

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 8647
OFFERED BY MR. VAN ORDEN OF WISCONSIN**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

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

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

8 Section 3732 of title 38, United States Code, is
9 amended—

10 (1) in subsection (a)—

11 (A) in paragraph (1), by striking “obliga-
12 tion” each place it appears and inserting
13 “loan”;

14 (B) in paragraph (2)—

15 (i) by amending subparagraph (A) to
16 read as follows:

17 “(A) The Secretary may, under terms and conditions
18 as determined by the Secretary—

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

4 “(ii) require the holder of the loan and the vet-
5 eran obligated on the loan to execute all documents
6 necessary to ensure the Secretary obtains a secured
7 interest in the property covered by the loan; and

8 “(iii) require the holder of the loan to take any
9 actions necessary to carry out this paragraph, in-
10 cluding preparing, executing, transmitting, receiving,
11 and recording documents, and requiring the holder
12 of the loan to place the loan in forbearance.”;

13 (ii) in subparagraph (B), by striking
14 “obligation” each place it appears and in-
15 serting “housing loan”; and

16 (iii) by adding at the end the fol-
17 lowing new subparagraphs:

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

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

23 “(D)(i) The Secretary may establish standards for
24 processing payments under this paragraph based on a cer-
25 tification by a holder of a loan guaranteed under this

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

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

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

8 (2) in subsection (c)(10)(B)(i), by striking
9 “forebearance” each place it appears and inserting
10 “forbearance”; and

11 (3) by adding at the end the following new sub-
12 section:

13 “(d) The Secretary may prescribe loss mitigation pro-
14 cedures, including a mandatory sequence in which the
15 holder of a loan guaranteed under this chapter shall offer
16 loss mitigation options to veterans, to help prevent the
17 foreclosure of any such loan.”.

18 **SEC. 3. PARTIAL CLAIM PROGRAM OF THE DEPARTMENT**
19 **OF VETERANS AFFAIRS.**

20 (a) **ESTABLISHMENT.**—The Secretary of Veterans
21 Affairs shall carry out a program, to be known as the
22 “Partial Claim Program”, under which the Secretary may
23 make a partial claim, described in subsection (b), with re-
24 spect to a loan—

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

3 (2) regarding the primary residence of the bor-
4 rower; and

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

7 (b) PARTIAL CLAIM DESCRIBED.—A partial claim
8 described in this subsection is the purchase by the Sec-
9 retary of a portion of indebtedness under the guaranteed
10 loan, under which—

11 (1) the borrower of the guaranteed loan enters
12 into an agreement under subsection (c);

13 (2) the Secretary pays the holder of the guaran-
14 teed loan the amount of indebtedness, subject to
15 subsection (d), that the Secretary determines nec-
16 essary to help prevent or resolve a default; and

17 (3) the Secretary receives a secured interest in
18 the property, subordinate to the first lien guaranteed
19 loan, serving as collateral for the guaranteed loan.

20 (c) AGREEMENT BETWEEN BORROWER AND SEC-
21 RETARY.—An agreement under this subsection is an
22 agreement by the borrower of the guaranteed loan to repay
23 the Secretary the amount determined under subsection
24 (b)(2) at the end of the period of such guaranteed loan,
25 subject to the following annual interest:

1 (1) If the borrower agrees to make monthly
2 payments beginning not later than one year after the
3 date on which the Secretary makes the payment
4 under subsection (b)(2), 0 percent.

5 (2) If the borrower does not agree to a repay-
6 ment plan under paragraph (1), or fails to comply
7 with such a repayment plan, 0.5 percent.

8 (d) 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 under such chapter may not exceed 20
12 percent of the unpaid principal balance of the guar-
13 anteed loan on the date on which the partial claim
14 is made.

15 (2) ONE PARTIAL CLAIM PER BORROWER.—The
16 Secretary may make only one partial claim per bor-
17 rower.

18 (3) APPLICATION OF CLAIM.—A holder of a
19 loan guaranteed under such chapter who receives a
20 partial claim under this section with respect to such
21 loan shall apply the payment first to arrearages, if
22 any, on the guaranteed loan, which may include any
23 additional costs (such as taxes, insurance premiums,
24 or homeowner's dues) the Secretary determines nec-
25 essary to prevent or resolve a default.

