

COMMITTEE PRINT

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H. R. 1815

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to take certain actions in the case of a default on a home loan guaranteed by the Secretary, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

A BILL

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to take certain actions in the case of a default on a home loan guaranteed by the Secretary, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “VA Home Loan Pro-
5 gram Reform Act”.

1 **SEC. 2. AUTHORITY OF THE SECRETARY OF VETERANS AF-**
2 **FAIRS TO TAKE CERTAIN ACTIONS IN THE**
3 **CASE OF A DEFAULT ON A HOME LOAN GUAR-**
4 **ANTEED BY THE SECRETARY.**

5 (a) IN GENERAL.—Section 3732 of title 38, United
6 States Code, is amended—

7 (1) in subsection (a)—

8 (A) in paragraph (1), by striking “obliga-
9 tion” each place it appears and inserting
10 “loan”;

11 (B) in paragraph (2)—

12 (i) by amending subparagraph (A) to
13 read as follows:

14 “(A) The Secretary may, under terms and conditions
15 determined by the Secretary—

16 “(i) pay the holder of a loan guaranteed under
17 this chapter an amount necessary to avoid the fore-
18 closure of such loan;

19 “(ii) require the holder of the loan and the vet-
20 eran obligated on the loan to execute all documents
21 necessary to ensure the Secretary obtains a secured
22 interest in the property covered by the loan; and

23 “(iii) require the holder of the loan to take any
24 actions necessary to carry out this paragraph, in-
25 cluding preparing, executing, transmitting, receiving,

1 and recording documents, and requiring the holder
2 of the loan to place the loan in forbearance.”;

3 (ii) in subparagraph (B), by striking
4 “obligation” each place it appears and in-
5 serting “housing loan”; and

6 (iii) by adding at the end the fol-
7 lowing new subparagraphs:

8 “(C)(i) Any decision by the Secretary under this
9 paragraph is final and is not subject to judicial review.

10 “(ii) For purposes of section 511 of this title, any
11 decision under this paragraph shall not be treated as a
12 decision under a law that affects the provision of benefits.

13 “(D)(i) The Secretary may establish standards for
14 processing payments under this paragraph based on a cer-
15 tification by a holder of a loan guaranteed under this
16 chapter that the holder has complied with all applicable
17 requirements established by the Secretary.

18 “(ii) The Secretary shall carry out, on a random-sam-
19 pling basis, post-payment audits to ensure compliance
20 with all requirements described in clause (i).”; and

21 (C) in paragraph (5), by striking “obliga-
22 tion” and inserting “loan”;

23 (2) in subsection (c)—

1 (A) in paragraph (1), in the matter pre-
2 ceding subparagraph (A), by striking “sub-
3 section—” and inserting “subsection:”; and

4 (B) in paragraph (10)(B)(i), by striking
5 “forebearance” each place it appears and in-
6 serting “forbearance”; and

7 (3) by adding at the end the following new sub-
8 section:

9 “(d) The Secretary shall prescribe loss mitigation
10 procedures, including a mandatory sequence in which the
11 holder of a loan guaranteed under this chapter shall offer
12 loss mitigation options (including an option to enter into
13 a partial claim agreement under the VA Home Loan Pro-
14 gram Reform Act) to a veteran, to help prevent the fore-
15 closure of such loan. The Secretary may not purchase an
16 entire such loan until the veteran has completed such se-
17 quence.”.

18 (b) RELATIONSHIP TO OTHER POWERS OF SEC-
19 RETARY.—Section 3720 of such title is amended—

20 (1) in subsection (a), by striking “Notwith-
21 standing” and inserting “Except as provided in sub-
22 section (h), notwithstanding”;

23 (2) by redesignating subsections (f) through (h)
24 as subsections (e) through (g), respectively; and

1 (3) by adding at the end the following new sub-
2 section (h):

3 “(h) The Secretary may not take any action under
4 paragraph (2),(3),(4), or (5) of subsection (a) with respect
5 to a loan guaranteed under this chapter before the comple-
6 tion of the sequence of mitigation options offered to the
7 veteran to whom the loan is made under section 3732(d)
8 of this title.”.

