

CHAPTER 22. DEPARTMENT OF VETERANS AFFAIRS (VA) PARTIAL CLAIM

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22.01 VA PARTIAL CLAIM - GENERAL

a. A VA Partial Claim (PC) is one loss mitigation option in VA's Loss Mitigation Waterfall (Waterfall). Servicers must follow the Waterfall and implement the requisite option, which may be a PC. The Waterfall is found in Chapter 5.01 of this Manual.

b. A PC is VA's purchase of a portion of the VA-guaranteed loan indebtedness that VA determines is necessary to resolve a default. Through this purchase, VA obtains a secured interest in the property, which is subordinate to the amount of indebtedness under the guaranteed loan that VA does not purchase. The authority for the Secretary to make a PC is fully discretionary and is not a home loan benefit. Nothing in this handbook is intended to limit the Secretary's discretion Congress provided under 38 U.S.C. § 3737.

22.02 VA PARTIAL CLAIM QUALIFYING CRITERIA

a. When the servicer is required under the Waterfall to evaluate a loan for a PC, the servicer must determine whether the qualifying criteria for a PC are met. If the criteria are met, the servicer must offer the borrower a Trial Payment Plan (TPP) under section 22.03, which, if successful, will lead to a PC. If the criteria are not met, the loan will not qualify for a PC, and the servicer must continue to the next step in the Waterfall. The PC qualifying criteria are--

1. The amount necessary to bring the loan current (reinstatement amount) does not exceed the applicable limit.

(a) For all loans EXCEPT those where the past due amount includes a payment that was missed during the period beginning on March 1, 2020, and ending on May 1, 2025: The amount calculated to reinstate the loan, after factoring in the payments a borrower would make under the requisite TPP, would not exceed 25% of the unpaid principal balance on the day the servicer would advance the funds for the PC.

For example, the current default episode began on June 1, 2025. The Waterfall indicates the loan must be evaluated for a PC. In this example, the servicer determines that the TPP payments would be due on January 1, February 1, and March 1. The servicer must calculate the amount of unpaid principal balance that would be due on the date the servicer intends to make the advance (which in this example must be on or before the last day of March; see section 22.04 b. below) making sure to account for the TPP payments. If the unpaid principal balance calculated were \$100,000, and the reinstatement amount due on that date would not exceed \$25,000, this criterion would be met. If, however, the reinstatement amount due on the date the servicer intends to make the advance would be \$25,000.01 or greater, the loan would not qualify, and the servicer would proceed to the next step in the Waterfall.

(b) For loans where the past due amount includes a payment that was missed during the period beginning on March 1, 2020, and ending on May 1, 2025: The servicer would make the same

calculations as described in section 22.02 a.1.(a). HOWEVER, the reinstatement amount cannot exceed 30% of the unpaid principal balance, rather than 25%.

For example, the current default episode began on April 1, 2025. The Waterfall indicates the loan must be evaluated for a PC. In this example, the servicer determines that the TPP payments would be due on January 1, February 1, and March 1. The servicer must calculate the amount of unpaid principal balance that would be due on the date the servicer intends to make the advance (which in this example must be on or before the last day of March), making sure to account for the TPP payments. If the unpaid principal balance calculated were \$100,000, and the reinstatement amount due on that date would not exceed \$30,000, this criterion would be met. If, however, the reinstatement amount due on the date the servicer intends to make the advance would be \$30,000.01 or greater, the loan would not qualify, and the servicer would proceed to the next step in the Waterfall.

(c) Additional information on the reinstatement amount can be found in section 22.04.

2. The servicer determines the guaranteed loan would be at least three (3) full months past due on the date the servicer would submit the Partial Claim TPP event in the Veterans Affairs Loan Electronic Reporting Interface (VALERI). For additional information on Partial Claim events, refer to section 22.05 of this chapter.

For example, if the loan is due for the January payment, the loan could qualify for a PC as early as April 1.

3. The servicer confirms that the property is the borrower's primary residence, which is defined as the property the borrower resides in for a majority of the calendar year.

(a) Rental or investment properties do not qualify for a PC.

(b) In the case of a divorce, this requirement is met if the property is the primary residence (as described above) of the individual who received the property through the divorce.

(c) In the case of a borrower who is deployed on military service, hospitalized, or in a long-term care setting, this requirement is met if the borrower intends for the property to be the borrower's primary residence again or if the property is a family member's primary residence.

4. The servicer has confirmed that the borrower is not in active bankruptcy. Additionally, the following circumstances do not preclude PC qualification:

(a) Dismissed Chapter 7 bankruptcy.

(b) Dismissed or discharged Chapter 13 bankruptcy.

(c) Discharged Chapter 7 bankruptcy, in which the debt for the guaranteed loan was reaffirmed.

