

**VA's COVID-19 Home Retention Waterfall and COVID-19 Refund  
Modification**

1. Purpose. The purpose of this Circular is to clarify how servicers should evaluate a borrower for a COVID-19 Refund Modification under Step B of the COVID-19 Home Retention Waterfall.

2. Therefore, Section 7(a)(2) of Circular 26-23-12 is changed to read as follows:

Page 4, paragraph 1, insert “To identify an affordable target, servicers may ask borrowers the amount of monthly mortgage payment they can afford.” after the sentence reading “In calculating the additional portion of principal to include in the COVID-19 Refund Payment, the servicer should work with the borrower to find an affordable target that meets the PI payment reduction target while minimizing the total amount of principal included in the COVID-19 Refund Payment.”

3. Rescission. This Circular is rescinded on December 31, 2023.

By Direction of the Under Secretary for Benefits

John E. Bell, III  
Executive Director  
Loan Guaranty Service

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