9 **SEC. 3. PARTIAL CLAIM PROGRAM OF THE DEPARTMENT**
10 **OF VETERANS AFFAIRS.**

11 (a) ESTABLISHMENT.—The Secretary of Veterans
12 Affairs shall carry out a program, to be known as the
13 “Partial Claim Program”, under which the Secretary may
14 make a partial claim, described in subsection (b), with re-
15 spect to a loan—

16 (1) guaranteed under chapter 37 of title 38,
17 United States Code;

18 (2) regarding the primary residence of the bor-
19 rower; and

20 (3) that the Secretary determines is in default
21 or at imminent risk of default.

22 (b) PARTIAL CLAIM DESCRIBED.—A partial claim
23 described in this subsection, with respect to a loan de-
24 scribed in subsection (a), is the purchase by the Secretary
25 of a portion of indebtedness under the loan, under which—

1 (1) the Secretary pays the holder of the loan
2 the amount of indebtedness, subject to subsection
3 (c), that the Secretary determines necessary to help
4 prevent or resolve a default; and

5 (2) the Secretary receives a secured interest in
6 the property, subordinate to the first lien guaranteed
7 loan, serving as collateral for the guaranteed loan.

8 (c) ADMINISTRATION OF PARTIAL CLAIM.—

9 (1) AMOUNT OF CLAIM.—The amount of a par-
10 tial claim under this section with respect to a loan
11 guaranteed described in subsection (a) may not ex-
12 ceed 20 percent of the unpaid principal balance of
13 the loan on the date on which the partial claim is
14 made.

15 (2) ONE PARTIAL CLAIM PER LOAN.—The Sec-
16 retary may make only one partial claim per loan.

17 (3) NOT AN ADVANCE.—The Secretary may not
18 structure a partial claim as an advance on a new
19 loan guaranteed under chapter 37 of title 38, United
20 States Code.

21 (4) APPLICATION OF CLAIM.—A holder of a
22 loan guaranteed under such chapter for which the
23 Secretary makes a partial claim under this section
24 shall apply the amount paid by the Secretary for the
25 partial claim first to arrearages, if any, on the guar-

1 anteed loan. Such arrearages may include any addi-
2 tional costs (such as taxes, insurance premiums, or
3 homeowner's dues) the Secretary determines nec-
4 essary to prevent or resolve a default.

5 (5) AUTHORITY TO CONTRACT.—The Secretary
6 may enter into a contract with an entity for service
7 of a partial claim made by the Secretary under this
8 section. Any such contract shall provide that such
9 entity shall provide quarterly statements to the hold-
10 er of the loan for which the Secretary makes the
11 partial claim.

12 (d) REQUIREMENTS OF LOAN HOLDER.—

13 (1) ESTABLISHMENT OF CLAIM.—The Sec-
14 retary may require the holder of a loan for which the
15 Secretary makes a partial claim under this section to
16 take any actions necessary to establish the partial
17 claim, including preparing, executing, transmitting,
18 receiving, and recording loan documents.

19 (2) COMPENSATION OF HOLDER.—The Sec-
20 retary shall compensate the holder of such a loan
21 appropriately, as determined by the Secretary, for
22 the services required of such holder under this sub-
23 section.

24 (3) EXERCISE OF POWERS.—The Secretary
25 may exercise the authority of the Secretary under

1 this subsection without regard to any other provision
2 of law not enacted expressly in limitation of this sec-
3 tion that would otherwise govern the expenditure of
4 public funds.

