

119TH CONGRESS
1ST SESSION

S. _____

To amend title 38, United States Code, to modify the administration of housing loans of the Department of Veterans Affairs to prevent or resolve default under such loans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. BLUNT ROCHESTER (for herself and Mr. ROUNDS) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend title 38, United States Code, to modify the administration of housing loans of the Department of Veterans Affairs to prevent or resolve default under such loans, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Veterans Housing Sta-
5 bility Act of 2025”.

1 **SEC. 2. MODIFICATION OF ADMINISTRATION OF HOUSING**
2 **LOANS OF DEPARTMENT OF VETERANS AF-**
3 **FAIRS TO PREVENT OR RESOLVE DEFAULT.**

4 (a) PARTIAL CLAIM PROGRAM.—Subchapter III of
5 chapter 37 of title 38, United States Code, is amended
6 by inserting after section 3722 the following new section:

7 **“§ 3723. Partial Claim Program**

8 “(a) IN GENERAL.—The Secretary shall establish a
9 program under this section, to be known as the ‘Partial
10 Claim Program’, under which the Secretary may make a
11 partial claim with respect to a loan guaranteed under this
12 chapter if the Secretary determines that such loan is in
13 default or faces imminent default.

14 “(b) PARTIAL CLAIM DEFINED.—In this section, the
15 term ‘partial claim’, with respect to a loan guaranteed
16 under this chapter, means the purchase by the Secretary
17 of a portion of indebtedness under the guaranteed loan,
18 under which—

19 “(1) the Secretary pays the holder of the guar-
20 anteed loan the amount of indebtedness the Sec-
21 retary determines necessary to help prevent or re-
22 solve a default;

23 “(2) the borrower of the guaranteed loan enters
24 into a noninterest-bearing agreement to repay the
25 portion of indebtedness at loan maturity; and

26 “(3) the Secretary receives—

1 “(A) a secured interest in the property,
2 subordinate to the first lien guaranteed loan,
3 serving as collateral for the guaranteed loan; or

4 “(B) agreement from the holder to remit
5 to the Secretary the portion of indebtedness re-
6 imbursed by the borrower to the holder.

7 “(c) ADMINISTRATION OF PARTIAL CLAIM.—

8 “(1) AMOUNT OF CLAIM.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraphs (B) and (C), the amount of a
11 partial claim under this section with respect to
12 a loan guaranteed under this chapter may not
13 exceed 25 percent of the unpaid principal bal-
14 ance of the guaranteed loan as of the date that
15 the initial partial claim is made.

16 “(B) CERTAIN INDIVIDUALS.—In the case
17 of an individual who was delinquent on the date
18 of the enactment of the Veterans Housing Sta-
19 bility Act of 2025, the amount of a partial
20 claim under this section with respect to a loan
21 guaranteed under this chapter may not exceed
22 30 percent of the unpaid principal balance of
23 the guaranteed loan as of the date that the ini-
24 tial partial claim is made.

1 “(C) DISASTERS.—In response to a major
2 disaster declared by the President under section
3 401 of the Robert T. Stafford Disaster Relief
4 and Emergency Assistance Act (42 U.S.C.
5 5170), the Secretary may increase the cap spec-
6 ified in subparagraph (A) to 30 percent of the
7 unpaid principal balance of the guaranteed loan
8 as of the date that the initial partial claim is
9 made.

10 “(2) APPLICATION OF CLAIM.—A holder of a
11 loan guaranteed under this chapter who receives a
12 partial claim under this section with respect to such
13 loan shall apply the payment first to arrearages, if
14 any, on the guaranteed loan, which may include any
15 additional costs (such as taxes, insurance premiums,
16 or homeowner’s dues) the Secretary determines nec-
17 essary to prevent or resolve a default.

18 “(3) NO ADVANCE ON LOAN GUARANTY.—The
19 Secretary may not structure a partial claim under
20 this section as an advance on a loan guaranty pro-
21 vided under this chapter.

22 “(4) EXPENSES.—Expenses related to a partial
23 claim under this section, including administrative ex-
24 penses associated with such partial claim, may not

1 be charged to the borrower of the guaranteed loan
2 with respect to which the partial claim is paid.

