

VA Manual M26-4 Transmittal Sheet Change 13

Transmittal of Change 13 to M26-4, VA Servicer Handbook M26-4

Purpose
Changes
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Veterans Benefits Administration

Department of Veterans Affairs

Washington, D.C. 20420

VA Manual 26-4, Revised

Change 13

June 1, 2026

To: Regional Loan Center Personnel and Other Participants in the VA Loan Administration Program

Subject: Transmittal of Change 13 to M26-4, VA Servicer Handbook M26-4

Purpose

Attached are revisions to Chapter 5 of VA M26-4, VA Servicer Handbook M26-4.

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Changes

Chapter 5 of VA Manual 26-4 was updated to add the new VA Loss Mitigation Waterfall, update loss mitigation program requirements, and provide clarification and additional details on Trial Payment Plans (TPPs). Details on specific changes can be found below:

Section 5.01 was added to outline the steps required in the new VA Loss Mitigation Waterfall, including the addition of the VA Partial Claim program in Step 7. Subsequent sections were renumbered. Section 5.01(e) also includes a reference table, providing comparison and high-level information on all loss mitigation options.

Section 5.02 was updated to reference the VA Partial Claim program as a home retention option. References to VA Purchase were removed. Section 5.02(d) was added to provide guidance on pre-approval requests to deviate from the VA Loss Mitigation Waterfall. Section 5.02(f) included minor grammatical edits. Section 5.02(h) was updated to remove reference of the National Emergency Declaration reason for default.

Section 5.04 was updated to provide clarification on reporting the Special Forbearance event on loans that are less than 61 days delinquent.

Section 5.05 was updated to provide clarification on reporting the Repayment Plan event on loans that are less than 61 days delinquent. Section 5.05(b) was added to provide guidance on offering extended repayment plans at 12 and 18 months when the loan's current interest rate is less than the current Maximum Allowed Modified Rate.

Section 5.06 updated general loan modification guidance to require the events or circumstances causing the default to be resolved prior to review. Provided clarification on the regulatory requirements for loan modification reviews and included a provision regarding previous VA Partial Claims. Reordered and clarified guidance for pre-approval requests for loan modifications that do not conform to the requirements outlined within Chapter 5.

Traditional Loan Modification, Section 5.06(b) was updated to follow the VA Loss Mitigation Waterfall. Guidance was included for servicers to offer the Traditional Loan Modification if the modification does not increase the principal and interest payment, after successful completion of a TPP. Clarification was provided for adjustable rate mortgage (ARM) loans. Updates were also made to clarify the regulatory requirements for the Traditional Loan Modification.

30-Year Modification, Section 5.06(c) was updated to follow the VA Loss Mitigation Waterfall. Guidance was included for servicers to offer the 30-Year modification if the modification does not result in an increase to the principal and interest payment, after successful completion of a TPP. Clarification was provided for ARM loans. Updates were made to clarify the regulatory requirements for the 30-Year modification.

40-Year Modification, Section 5.06(d) was updated to follow the VA Loss Mitigation Waterfall. Guidance was included to require successful completion of a TPP. Updates were made to clarify the regulatory requirements for the 40-Year Modification.

[VA Disaster Modification](#), Section 5.06(e) was updated to remove the reference to the disaster forbearance and clarify regulatory requirements. Updates were made to clearly outline the allowed timeframe for servicers to offer a disaster modification option.

[Disaster Extend Modification](#), Section 5.06(f) was updated to remove the reference to the disaster forbearance, and to clarify the correct interest rate and regulatory requirements. Updates were made to clearly outline the allowed timeframe for servicers to offer a disaster modification option.

[Section 5.07](#) was largely rewritten. Updated to follow the TPP requirements in the VA Loss Mitigation Waterfall. Provided clarification on the written agreement requirements, length of the TPP, and TPP payment amounts. Dates and examples were provided for terms of the TPP, as well as clarification on what VA considers a failed TPP. Guidance was included to limit the number of failed TPPs to three times during a single default episode. Clarification was added to address the timeframes to offer the final loss mitigation option after successful completion of the TPP, and requirements for payment after the final TPP payment is received. A section was added to outline TPP event reporting in VALERI.

[Section 5.08\(d\)](#) was added to provide guidance on loans with an outstanding VA Partial Claim.

[Section 5.09](#) was updated to consistently reflect the Deed-in-Lieu (DIL) acronym and [Section 5.09\(c\)](#) was added to provide guidance on loans with an outstanding VA Partial Claim.

[Section 5.11](#) was updated to clarify when VA may recover an incentive payment from a servicer.

Throughout the document, Veteran was replaced with borrower, as loss mitigation is not conditioned on Veteran status. References to the previous VA Home Retention Waterfall in Appendix F were also updated to reference the VA Loss Mitigation Waterfall (Waterfall) throughout the document.

Technical, non-substantive updates were also made throughout the documents to clarify regulatory and statutory references. For example, references to eligibility were removed in favor of references to qualifications only to reinforce that loss mitigation is not a benefit.

Implementation: The VA Loss Mitigation Waterfall is available and “live” on June 15, 2026. Full implementation is expected no later than 180 days from the date the final policy is published.

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Appendix F, VA Home Retention Waterfall, dated August 12, 2024.

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//Signed//

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Executive Director

Loan Guaranty Service

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