January 8, 2021

Stephanie Li
Chief of Regulations
Loan Guaranty Service,
Veterans Benefits Administration, Department of Veterans Affairs
810 Vermont Avenue NW
Washington, DC 20420

RE: RIN 2900-AR05—Loan Guaranty: COVID-19 Veterans Assistance Partial Claim Payment Program

To whom it may concern:

On behalf of the clients, communities, and industries that we represent, we write to jointly express our concerns with the Department of Veterans Affairs' (VA) proposed COVID-19 Veterans Assistance Partial Claim Payment Program (hereinafter COVID-VAPCP). If adopted, it will not provide an effective, efficient, and affordable solution for veteran borrowers to resolve their COVID-19 hardships. Veteran borrowers would benefit from a streamlined option for relief, similar to programs available for borrowers with other federally backed mortgages and we urge you to revise your proposal to align it with existing programs at FHA, USDA, and the Government Sponsored Enterprises (GSEs). Doing so would provide more sustainable mortgage outcomes while streamlining program eligibility for borrowers and compliance responsibilities for servicers.

We appreciate the VA's recognition that it is in the interest of government, borrowers, and lenders to create an effective partial claim option to prevent avoidable foreclosures by allowing borrowers no longer in need of forbearance to defer unpaid payments through a subordinate lien to be held by a government agency. Unfortunately, we do not think that the proposal can achieve this goal for these reasons:

- **Payment shock and redefault**: Because the proposal requires repayment of the COVID-VAPCP loan through monthly payments over a short period of time as well as the accrual of interest, it will cause substantial increases in borrowers' monthly payments. The example in the proposed regulation, intended to demonstrate how a veteran could potentially benefit from the COVID-VAPCP, resulted in a 20% payment increase. We know from the previous financial crisis that such increases may cause redefault and unnecessary foreclosures. FHA, USDA, and GSE programs do not impose a short-term repayment requirement and therefore avoid such payment shock.

- **Costly and unnecessary barriers**: The VA's proposal requires borrowers to submit detailed financial information to qualify for the COVID-VAPCP and thus imposes significant burdens on the borrower and servicer. The VA's rules stand in sharp contrast to the COVID responses from the GSEs, USDA, and FHA, which have streamlined documentation requirements, designed to simplify access for borrowers to apply for and receive relief they need to avert foreclosure.

- **Significant operational costs and delay in execution without corresponding benefit**: Because the COVID-VAPCP varies significantly from the existing partial claim programs, servicers will need to dedicate substantial time and resources to execution. These additional implementation costs will not produce improved borrower outcomes because of the problems with the program described above. Moreover, the expiration date will limit the benefit that borrowers could derive from the costs the servicer incurs as the VA proposes to terminate the availability of the COVID-VAPCP on September 9, 2021. Based on the VA's forbearance policy and the extended nature of the pandemic, there will be borrowers in forbearance at that time who will need access to post-forbearance relief. To address this the VA should make the COVID-VAPCP available until a reasonable time after the last veteran exits their COVID-19 forbearance plan.

- **Limited chance for success**: Even if the COVID-VAPCP could provide relief to borrowers, the VA's placement of the option after other loss mitigation options have been considered, as a "last resort," necessarily limits the impact it can have. To meet the significant need for COVID relief, the VA should make a revised program widely available by offering it concurrently with other loss mitigation options.

Instead of finalizing the COVID-VAPCP, the VA should revise its proposal and implement a program similar to the FHA or USDA COVID standalone partial claim programs. The VA should not require monthly payments, the funds should not bear interest, and access to the program should be streamlined. The program should not have an unnecessarily limited time window for relief, but should be available for all borrowers exiting COVID forbearance.

Thank you for the opportunity to comment.

Sincerely,

American Bankers Association

Americans for Financial Reform Education Fund

Atlanta Legal Aid Society, Inc.

Center for Community Progress

Center for Responsible Lending

Community Legal Services of Philadelphia

Community Home Lenders Association

Connecticut Fair Housing Center

Consumer Action

Consumer Bankers Association

Housing Policy Council

Independent Community Bankers Association

Jacksonville Area Legal Aid, Inc.

The Legal Aid Society of Columbus

Legal Aid Society of Southwest Ohio, LLC

Mortgage Bankers Association

Mountain State Justice (West Virginia)

National Community Reinvestment Coalition

National Community Stabilization Trust

National Consumer Law Center (on behalf of its low-income clients)

National Fair Housing Alliance

National Housing Law Project

National Housing Resource Center

North Carolina Justice Center

Northwest Justice Project (Washington)

Prosperity Now

Southeastern Ohio Legal Services