



March 11, 2025

Patrick J. Zondervan  
Executive Director, VA Loan Guaranty Service  
U.S. Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, DC 20420

Dear Director Zondervan:

The Community Home Lenders of America (CHLA)<sup>1</sup> is writing to give you our feedback on the VA's working draft of its Partial Claim program mandated by recent statutory changes authored by Congress and signed by the President.

We appreciate the VA Loan Guaranty division's hard work and dedication to making Congress' statutory intent work here. We believe that a well-run Partial Claim program will facilitate the best outcome for VA homeowners and also—if properly structured—lead to a decreased, rather than increased, taxpayer exposure.

Regarding Step 6 of the waterfall (page 4 of the draft), which reads:

*(a) The servicer reviews the loan to determine if the modified terms under a 30-year modification would result in no more than a 15% increase to the monthly principal and interest payments. (A reduction or no change to the monthly principal and interest payment is also allowed.) If so, the servicer offers the borrower the 30-Year Modification, subject to the successful completion of a TPP. If the borrower does not agree to the 30-Year Modification, the servicer offers alternatives to foreclosure or proceeds to foreclosure, as appropriate.*

CHLA urges that this review drop any increased allowance. Given that the population of families needing this (waterfall) help is already precariously situated financially, putting additional stress on a family's monthly budget appears contrary to Congressional intent. And while our concern is less likely to arise in a down-interest-rate environment, in any up-rate or level-rate environment, this policy will only lead to more trouble and harm to veterans, potentially increasing rather than decreasing foreclosures.

In other words, there is no reason to increase VA families' monthly budget stresses when other options provide the family with better protections while not increasing actuarial costs to the VA. We urge the deletion of this 15% increase provision, and have provided other waterfall changes in our detailed feedback.

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<sup>1</sup> CHLA is the only national trade association focused exclusively on small and mid-sized independent mortgage banks (IMBs).

CHLA also calls for an adequate lead time (180 days notice) to educate VA borrowers on the process and their best options. Announcing a complex new program that appears to take effect immediately will confuse and mislead veterans and active-duty personnel who might think that relief here is immediate or automatic. The VA itself needs time to send out educational materials, and the lender/servicers need time to contact VA families, provide further detailed information to them, assess eligibility, and help the families make the best decisions for themselves. Also, smaller lender/servicers need adequate time to ensure the needed backend technology is done and ready for these changes.

CHLA appreciates the public “drafting table” exercise of gaining feedback to help this VA program serve its intended families. In the future, a comment period longer than 7 days ensures more comprehensive feedback, as community lenders do not have large staffs dedicated to reading and formulating agency responses with very short deadlines—precisely because these smaller lenders’ limited employee bases specialize in originating mortgages, on a daily basis, to our new VA homebuyers.

CHLA has been a leader in Washington regarding the long-term viability and efficiency of the VA mortgage program. We continually look for ways to help the program remain as user-friendly and affordable as possible to serve veterans and active-duty personnel, while also protecting the US taxpayer. We continually press policymakers to not use VA mortgage guarantee fees to fund other veterans’ benefits, as this erodes the value of this key earned-benefit.

Thank you for consideration of these comments and recommendations.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA