New Law Expands VA Authority to Help Veterans Avoid Home Foreclosure

August 10, 2025 - President Trump has signed the VA Home Loan Program Reform Act, legislation designed to give the Department of Veterans Affairs (VA) greater ability to help veterans avoid foreclosure on their homes.

Under the new law, if a veteran with a VA-backed home loan falls behind on payments or is at risk of default, the VA can pay the loan holder an amount necessary to stop the foreclosure. In exchange, both the lender and the veteran must sign documents granting the VA a secured interest in the property. This ensures that the VA can recover its investment if the home is later sold or foreclosed.

The law also requires the VA to follow a defined sequence of loss-mitigation procedures before approving certain changes to the loan, such as term modifications. These steps are intended to ensure that all reasonable options to keep the veteran in their home are considered before foreclosure proceeds.

A key feature of the legislation is the creation of a five-year Partial Claim Program. This allows the VA to purchase a portion of the delinquent balance-up to 25% of the unpaid principal, or 30% for certain loans that went into default between March 1, 2020, and May 1, 2025. The partial claim is recorded as a second lien on the home, and veterans must repay the VA when they sell, refinance, or otherwise satisfy the first mortgage. Veterans who default again after receiving a partial claim will remain liable to the VA for any resulting loss, and their future VA loan entitlement could be reduced.

The measure replaces the Veterans Affairs Servicing Purchase (VASP) program, which ended in May 2025 and had been a primary tool for helping struggling borrowers keep their homes. Lawmakers and veteran service organizations had warned that without a replacement, thousands of veterans would be at greater risk of foreclosure.

The VA estimates that the new authority could assist tens of thousands of veterans who are at least 90 days delinquent on their mortgages. However, there are potential challenges to implementation. Processing delays could occur if the VA is unable to quickly complete the required mitigation steps, and the partial claim program does not erase debt but instead restructures it, leaving repayment obligations in place. Veterans who default a second time after receiving assistance may also face additional restrictions on future borrowing.

The VA is required to report to Congress within 90 days on steps to ensure veterans have access to real estate services comparable to those available to other homeowners.

The lawâ€™s success will depend on how efficiently the VA can administer the new program and how effectively it can reach veterans before their mortgage troubles progress to foreclosure.
by Jim Malmberg
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