3 “(d) REQUIREMENTS OF LOAN HOLDER.—

4 “(1) AGENT OF SECRETARY.—The Secretary
5 may require the holder of a loan guaranteed under
6 this chapter who receives a partial claim under this
7 section to service the partial claim as an agent of
8 the Secretary.

9 “(2) ESTABLISHMENT OF CLAIM.—The Sec-
10 retary may require the holder of a loan guaranteed
11 under this chapter who receives a partial claim
12 under this section to take any actions necessary to
13 establish the partial claim, including preparing, exe-
14 cuting, transmitting, receiving, and recording loan
15 documents.

16 “(3) COMPENSATION OF HOLDER.—The Sec-
17 retary shall compensate the holder of a loan guaran-
18 teed under this chapter who receives a partial claim
19 under this section appropriately, as determined by
20 the Secretary, for the services required of such hold-
21 er under this subsection.

22 “(4) EXERCISE OF POWERS.—The Secretary
23 may exercise the authority of the Secretary under
24 this subsection without regard to any other provision
25 of law not enacted expressly in limitation of this sec-

1 tion that would otherwise govern the expenditure of
2 public funds.

3 “(e) DEFAULT AND FORECLOSURE.—

4 “(1) DEFAULT.—

5 “(A) IN GENERAL.—Notwithstanding sec-
6 tion 3703(e) of this title, an individual who de-
7 faults under a partial claim made under this
8 section shall be liable to the Secretary for any
9 loss suffered by the Secretary resulting from
10 such default, and such loss may be recovered in
11 the same manner as any other debt due the
12 United States.

13 “(B) REDUCTION OF ENTITLEMENT.—

14 Once an individual has entered into a partial
15 claim and until that partial claim has been fully
16 repaid, the Secretary shall reduce the aggregate
17 amount of guaranty or insurance housing loan
18 entitlement available to the individual, for any
19 new mortgage loan, under this chapter.

20 “(2) FORECLOSURE.—Notwithstanding section
21 2410(c) of title 28, an action to foreclose a lien held
22 by the United States arising under a partial claim
23 made under this section shall follow foreclosure pro-
24 cedures in accordance with State or local law where
25 the property involved is located.

1 “(f) DECISIONS BY THE SECRETARY.—

2 “(1) SOLE DISCRETION.—Any partial claim
3 under this section shall be made in the sole discre-
4 tion of the Secretary and on terms and conditions
5 acceptable to the Secretary that are consistent with
6 this section.

7 “(2) FINAL AND CONCLUSIVE.—Any decision by
8 the Secretary under this section is final and conclu-
9 sive and is not subject to judicial review.

10 “(3) EFFECT ON PROVISION OF BENEFITS.—
11 For purposes of section 511 of this title, any deci-
12 sion under this section shall not be treated as a deci-
13 sion under a law that affects the provision of bene-
14 fits.

15 “(g) COMPLIANCE.—

16 “(1) PROCESSING PAYMENTS.—The Secretary
17 may establish standards for processing payments
18 under this section based on a certification by a hold-
19 er of a loan guaranteed under this chapter that the
20 holder has complied with all applicable requirements
21 established by the Secretary.

22 “(2) AUDITS.—The Secretary shall carry out,
23 on a random-sampling basis, post-payment audits to
24 ensure compliance with all requirements described in
25 paragraph (1).

1 “(h) ADMINISTRATIVE GUIDANCE.—

2 “(1) IN GENERAL.—The Secretary may imple-
3 ment the Partial Claim Program through adminis-
4 trative guidance for a period of not more than three
5 years beginning on the date on which the Secretary
6 establishes the program.

7 “(2) EXTENSION.—The Secretary may extend
8 the period described in paragraph (1) based on pro-
9 grammatic or budgetary considerations.

10 “(3) ADDITIONAL REQUIREMENTS.—The Sec-
11 retary may establish through administrative guid-
12 ance described in paragraph (1) additional require-
13 ments applicable to partial claims under this section,
14 which shall include the prohibition under subsection
15 (c)(4).

16 “(i) RULE OF CONSTRUCTION.—Nothing in this sec-
17 tion shall be construed to limit the authority of the Sec-
18 retary under subsections (a) and (d) of section 3732 of
19 this title.”.

