Figure 1. COVID-19 Home Retention Waterfall

Starting Point I
Borrower indicates ability to restart loan payments AND pay arrearages

Servicer offers repayment plan

Borrower indicates whether able to repay per servicer’s terms

Loan current when repayment complete

Cannot agree on repayment plan

Starting Point II
Borrower indicates ability to restart loan payments but not arrearages

Servicer offers:
1. disaster extend modification, or
2. deferment, or
3. Standalone COVID-VAPCP

Loan immediately brought current

Payment Target: 20-25% reduction in monthly PI

COVID-19 Refund Modification:
Step A. Arrearages + modification of loan terms
Step B. Arrearages + principal + modification of loan terms

Starting Point III
Borrower indicates inability to restart loan payments

Servicer evaluates for COVID-19 Refund Modification (Steps A&B)

Step C. Servicer completes financial evaluation. Servicer adds more principal to COVID-19 Refund (up to 30% UPB cap) to reach affordable option for Borrower where monthly mortgage payment (PITIA) ≤ 31% of the household monthly gross income

Payment Target met and Borrower agrees to option

Borrower indicates they no longer want property

Servicer initiates Foreclosure Alternatives (compromise sale or DIL)

No feasible retention option

Step D. Servicer submits loan to VA for review

Loan immediately brought current

VA approves COVID-19 Refund Modification or other retention option

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1 Applies to VA-guaranteed loans that were current or less than 120 days past due as of March 1, 2020, and there remains unpaid at least one scheduled monthly payment that the borrower did not make while under a COVID-19 forbearance

2 Standalone COVID-VAPCP available only to loans current or less than 30 days past due as of March 1, 2020

3 COVID-19 Refund will allow for purchase of past due payments and unpaid principal amounts up to 30% UPB, but may not include unpaid principal amounts that would result in more than a 25% payment reduction without further financial analysis by the servicer

4 VA will allow term extension up to 120 months beyond original maturity date (up to 480 months for the total loan term)

5 Servicer may incorporate use of Homeowner Assistance Fund (HAF) relief

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Figure 2. Initial Servicer Evaluation

Starting Point I
Borrower indicates ability to restart loan payments AND pay arrearages

Servicer initiates efforts to resolve delinquency

Starting Point II
Borrower indicates ability to restart loan payments but not arrearages

Starting Point III
Borrower indicates inability to restart loan payments

Borrower indicates they no longer want property

Figure 3. COVID-19 Waterfall, Starting Points I and II

Starting Point I
Borrower indicates ability to restart loan payments AND pay arrearages

Servicer may offer repayment plan

Borrower indicates whether able to repay per servicer’s terms

Loan current when repayment complete

Cannot agree on repayment plan

Starting Point II
Borrower indicates ability to restart loan payments but not arrearages

Servicer may offer:
(1) Disaster Extend Modification, or
(2) Deferment, or
(3) COVID-VAPCP

Loan immediately brought current

2 Standalone COVID-VAPCP available only to loans current or less than 30 days past due as of March 1, 2020
Circular 26-21-13
Exhibit A
July 23, 2021

Figure 4. COVID-19 Waterfall, Starting Point III

Payment Target = 20-25% reduction in monthly PI

Payment Target met and Borrower agrees to option

COVID-19 Refund Modification:
Step A. Arrearages + modification of loan terms
Step B. Arrearages + principal + modification of loan terms

Step C. Servicer completes financial evaluation. Servicer adds more principal to COVID-19 Refund (up to 30% UPB cap) to reach affordable option for Borrower where monthly mortgage payment (PITIA) ≤ 31% of the household monthly gross income

Loan immediately brought current

PITIA ratio met and Borrower agrees to option

Go to Step D

3 COVID-19 Refund will allow for purchase of past due payments and unpaid principal amounts up to 30% UPB, but may not include unpaid principal amounts that would result in more than a 25% payment reduction without further financial analysis by the servicer.

4 VA will allow term extension up to 120 months beyond original maturity date (up to 480 months for the total loan term).

5 Servicer may incorporate use of Homeowner Assistance Fund (HAF) relief.

Figure 5. COVID-19 Waterfall, Starting Point III (cont.)

Borrower indicates they no longer want property

Servicer proceeds to Foreclosure Alternatives (compromise sale or DIL)

Step D. Servicer submits loan to VA for review

No feasible retention option

Loan immediately brought current

VA approves COVID-19 Refund Modification or other retention option

3.