5. **The servicer confirms the VA-guaranteed loan remains in first lien position.**
6. **The servicer has not been notified of any pending or active foreclosures (for example, those brought by a Homeowner's Association or any other lien holder).**
7. **The borrower has made at least twelve (12) monthly payments on the guaranteed loan since origination.**
 - (a) If the loan has been modified, the borrower must also have made at least six (6) monthly payments since the most recent modification.
 - (b) Payments made after a loan modification will count toward the twelve (12) monthly payments since origination.
8. **The servicer has confirmed that the borrower is the current legal owner of record, and all individuals obligated on the guaranteed loan promissory note are willing and able to execute the Partial Claim Attestation Document timely, as specified in section 22.03.** An individual does not qualify for a PC solely because the individual is a Successor in Interest (SII) to the borrower, even if all other qualifying criteria are met. However, an SII will qualify if the SII had completed an assumption of the loan before the current default episode and all other qualifying criteria are met, including those applicable to the borrower (e.g., the SII must sign the Partial Claim Attestation Document, the property is the SII's primary residence, and the SII is not in active bankruptcy).
 - (a) All individuals obligated on the guaranteed loan promissory note must sign the Partial Claim Attestation Document, even if such an individual no longer holds any title interest in the property, e.g., because the individual executed a quit claim deed.
 - (b) A former spouse who received the property through a divorce may qualify for a PC if all qualifying criteria are met, including those applicable to the borrower (e.g., the former spouse must sign the Partial Claim Attestation Document, the property is the former spouse's primary residence, and the former spouse is not in active bankruptcy). The following criteria also apply—
 - i. If the former spouse is not obligated on the note, the former spouse does not qualify for a PC unless the former spouse legally assumed the loan before the default.
 - ii. If the former spouse is obligated on the note, a loan assumption is not necessary, unless required under other applicable law.
 - (c) A surviving spouse who received the property in the distribution of the borrower's estate (whether testate or intestate) may qualify for a PC if all qualifying criteria are met, including those applicable to the borrower (e.g., the surviving spouse must sign the Partial Claim Attestation Document, the property is the surviving spouse's primary residence, and the surviving spouse is not in active bankruptcy).

- i. If the surviving spouse is not obligated on the note, the surviving spouse does not qualify for a PC unless the surviving spouse completed a loan assumption before the default.
- ii. If the surviving spouse is obligated on the note, a loan assumption is not necessary, unless required under other applicable law.

9. VA has not paid any of the following for the guaranteed loan:

- (a) a VA Partial Claim under 38 U.S.C. § 3737;
- (b) a COVID-19 Veterans Assistance Partial Claim Payment under subpart F, part 36, title 38, C.F.R.; or
- (c) a COVID-19 Refund Modification.

22.03 VA PARTIAL CLAIM TPP AND ATTESTATION

a. **TPP.** If the servicer determines all qualifying criteria in section 22.02 are met, the servicer must offer the borrower a TPP. A TPP allows the borrower to demonstrate the borrower has overcome the reason for default and is ready to resume making payments. Servicers will only offer a TPP when the qualifying criteria are met, and a PC can only be made upon successful completion of the TPP.

1. As outlined in Chapter 5 of this Manual, the servicer provides a written TPP, setting the terms and payment amounts, to the borrower not later than 15 calendar days from the date that VA accepts the Partial Claim TPP event in VALERI.
2. Servicers must cease initiating, continuing, or completing foreclosures on loans where a TPP is offered to the borrower.

b. **Partial Claim Attestation.** To obtain a PC, the borrower must execute a Partial Claim Attestation Document, which is a written agreement between the borrower and servicer. Within 15 calendar days from the date VA accepts the Partial Claim TPP event, the servicer must send the Partial Claim Attestation Document to the borrower for execution, and the borrower must return the executed Partial Claim Attestation within the timeframes specified by section 22.03 b.2.

1. The Partial Claim Attestation Document outlines the repayment terms specified by section 22.04, and includes the following statement:

“Acceptance of the VA Partial Claim assistance is voluntary. By signing this document, you agree to receive the assistance of a VA Partial Claim and agree to become personally liable for repayment of the VA Partial Claim to the Secretary of Veterans of Affairs, an Officer of the United States. This means that failure to repay the VA Partial Claim will result in a collectible debt, which can also include administrative costs, fees, and interest. The debt may be collected in

the same manner as any other debt due the United States, including through garnishment of federal benefits and tax refunds.

VA Partial Claim is a one-time assistance, where VA purchases a portion of the guaranteed loan indebtedness. The VA Partial Claim may prevent a borrower from obtaining, in the future, an Interest Rate Reduction Refinancing Loan (IRRRL) or certain loss mitigation options.”

