

Veterans Affairs Servicing Purchase (VASP) Program Wind Down

1. Background and Purpose. The Department of Veterans Affairs (VA) implemented the VASP program on May 31, 2024. VASP was designed to be the final option in the VA Home Retention Waterfall, published as Appendix F to VA Servicer Handbook M26-4, to assist borrowers in finding an affordable loss mitigation option in a high-interest rate environment.

2. Action. As of May 1, 2025, VA rescinds the VA Home Retention Waterfall and will stop accepting VASP submissions, including new VASP Trial Payment Plans (TPPs). VA will allow active TPPs to continue through August 31, 2025, and will purchase successful loans, subject to VA's determination that funds remain available for VASP.

3. Key Dates. As the VASP program winds down, servicers are to follow the outlined dates and program parameters below. VA will process new VASP submissions for payment, subject to VA's determination that funds remain available for VASP.

a. VA Home Retention Waterfall. As soon as practicable but no later than April 30, 2025, at 11:59 p.m. EDT, servicers are to discontinue use of the VA Home Retention Waterfall outlined in VA Servicer Handbook, M26-4, Appendix F.

b. VASP Event Submissions. On May 1, 2025, VA will no longer accept submissions for new VASPs in the VALERI application. Submissions for new VASPs reported through April 30, 2025, at 11:59 p.m. EDT will be evaluated against the VASP qualifying criteria, and if accepted, VA will review for a VASP Payment, subject to VA's determination that funds remain available for VASP.

c. Trial Payment Plans. Veterans can continue making payments and complete VASP TPPs for any loans with an accepted VASP TPP event reported through April 30, 2025, at 11:59 p.m. EDT. After April 30, 2025, at 11:59 p.m. EDT, VA will not accept resubmissions of failed VASP TPPs.

d. VASP TPP Complete Events. Servicers are to report the VASP TPP Complete event in the VALERI application for all completed VASP TPPs. The VASP TPP Complete event should be reported when the TPP fails or the final payment is received; however, any active TPP where the VASP TPP Complete event is not received by August 31, 2025, at 11:59 p.m. EDT will be canceled.

e. VASP Required Documents. As outlined in VA Servicer Handbook, M26-4 Chapter 9.08, servicers are to upload required documents into the VALERI application not later than 6 business days after the VASP Payment Process is launched. Beginning May 1, 2025, VASP submissions will be denied when the servicer does not meet the deadline, and there will be no opportunity to resubmit. Servicers are responsible for monitoring pending submissions to ensure the appropriate documents are uploaded timely prior to the deadline.

f. VASP Payment Process. For VASPs that were timely submitted by April 30, 2025, at 11:59 p.m. EDT, and have ongoing active TPPs, VA will review pending VASP Payment processes for all successful submissions received through August 31, 2025, at 11:59 p.m. EDT, subject to VA's determination that funds remain available for VASP. No VASP payments will be issued after September 30, 2025, 11:59 p.m. EDT.

4. VA Servicer Handbook, M26-4 and Loan Management and Service Policies, Procedures, and Methods, Loan Guaranty Operations for Regional Offices, M26-3. Servicers and Loan Guaranty staff are to continue to follow applicable guidance outlined in the handbooks, with the exceptions noted below:

a. Chapter 5. As servicers discontinue use of the VA Home Retention Waterfall, Veterans are to be reviewed for all options outlined in Chapter 5. Servicers are to offer the best loss mitigation option available for the borrower's individual circumstances. While servicers need not follow the review order outlined in the VA Home Retention Waterfall, Appendix F, servicers are to keep VA's preferred order of consideration in mind. See 38 C.F.R. § 36.4319. The following amendments apply to VA's pre-authorized loan modification requirements outlined in Chapter 5:

i. 30-Year Modification: M26-4, Chapter 5.05, c.4. (and the corresponding provisions in the M26-3) is removed, which outlines that there must be at least a minimum 10% reduction in the monthly principal and interest payment.

ii. 40-Year Modification: M26-4, Chapter 5.05, d.4. (and the corresponding provisions in the M26-3) is removed, which outlines that if the borrower occupies the property, there must be at least a minimum 10% reduction in the monthly principal and interest payment, and that if a 10% reduction cannot be achieved, the servicer must review for VASP.

b. Chapter 9. Servicers are to follow applicable program parameters outlined in Chapter 9, unless addressed in this Circular.

c. Appendix F. M26-3 and M26-4, Appendix F is rescinded on May 1, 2025.

5. Rescission: This Circular is valid unless rescinded.

By Direction of the Acting Under Secretary for Benefits

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