

Procedure for the Collection of Partial Claim Funds

1. Purpose. The Department of Veterans Affairs (VA) remains firmly committed to assisting VA-guaranteed loan borrowers who experienced financial hardship due to the COVID-19 pandemic. Through this Circular, VA is providing guidance regarding the collection of outstanding partial claim subordinate loans.
2. Effective Date. This Circular is effective immediately.
3. Background. The COVID-19 Veterans Assistance Partial Claim Payment (COVID-VAPCP) and the COVID-19 Refund Modification programs were implemented as temporary programs to help Veterans who suffered a COVID-19 financial hardship. VA has identified loans where the VA-guaranteed loan has paid-in-full, but the loan associated with the COVID-VAPCP partial claim payment or COVID-19 Refund (hereinafter referred to collectively as “partial claim”) is still active. Under both programs, repayment in full is required immediately upon the Veteran’s transfer of title to the property or the refinancing or payment in full otherwise of the guaranteed loan with which the partial claim payment is associated.¹
4. Review of Reported Partial Claims. VA Loan Technicians will be reviewing all VA-guaranteed loans that have been reported as paid-in-full and that have an associated partial claim. They will be contacting loan servicers via e-mail to follow up on the submission of the partial claim payment funds and to determine if the payoff funds were properly submitted to VA’s contractor.
5. Bill of Collection to be Issued. Servicers are to protect the interest of VA and record partial claim subordinate liens timely.² If a loan closing occurred before the partial claim was recorded which resulted in the partial claim not being paid, a Bill of Collection (BOC) will be initiated for the amount of the outstanding partial claim. In addition, if the servicer fails to respond to VA’s request for information within 14 calendar days, a BOC will be initiated.

¹ See 38 C.F.R. § 36.4806; VA Circular 26-21-13, COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (July 23, 2021); VA Circular 26-23-12, VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (July 19, 2023); VA Circular 26-23-12, VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification, Change 1 (Oct. 2, 2023); Circular 26-24-2, Updates to VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (Feb. 9, 2024). VA Circulars are available at https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp.

² See 38 C.F.R. §§ 36.4305(h) and 36.4307; VA Circular 26-21-13, COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (July 23, 2021); VA Circular 26-23-12, VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (July 19, 2023); VA Circular 26-23-12, VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification, Change 1 (Oct. 2, 2023); Circular 26-24-2, Updates to VA’s COVID-19 Home Retention Waterfall and COVID-19 Refund Modification (Feb. 9, 2024). VA Circulars are available at https://www.benefits.va.gov/HOMELOANS/resources_circulars.asp.

6. Paperwork Reduction Act. The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. § 3501-3520) and assigned OMB control numbers 2900-0515 and 2900-0889. In accordance with the Paperwork Reduction Act, VA may not conduct or sponsor and a person is not required to respond, to a collection of information unless the collection displays a currently valid OMB control number.

7. Rescission: This Circular is valid until rescinded.

By Direction of the Under Secretary for Benefits

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