5 (e) DEFAULT AND FORECLOSURE.—

6 (1) DEFAULT.—

7 (A) IN GENERAL.—Notwithstanding sec-
8 tion 3703(e) of title 38, United States Code, an
9 individual who defaults on a loan for which the
10 Secretary makes a partial claim made under
11 this section shall be liable to the Secretary for
12 any loss suffered by the Secretary resulting
13 from such default. Such a loss may be recov-
14 ered in the same manner as any other debt due
15 the United States.

16 (B) REDUCTION OF ENTITLEMENT.—In
17 the event of default by an individual on a loan
18 for which the Secretary makes a partial claim
19 made under this section, the Secretary may re-
20 duce the aggregate amount of guaranty or in-
21 surance housing loan entitlement available to
22 the individual under chapter 37 of title 38,
23 United States Code.

24 (2) FORECLOSURE.—Notwithstanding section
25 2410(c) of title 28, United States Code, an action to

1 foreclose a lien held by the United States arising
2 under a partial claim made under this section shall
3 follow foreclosure procedures in accordance with
4 State or local law where the property involved is lo-
5 cated.

6 (f) DECISIONS BY THE SECRETARY.—

7 (1) SOLE DISCRETION.—Any partial claim
8 made under this section shall be made in the sole
9 discretion of the Secretary and on terms and condi-
10 tions acceptable to the Secretary that are consistent
11 with this section.

12 (2) FINAL AND CONCLUSIVE.—Any decision by
13 the Secretary under this section is final and conclu-
14 sive and is not subject to judicial review.

15 (3) EFFECT ON PROVISION OF BENEFITS.—For
16 purposes of section 511 of title 38, United States
17 Code, any decision under this section shall not be
18 treated as a decision under a law that affects the
19 provision of benefits.

20 (g) COMPLIANCE.—

21 (1) PROCESSING PAYMENTS.—The Secretary
22 may establish standards for processing payments
23 under this section based on a certification by a hold-
24 er of a loan guaranteed under such chapter that the

1 holder has complied with all applicable requirements
2 established by the Secretary.

3 (2) AUDITS.—The Secretary shall carry out, on
4 a random-sampling basis, post-payment audits to en-
5 sure compliance with all requirements under para-
6 graph (1).

7 (h) GUIDANCE WITH RESPECT TO CERTAIN
8 LOANS.—

9 (1) IN GENERAL.—With respect to a loan de-
10 scribed in paragraph (2), the Secretary may—

11 (A) before prescribing regulations, issue
12 administrative guidance regarding the making
13 of a partial claim relating to such loan; and

14 (B) establish, through such guidance, addi-
15 tional requirements applicable to such a partial
16 claim.

17 (2) LOAN DESCRIBED.—A loan described in this
18 paragraph is a loan that the Secretary determines
19 was in default on the date of the enactment of this
20 Act.

21 (i) RULE OF CONSTRUCTION.—Nothing in this sec-
22 tion shall be construed to limit the authority of the Sec-
23 retary under subsections (a) and (d) of section 3732 of
24 title 38, United States Code, as amended by section 2 of
25 this Act.

1 (j) TERMINATION.—The Secretary may not make a
2 partial claim under this section after the date that is three
3 years after the date of the enactment of this Act.

4 **SEC. 4. STRATEGY OF THE SECRETARY OF VETERANS AF-**
5 **FAIRS REGARDING THE EFFECT OF CERTAIN**
6 **LITIGATION.**

7 Not later than 90 days after the date of the enact-
8 ment of this Act, the Secretary of Veterans Affairs shall
9 submit to the Committees on Veterans' Affairs of the Sen-
10 ate and House of Representatives a report on the strategy
11 of the Secretary to ensure that a veteran who seeks to
12 purchase a home with a loan guaranteed under chapter
13 37 of title 38, United States Code, is not at a disadvan-
14 tage when attempting to secure representation by a real
15 estate agent or broker. Such strategy may include amend-
16 ments to section 36.4313 of title 38, Code of Federal Reg-
17 ulations.