

Implementation Date for VA's Home Retention Waterfall

1. Purpose. The Department of Veterans Affairs (VA) remains steadfast in its commitment to assist borrowers retain their homes and avoid foreclosure. The purpose of this Circular is to provide clarification on the dates of implementation for the recently released guidance in VA Servicer Handbook, M26-4, Chapter 5 and Appendix F.

2. Background. Previous guidance did not directly reference the required implementation dates for the VA Home Retention Waterfall outlined in Appendix F. Additionally, allowing servicers to use revised Chapter 5, independent of Appendix F, has resulted in proposed Traditional Modifications with a significant increase in monthly payment, without confirming affordability with the borrower. The intent behind the VA Home Retention Waterfall and loss mitigation options is to reach an affordable payment.

3. Effective Date. This Circular is effective immediately.

4. VA Home Retention Waterfall and Available Loss Mitigation Options.

a. Loss Mitigation Options. Effective May 8, 2024, servicers may use the loss mitigation options outlined in revised Chapter 5, in conjunction with Appendix F. Servicers are to follow the VA Home Retention Waterfall in order, as outlined in Appendix F, while reviewing borrowers for loss mitigation options. In instances where the servicer arrives at a step in the waterfall they have not yet implemented, the servicer should follow the moratorium guidance outlined in Circular 26-24-12, until they are able to proceed to the next step outlined in Appendix F. For borrowers affected by Coronavirus Disease 2019 (COVID-19), servicers may use the COVID-19 home retention options, as described in paragraph 6 of Circular 26-24-12, until they have implemented Veterans Affairs Servicing Purchase (VASP) program.

b. VA Home Retention Waterfall. Not later than October 1, 2024, servicers are to follow the VA Home Retention Waterfall explained in Appendix F which utilizes loss mitigation options outlined in revised Chapter 5.

c. In Flight Workouts. Effective immediately, servicers are to discontinue offering the loss mitigation options outlined in previous versions of Chapter 5, including the VA Affordable Modification (VAAM) and Streamline modification. Servicers are able to honor those loss mitigation options offered or approved prior to the date of this Circular. New loss mitigation reviews should follow the instructions in paragraph 4.a. of this Circular.

5. Questions. Any questions regarding this Circular should be submitted via ServiceNow at <https://www.benefits.va.gov/HOMELOANS/contact.asp>.

6. Rescission. This Circular is valid until October 1, 2024.

By Direction of the Under Secretary for Benefits

John E. Bell III
Executive Director
Loan Guaranty Service

Distribution: CO: RPC 2024

SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2024)