existing loss mitigation tools to address the mismatch between mortgage note rates and market rates.¹ One opportunity we recommended for consideration was for the VA to "reconfigure and expand the statutorily authorized refund program, which enables the VA to purchase delinquent loans from servicers and change the terms of the original loans to reduce veterans' monthly payments." We are encouraged that your team, under Executive Director Bell's leadership, has taken significant steps to build out a program that does just this.

A solution like this is needed because approximately 147,000 veteran borrowers are estimated to be behind on their mortgage payments² and those with note rates below the current market rate will not obtain an affordable payment with a traditional loan modification. This issue is particularly acute for VA borrowers as the average interest rate in a Ginnie Mae security is 3.25%.³

¹ January 17th Joint [Letter](#) to the VA on the Advanced Notice of Proposed Rulemaking

² 3.98% of VA's borrowers are estimated to be delinquent as of Q1 2023, according to MBA's National Delinquency Survey (available at <https://www.mba.org/news-and-research/newsroom/news/2023/05/11/mortgage-delinquencyrate-in-first-quarter-2023-declines-to-second-lowest-level-in-mba-s-survey>). VA's portfolio data is not publicly available. Our understanding is that the Veteran's Benefits Administration guarantees approximately 3.7 million home loans.

³ Ginnie Mae, Global Market Analysis Report, June 2023, available at Ginnie Mae Design Features (showing 74% of borrowers in a Ginnie Mae security originated their loan since 2019. The current weighted average coupon of Ginnie Mae-Backed Security is 3.25%)

Although our previous discussions with your team have been helpful, as of yet, they have not led to any comprehensive or detailed written description of how the VASP program will work. The previous process flows that the VA has shared have not provided the level of detail needed to truly understand the contours of the program. Moreover, all stakeholders need a common starting point from which to provide comments to ensure the program will meet the desired objectives and expectations.

It is now time for VA to post proposed policy guidance for review and comment by all stakeholders. Given the urgent need for loss mitigation options and the work that VA has done on VASP, it is reasonable for VA to have a draft posted by September 21, 2023. The VA should then allow a 30-day comment period to receive necessary feedback from stakeholders. VA should then consider comments before it publishes VASP in the VA Servicic Handbook with an effective date that provides an appropriate implementation period.

At this stage, given the complexity of the program (as we understand it), the VA and all program stakeholders would benefit from a transparent process that allows for evaluation and input from a common starting point, which would permit identification of any potential operational, regulatory, and reputational risks that might pose a barrier to effectively helping veterans.

We understand the VA's sense of urgency to deliver a solution that preserves affordable homeownership for distressed veterans in today's market. To that end, we implore the VA to consider creative approaches to permit a public process, such as a drafted Circular without an effective date that explicitly gives stakeholders the opportunity to provide feedback. We believe the uniform collection of feedback from stakeholders will allow the VA to timely implement the VASP program successfully. Without considering and incorporating such feedback, we are greatly concerned that VASP will lack the clarity needed to effectively and efficiently serve borrowers facing hardship despite crucial improvements VA has recently discussed.

Thank you for your consideration. If you have any questions or would like to discuss these recommendations further, please contact Matt Douglas at matt.douglas@housingpolicycouncil.org, Steve Sharpe at [ssharp@nclc.org](mailto:ssharpe@nclc.org), or Brendan Kelleher at Bkelleher@mba.org to discuss next steps.

Yours truly,

Housing Policy Council
Mortgage Bankers Association
National Consumer Law Center (on behalf of its low-income clients)