2. The borrower must submit the executed Partial Claim Attestation Document to the servicer before the due date of the third and final TPP payment, as outlined in Chapter 5. If the borrower does not return the executed document timely, the TPP is failed, and the servicer must notify the borrower that the borrower will not receive a PC. If applicable, the servicer returns to the Waterfall to reevaluate the borrower, as explained in Chapter 5.

3. VA has no objection to the use of an electronic Partial Claim Attestation Document or electronic signatures between servicers and borrowers, provided they are readily identifiable during a Post Audit review. The Electronic Signatures in Global and National Commerce Act (15 U.S.C. § 7001) provides that, "a signature, contract, or other record relating to such transaction may not be denied legal effect, validity, or enforceability solely because it is in electronic form."

22.04 VA PARTIAL CLAIM TERMS AND ADVANCE

a. **VA Partial Claim Terms.** The Servicer must structure the PC transaction as a servicer recovery advance, similar to the structure of the United States Department of Agriculture’s Mortgage Recovery Advance under 7 C.F.R. § 3555.303(b)(4). For VA’s PC, the servicer advances the reinstatement amount on behalf of the borrower and creates a non-interest-bearing recoverable balance (this is sometimes referred to as a zero-interest suspense account). The servicer must ensure that the PC remains part of the first lien. While part of the first lien, the PC amount must also be subordinate to the amount of indebtedness under the guaranteed loan that the Secretary did not purchase. The following requirements also apply:

1. The servicer cannot charge the borrower interest on the PC.
2. The servicer cannot require the borrower to make any monthly or periodic payments on the PC, however, borrowers may voluntarily submit payments without incurring any penalty.
3. The borrower is responsible for paying the total balance of the PC to the servicer at the earliest of the following—
 - (a) When the guaranteed loan matures;
 - (b) When the guaranteed loan terminates;
 - (c) When the portion of the guaranteed loan that the Secretary did not purchase is paid off;

(d) When the borrower transfers title to the property by voluntary or involuntary means.

4. The servicer must remit to VA all amounts the borrower pays toward the PC within the timeframes outlined in section 22.07.

b. **Partial Claim Advance.** No later than the last day of the month in which the final TPP payment is due, the servicer must advance the reinstatement amount to the loan holder. VA will reimburse the servicer for the advance, as outlined in section 22.06.

1. In bringing the loan current through the advance, the borrower's next payment due date moves to the month following the month in which the final TPP payment is due.

For example, if the final TPP payment is due on January 15, and the servicer makes the advance on January 20, the payment due date must move to February 1.

2. The reinstatement amount is the total amount necessary to bring the guaranteed loan current. Servicers must include:

(a) Past due amounts for principal, interest, taxes, and insurance;

(b) Any past due amounts that are part of the monthly payment; and

(c) Outstanding foreclosure fees, and other costs attributable to the default episode that are legally chargeable to the borrower.

3. The reinstatement amount must exclude late fees, non-sufficient funds (NSF) charges, and HOAs not collected as part of the monthly payment. Note: under section 22.02 a.6., the PC qualifying criteria are not met if the servicer is notified of any pending or active foreclosures; for example, those brought by a Homeowner's Association for delinquent payments or assessments.

4. The servicer cannot charge the borrower a fee for obtaining a PC.

5. VA will reimburse the servicer for the advance, subject to the limits specified in section 22.02.

22.05 VA PARTIAL CLAIM EVENTS

a. **Partial Claim TPP Event.** When the loan meets the PC qualifying criteria, servicers must report the Partial Claim TPP event. An accepted event will reflect a status of Accepted or Requires VA Review. If VALERI rejects the event, VALERI has indicated the qualifying criteria were not met and that the loan does not qualify for a PC. VA will conduct post-audit reviews, as described in section 22.08, for a full review of the PC transaction.

1. If the servicer has become aware of any change in circumstance that may impact the PC qualifying criteria, the servicer must review and confirm that the loan still meets the qualifying criteria, before submitting the Partial Claim TPP event.

2. The servicer must establish the TPP terms and explain the full transaction to the borrower before reporting the Partial Claim TPP event.

3. Servicers must notify the borrower of the status of the Partial Claim TPP event.

4. Servicers must report the Partial Claim TPP event not later than 30 calendar days from the date the servicer reviewed the borrower for options under the VA Loss Mitigation Waterfall.

b. Partial Claim Payment Request Event. After the borrower successfully completes the TPP and timely submits to the servicer the executed Partial Claim Attestation Document, the servicer advances the reinstatement amount and brings the loan current. Only after advancing the funds and bringing the loan current are servicers to report the Partial Claim Payment Request event. If VALERI accepts the Partial Claim Payment Request event, the Partial Claim Payment Process will launch. An accepted event will reflect a status of Accepted or Requires VA Review.

