

**Statement for the Record**

*On Behalf of*

**Freedom Mortgage**

*before the*

**Subcommittee on Economic Opportunity**

*of the*

**House Veterans Affairs Committee**

**March 11, 2025**

Freedom Mortgage appreciates the opportunity to provide a Statement for the Record for this legislative hearing of the Subcommittee on Economic Opportunity. Freedom Mortgage is one of the largest mortgage originators and servicers in the United States. We serve over 2.5 million consumers across all U.S. states and territories (630,000 VA customers) and manage a mortgage servicing book with over \$630 billion in unpaid principal balances (\$180 billion for VA customers). Our mission is to foster homeownership across the markets we serve and maintain our customers for life. This mission continues to position us as one of the largest VA Home Loan program originators and servicers every year. Today's hearing raises important policy issues and legislative proposals related to servicing the mortgages of veterans and active-duty service members.

Importantly, this Subcommittee is studying the tools mortgage servicers have to sustainably keep Veterans and active-duty service members in their homes when they are facing episodic financial hardship and, ultimately, prevent avoidable foreclosure. The VA Home Loan program guidelines, as published through VA rulemaking and in its servicing guidelines in VA Servicer Handbook M26-4, outline steps mortgage servicers may take, and programs they may utilize, under the process known as loss mitigation. Generally, loss mitigation discussions occur with a borrower when they are either delinquent on payments, in a forbearance plan, impacted by a natural disaster, or otherwise facing financial hardship. Servicers proceed through a "waterfall" of options, governed by VA Home Loan program regulations and guidance. Every borrower's circumstance is unique, and some loss mitigation steps or programs may work for one borrower, but not solve the problem for another borrower. At a high level, Freedom Mortgage supports the VA Department and this Committee in offering as many loss mitigation tools as possible to help sustainably avoid foreclosure, the costliest of all outcomes for all stakeholders: Veterans, servicers, investors, and communities. Maximum optionality to assist struggling borrowers helps achieve our shared goal of keeping Veterans and active-duty service members in their homes, when appropriate.

Today, this Subcommittee is discussing two important loss mitigation concepts in the VA Home Loan program. First, a "Partial Claim Program," which would enable a borrower to place their arrearage on the back end of their mortgage as a silent second mortgage. The second concept is the scope and functionality of the existing VA servicing purchase programs, including the VA Servicing Purchase Program (VASP), which is currently in place at the VA Department. Before sharing our views on each program, Freedom Mortgage would like to highlight the important context of the financial hardship affecting many Veterans and active-duty service member borrowers.

During the COVID-19 health emergency, and following economic disruption, Congress passed sweeping bipartisan federal assistance through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Notably, the CARES Act authorized broad-based mortgage forbearance assistance for borrowers who were impacted by COVID-19. This forbearance assistance was structured to give impacted borrowers payment relief during the duration of the national emergency. Many hundreds of thousands of borrowers, nationally, utilized this assistance to meet their economic hardship. While this assistance was needed during the national emergency, it did present long-term complications for borrowers who stayed in forbearance for an extended period of time (up to 18 months), or who may be in other types of forbearance arrangements. For example, when payments resumed, many borrowers were still faced with challenging personal economic hardships but without a loss mitigation solution that fit their needs.

Turning to the specific concepts being considered by this Subcommittee.

#### *Partial Claim*

Freedom Mortgage supports the adoption of a partial claim program within the VA Home Loan program loss mitigation waterfall. As this Subcommittee knows, the VA Department operationalized a temporary COVID-19 Partial Claim program, ending in October 2022 after running into budgetary challenges. A partial claim option allows many borrowers who have significant arrearage due to forbearance to resume their existing mortgage payments. The added benefit of this option is minimizing disruption to the capital markets. Having a partial claim program will also allow Veterans and active-duty service members to have loss mitigation options on par with their peer borrowers in the FHA program, which maintains a successful partial claim program. Freedom Mortgage supports the discussion draft legislation on partial claims and has shared specific ideas with this Subcommittee in its development. We look forward to continued conversations to refine the program and see it implemented into law.

#### *VASP*

Freedom Mortgage encourages the VA Department to maintain the Veterans Affairs Servicing Purchase (“VASP”) program as a last-resort option in its loss-mitigation waterfall, especially with the current absence of an operationalized partial claim program. Freedom Mortgage, like many servicers, engaged with the VA Department in providing input as the VA created VASP. We recognize that any government program can always be improved for cost-effectiveness, public-private risk-sharing dynamics, and policy and timing clarity to market participants. Without question, VASP should continue to be reviewed to make it more effective and efficient, going forward. However, Freedom Mortgage is concerned that if

VASP were significantly scaled back, or eliminated, then servicers would have very limited tools to help struggling borrowers stay in their homes, and the market may ultimately see an uptick in foreclosures. As noted above, the last thing Freedom Mortgage wants to do is initiate a preventable foreclosure and preserving loss mitigation tools is one proven way of preventing them. Freedom Mortgage looks forward to working with this Committee on helping to refine VASP to make it more effective and efficient for borrowers, servicers, *and* taxpayers.

### *Conclusion*

Freedom Mortgage is supportive of the ongoing enhancement of loss mitigation options for the VA Home Loan program and its Veteran and active-service member beneficiaries, bringing its permanent, sustainable solutions on par with other federal agency insurance and guarantee programs. We believe that the authorization and implementation of permanent VA Partial Claim Program will be an effective tool in providing a sustainable foreclosure avoidance option for VA borrowers, and will be a complement to VASP, which would reduce the number of borrowers utilizing a VASP solution.

Thank you for the opportunity to engage in this important debate. We applaud all in studying these critical housing issues that our Veterans and active-duty servicemembers face. We take our responsibility for our VA customers seriously, and we look forward to helping further the policy dialogue to ensure a robust VA Home Loan program.