

**SUBSTITUTE FOR THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 1815
OFFERED BY M .Pappas**

Strike all after the enacting clause and insert the following:

1 SECTION 1. REPEAL OF DEPARTMENT OF VETERANS AF-
2 FAIRS VASP PROGRAM UPON ENACTMENT OF
3 PARTIAL CLAIM PROGRAM.

4 (a) PROVISIONAL REPEAL.—If the amendment de-
5 scribed in subsection (b) is enacted into law, section
6 3732(a) of title 38, United States Code, shall be amended
7 by striking paragraph (2).

8 (b) AMENDMENT DESCRIBED.—The amendment de-
9 scribed in this subsection is as follows:

10 “SEC. ____ . PARTIAL CLAIM PROGRAM OF THE DEPART-
11 MENT OF VETERANS AFFAIRS.

12 “(a) ESTABLISHMENT.—Chapter 37 of title 38,
13 United States Code, is amended by inserting, after section
14 3734, the following new section 3735 (and amending the
15 table of sections at the beginning of such chapter accord-
16 ingly):

1 **“§ 3735. Partial claim**

2 ““(a) ESTABLISHMENT.—In addition to exercising
3 authority under section 3732 of this chapter, the Sec-
4 retary may make a partial claim, described in subsection
5 (b), with respect to a loan—

6 ““(1) guaranteed under this chapter;

7 ““(2) regarding the primary residence of a vet-
8 eran; and

9 ““(3) that the Secretary determines is in de-
10 fault or at imminent risk of default.

11 ““(b) PARTIAL CLAIM DESCRIBED.—A partial claim
12 described in this subsection is the purchase by the Sec-
13 retary of a portion of indebtedness of a loan described in
14 subsection (a), under which—

15 ““(1) the veteran enters into an agreement
16 under subsection (c);

17 ““(2) the Secretary pays the holder of the guar-
18 anteed loan the amount of indebtedness, subject to
19 subsection (d), that the Secretary determines nec-
20 essary to help prevent or resolve a default; and

21 ““(3) the Secretary receives a secured interest
22 in the property, subordinate to the first lien guaran-
23 teed loan, serving as collateral for the guaranteed
24 loan.

25 ““(c) AGREEMENT BETWEEN VETERAN AND SEC-
26 RETARY.—(1) An agreement under this subsection is an

1 agreement by the veteran to repay the Secretary the
2 amount determined under subsection (b)(2).

3 ““(2) An agreement under this subsection shall re-
4 quire that if the veteran refinances such loan or sells the
5 property, the veteran shall pay the Secretary the balance
6 of such amount.

7 ““(3) The Secretary shall not charge the veteran any
8 interest or fee under such an agreement.

9 ““(4) The Secretary may not structure a partial
10 claim as an advance on a new loan guaranteed under this
11 chapter.

12 ““(d) ADMINISTRATION OF PARTIAL CLAIM.—(1)
13 The amount of a partial claim under this section may not
14 exceed 30 percent of the unpaid principal balance of the
15 guaranteed loan on the date on which the partial claim
16 is made.

17 ““(2) A holder of a loan who receives a payment
18 under subsection (b)(2) with respect to such loan shall
19 apply the payment first to arrearages, if any, on such loan,
20 which may include any additional costs (such as taxes, in-
21 surance premiums, or homeowner’s dues) that the Sec-
22 retary determines necessary to prevent or resolve a de-
23 fault.

1 “(e) REQUIREMENTS OF LOAN HOLDER.—(1) The
2 Secretary may require the holder of a loan described in
3 subsection (d)(2)—

4 “(A) to service the partial claim as an agent
5 of the Secretary; and

6 “(B) to take any actions necessary to establish
7 the partial claim, including preparing, executing,
8 transmitting, receiving, and recording loan docu-
9 ments.

10 “(2) The Secretary shall compensate the holder of
11 a loan appropriately, as determined by the Secretary, for
12 the services required of such holder under this subsection.

13 “(3) The Secretary may exercise the authority under
14 this subsection without regard to any other provision of
15 law not enacted expressly in limitation of this section that
16 would otherwise govern the expenditure of public funds.

17 “(f) DEFAULT AND FORECLOSURE.—(1)(A) Not-
18 withstanding section 3703(e) of this title, a veteran who
19 defaults under a partial claim made under this section
20 shall be liable to the Secretary for any loss suffered by
21 the Secretary resulting from such default, and such loss
22 may be recovered in the same manner as any other debt
23 due the United States.

24 “(B) In the event of default by a veteran under a
25 partial claim made under this section, the Secretary may

1 reduce the aggregate amount of guaranty or insurance
2 housing loan entitlement available to the individual under
3 such chapter.

4 ““(2) Notwithstanding section 2410(c) of title 28, an
5 action to foreclose a lien held by the United States arising
6 under a partial claim made under this section shall follow
7 foreclosure procedures in accordance with State or local
8 law where the property involved is located.

9 ““(g) DECISIONS BY THE SECRETARY.—(1) Any par-
10 tial claim under this section shall be made in the sole dis-
11 cretion of the Secretary and on terms and conditions ac-
12 ceptable to the Secretary that are consistent with this sec-
13 tion.

14 ““(2) Any decision by the Secretary under this sec-
15 tion is final and conclusive and is not subject to judicial
16 review.

17 ““(3) For purposes of section 511 of this title, any
18 decision under this section shall not be treated as a deci-
19 sion under a law that affects the provision of benefits.

20 ““(h) COMPLIANCE.—(1) The Secretary may estab-
21 lish standards for processing payments under this section
22 based on a certification by a holder of a loan guaranteed
23 under this chapter that such holder has complied with all
24 applicable requirements established by the Secretary.

1 “(2) The Secretary shall carry out, on a random-
2 sampling basis, post-payment audits to ensure compliance
3 with all requirements described in paragraph (1). ’.

4 “(b) REGULATIONS.—The Secretary of Veterans Af-
5 fairs shall prescribe regulations under section 3735 of
6 such title, as added by this section, not later than 180
7 days after the date of the enactment of this Act.

8 “(c) GUIDANCE WITH RESPECT TO CERTAIN
9 LOANS.—

10 “(1) AUTHORITY.—With respect to a loan de-
11 scribed in paragraph (2), the Secretary of Veterans
12 Affairs may—

13 “(A) before prescribing regulations under
14 section 3735 of such title, issue administrative
15 guidance regarding the making of a partial
16 claim relating to such loan; and

17 “(B) establish, through such guidance, ad-
18 ditional requirements applicable to such a par-
19 tial claim.

20 “(2) LOAN DESCRIBED.—A loan described in
21 this paragraph is a loan guaranteed under such
22 chapter that the Secretary determines was in default
23 on the date of the enactment of this Act.

24 “(d) RULE OF CONSTRUCTION.—Nothing in section
25 3735 of such title, as added by this section, shall be con-

1 strued to terminate or replace the Veterans Affairs Serv-
2 icing Purchase program operated by the Secretary.”.

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

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

Amend the title so as to read: “A bill to repeal the
Department of Veterans Affairs VASP program upon the
enactment of a partial claims program for the Depart-
ment, and for other purposes.”.

