

Updates to VA Loan Modification Options

1. Purpose. The Department of Veterans Affairs (VA) remains steadfast in its commitment to assist borrowers retain their homes and avoid foreclosure. The purpose of this Circular is to offer an expanded loan modification option to assist borrowers in reaching an affordable payment in the current environment of rising interest rates.

2. Effective Date. This Circular is effective immediately.

3. 40-Year Loan Modification Option. A loan modification is a written agreement by and between the servicer and all obligors on the loan, which permanently changes one or more of the terms of a loan and may include re-amortization of the balance due. Through this Circular, VA provides advance consent¹ to loan modifications that extend the loan repayment term up to 480 months from the due date of the first payment required under the modification, provided that the proposed modification allows the borrower to reach an affordable monthly payment and meets the conditions listed in 38 C.F.R. § 36.4315(a)(1) through (a)(8) and (a)(10) through (a)(14). VA's advance consent means that a servicer does not need to submit a proposed modification to VA for prior approval if the conditions of this Circular are met.

4. Questions. Any questions regarding this Circular should be submitted via ServiceNow at <https://www.benefits.va.gov/HOMELOANS/contact.asp>.

5. Rescission. This Circular is valid until rescinded.

By Direction of the Under Secretary for Benefits

John E. Bell III
Executive Director
Loan Guaranty Service

¹ See 38 U.S.C. § 3720(a)(2) ("Notwithstanding the provisions of any other law...the Secretary may...consent to the modification, with respect to...time of payment...of any...mortgage...guaranteed" under chapter 37, title 38, U.S. Code).