1. If the TPP was not successful, the servicer is not required to report the TPP failure to VALERI. More information on TPPs can be found in Chapter 5 of this Manual, including the steps a servicer must take in servicing the loan after the TPP's failure.

2. If the borrower does not return the Partial Claim Attestation Document timely, the TPP is failed, and the servicer is not required to report the TPP failure to VALERI. Additional information on the timeliness of a Partial Claim Attestation Document can be found in section 22.03.

3. If the TPP is successful, the servicer must report the Partial Claim Payment Request event in VALERI not later than 30 calendar days from the date when the servicer advances the funds to reinstate the loan.

c. The servicer reports all VA Partial Claim related events in VALERI, using the Event Bulk Upload template, located at https://www.benefits.va.gov/HOMELOANS/servicers_valeri_guides.asp.

22.06 VA PARTIAL CLAIMS PAYMENT PROCESS

a. Servicers must upload electronic copies of all required documents into VALERI not later than 6 business days after the Partial Claim Payment Process is launched. The Partial Claim Payment Process will not be presented to a VA-assigned technician for review until all documents have been received. The required documents are:

1. **Partial Claim Attestation Document.** Document follows the parameters outlined in section 22.03 of this chapter.

2. **Ledgers/payment histories.** Includes the current default episode and verification of the PC advance amount applied to bring the loan current.

3. **Partial Claim Reinstatement Quote.** Document provides a breakdown of the amount needed to bring the loan current and supports the servicer's PC payment request.

b. Upon receipt of the three required documents from the servicer, a VA-assigned technician will review the case. If the technician determines the case meets all requirements, VA will issue the PC payment to the servicer. The PC payment will match the reinstatement amount that the servicer advanced to bring the loan current. Servicers can review the payment details on the <Insert Name of VALERI Report>.

1. If the servicer submits a PC payment request but the amount does not cover the full amount the servicer advanced, the servicer must waive the difference and bring the loan current. VA will not make a second payment to correct the discrepancy. Also, if the servicer submits a PC payment request in an amount that is insufficient to reinstate the loan, the servicer must waive the difference and reinstate the loan.

2. If the PC payment request is greater than the amount needed to bring the loan current, the servicer must notify VA as soon as the servicer identifies the error. VA will initiate a Bill of Collection (BOC) to recover the overage.

c. After the default is cured and the servicer has reported the Default Cured Loan Reinstated event in VALERI, VA will review the loan for an incentive payment to compensate the servicer for actions taken to establish and service the PC. Information about incentive payments can be found in Chapter 7 of this Manual.

22.07 VA PARTIAL CLAIM FUNDS REMITTANCE

a. Servicers must include any outstanding balance of the PC in payoff statements for the guaranteed loan.

b. Servicers must include the outstanding balance of the PC on all monthly statements the servicer sends to the borrower for the guaranteed loan.

c. When the servicer determines that a PC is due and payable under the requirements specified by this chapter and notifies the borrower, the borrower must pay the outstanding balance of the PC to the servicer. The servicer must remit to VA, within 3 business days of collection, any PC payment the borrower makes.

1. Servicers must not release the guaranteed loan lien unless and until the servicer remits all outstanding PC amounts to VA. If the servicer releases the lien and VA has not been fully repaid for the PC, the amount not repaid shall constitute a debt of the servicer to VA. VA will collect this debt through a BOC. Additional information on BOCs can be found in Chapter 17 of this Manual.

d. Any outstanding PC balance must be included in the total indebtedness when the servicer is preparing Bidding Instructions for a foreclosure sale. Additional information on preparing Bidding Instructions for a loan with an outstanding PC can be found in Chapter 8 of this Manual.

1. When a guaranteed loan proceeds to foreclosure sale and funds are received from a Third-Party Bid, servicers must recover as much of the outstanding PC balance as possible under applicable law. If the servicer receives funds in excess of the total indebtedness on the portion of the guaranteed loan the Secretary did not purchase, the servicer must remit the excess funds, up to the outstanding balance on the PC, to VA at <Insert Remittance Instructions to ALAC> within 3 business days.

2. VA will not pay any portion of the PC as part of an acquisition or claim payment, as this would result in a double payment of the PC. Additional information can be found regarding acquisitions in Chapter 8 and claim payment in Chapter 14 of this Manual.

22.08 VA PARTIAL CLAIM POST AUDIT

a. VA Partial Claims may be selected for a Post Audit review. Generally, VA will attempt to conduct the review within 90 days after the PC payment has been certified. Additional information on the Post Audit process can be found in Chapter 15 of this Manual.

b. Servicers that fail to meet the requirements of this chapter may be subject to administrative enforcement action, including, but not limited to, loss of authority to service or acquire VA-guaranteed loans, BOCs, and temporary or permanent suspension of property acquisition and claim payments.