1 (e) REQUIREMENTS OF LOAN HOLDER.—

2 (1) AGENT OF SECRETARY.—The Secretary
3 may require the holder of a loan guaranteed under
4 such chapter who receives a partial claim under this
5 section to service the partial claim as an agent of
6 the Secretary.

7 (2) ESTABLISHMENT OF CLAIM.—The Sec-
8 retary may require the holder of a loan guaranteed
9 under such chapter who receives a partial claim
10 under this section to take any actions necessary to
11 establish the partial claim, including preparing, exe-
12 cuting, transmitting, receiving, and recording loan
13 documents.

14 (3) COMPENSATION OF HOLDER.—The Sec-
15 retary shall compensate the holder of a loan guaran-
16 teed under such chapter who receives a partial claim
17 under this section appropriately, as determined by
18 the Secretary, for the services required of such hold-
19 er under this subsection.

20 (4) EXERCISE OF POWERS.—The Secretary
21 may exercise the authority of the Secretary under
22 this subsection without regard to any other provision
23 of law not enacted expressly in limitation of this sec-
24 tion that would otherwise govern the expenditure of
25 public funds.

1 (f) DEFAULT AND FORECLOSURE.—

2 (1) DEFAULT.—

3 (A) IN GENERAL.—Notwithstanding sec-
4 tion 3703(e) of title 38, United States Code, an
5 individual who defaults under a partial claim
6 made under this section shall be liable to the
7 Secretary for any loss suffered by the Secretary
8 resulting from such default, and such loss may
9 be recovered in the same manner as any other
10 debt due the United States.

11 (B) REDUCTION OF ENTITLEMENT.—In
12 the event of default by an individual under a
13 partial claim made under this section, the Sec-
14 retary may reduce the aggregate amount of
15 guaranty or insurance housing loan entitlement
16 available to the individual under such chapter.

17 (2) FORECLOSURE.—Notwithstanding section
18 2410(c) of title 28, United States Code, an action to
19 foreclose a lien held by the United States arising
20 under a partial claim made under this section shall
21 follow foreclosure procedures in accordance with
22 State or local law where the property involved is lo-
23 cated.

24 (g) DECISIONS BY THE SECRETARY.—

1 (1) SOLE DISCRETION.—Any partial claim
2 under this section shall be made in the sole discre-
3 tion of the Secretary and on terms and conditions
4 acceptable to the Secretary that are consistent with
5 this section.

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

9 (3) EFFECT ON PROVISION OF BENEFITS.—For
10 purposes of section 511 of title 38, United States
11 Code, any decision under this section shall not be
12 treated as a decision under a law that affects the
13 provision of benefits.

14 (h) COMPLIANCE.—

15 (1) PROCESSING PAYMENTS.—The Secretary
16 may establish standards for processing payments
17 under this section based on a certification by a hold-
18 er of a loan guaranteed under such chapter that the
19 holder has complied with all applicable requirements
20 established by the Secretary.

21 (2) AUDITS.—The Secretary shall carry out, on
22 a random-sampling basis, post-payment audits to en-
23 sure compliance with all requirements described in
24 paragraph (1).

1 (i) GUIDANCE WITH RESPECT TO CERTAIN
2 LOANS.—

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

5 (A) before prescribing regulations, issue
6 administrative guidance regarding the making
7 of a partial claim relating to such loan; and

8 (B) establish, through such guidance, addi-
9 tional requirements applicable to such a partial
10 claim.

11 (2) LOAN DESCRIBED.—A loan described in this
12 paragraph is a loan that the Secretary determines
13 was in default on the date of the enactment of this
14 Act.

15 (j) RULE OF CONSTRUCTION.—Nothing in this sec-
16 tion shall be construed to limit the authority of the Sec-
17 retary under subsections (a) and (d) of section 3732 of
18 title 38, United States Code, as amended by section 2 of
19 this Act.

20 (k) TERMINATION.—The Secretary may not make a
21 partial claim under this section after September 30, 2026.

1 **SEC. 4. STRATEGY OF THE SECRETARY OF VETERANS AF-**
2 **FAIRS REGARDING THE EFFECT OF CERTAIN**
3 **LITIGATION.**

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