20 (b) CIVIL PENALTIES.—Such subchapter is further
21 amended by inserting after section 3723, as added by sub-
22 section (a), the following new section:

23 **“§ 3724. Civil penalties with respect to loan holders**

24 “(a) IN GENERAL.—Any holder of a loan guaranteed
25 under this chapter that knowingly and materially makes

1 a false statement under section 3723 or 3732 of this title
2 shall be liable to the United States Government for a civil
3 penalty equal to the greater of—

4 “(1) two times the amount of the loss suffered
5 by the Secretary; or

6 “(2) another appropriate amount determined by
7 the Secretary, not to exceed \$27,894.

8 “(b) RECOVERY.—A civil penalty under this section
9 may be recovered in the same manner as any other debt
10 due the United States.

11 “(c) ADDITIONAL CHARGES.—In assessing a civil
12 penalty under this section, the Secretary may charge ad-
13 ministrative costs, fees, and interest, as appropriate, in a
14 manner similar to the interest and administrative costs
15 charged under section 5315 of this title.

16 “(d) DETERMINATIONS.—All determinations nec-
17 essary to carry out this section shall be made by the Sec-
18 retary.”.

19 (c) PROCEDURE ON DEFAULT.—Section 3732 of title
20 38, United States Code, is amended—

21 (1) in subsection (a)—

22 (A) in paragraph (1), by striking “obliga-
23 tion” each place it appears and inserting
24 “loan”;

25 (B) in paragraph (2)—

1 (i) by amending subparagraph (A) to
2 read as follows:

3 “(A) The Secretary may, upon such terms and condi-
4 tions as determined by the Secretary—

5 “(i) pay the holder of a loan guaranteed under
6 this chapter an amount necessary to avoid the fore-
7 closure of such loan;

8 “(ii) require the holder of the loan and the vet-
9 eran obligated on the loan to execute all documents
10 necessary to ensure the Secretary obtains—

11 “(I) a secured interest in the property cov-
12 ered by the loan; or

13 “(II) agreement from the holder to remit
14 to the Secretary the portion of indebtedness re-
15 imbursed by the borrower to the holder; and

16 “(iii) require the holder of the loan to take any
17 actions necessary to carry out this paragraph, in-
18 cluding preparing, executing, transmitting, receiving,
19 and recording documents, and requiring the holder
20 of the loan to place the loan in forbearance.”;

21 (ii) in subparagraph (B), by striking
22 “obligation” each place it appears and in-
23 serting “housing loan”; and

24 (iii) by adding at the end the fol-
25 lowing new subparagraphs:

1 “(C)(i) Any decision by the Secretary under this
2 paragraph is final and conclusive and is not subject to ju-
3 dicial review.

4 “(ii) For purposes of section 511 of this title, any
5 decision under this paragraph shall not be treated as a
6 decision under a law that affects the provision of benefits.

7 “(D)(i) The Secretary may establish standards for
8 processing payments under this paragraph based on a cer-
9 tification by a holder of a loan guaranteed under this
10 chapter that the holder has complied with all applicable
11 requirements established by the Secretary.

12 “(ii) The Secretary shall carry out, on a random-sam-
13 pling basis, post-payment audits to ensure compliance
14 with all requirements described in clause (i).”; and

15 (C) in paragraph (5), by striking “obliga-
16 tion” and inserting “loan”;

17 (2) in subsection (c)(10)(B)(i), by striking
18 “forebearance” each place it appears and inserting
19 “forbearance”; and

20 (3) by adding at the end the following new sub-
21 section:

22 “(d) The Secretary shall prescribe loss mitigation
23 procedures, including a mandatory sequence in which the
24 holder of a loan guaranteed under this chapter shall offer

1 loss mitigation options to veterans, to help prevent the
2 foreclosure of any such loan.”.

3 (d) FORECLOSURE GUIDANCE.—The Secretary of
4 Veterans Affairs shall strongly encourage holders of loans
5 guaranteed under chapter 37 of title 38, United States
6 Code, to implement a moratorium on foreclosures of such
7 loans until the Partial Claim Program established under
8 section 3732 of title 38, United States Code, as added by
9 subsection (a), is fully operational.

10 (e) CLERICAL AMENDMENT.—The table of sections
11 at the beginning of chapter 37 of title 38, United States
12 Code, is amended by inserting after the item relating to
13 section 3722 the following new items:

“3723. Partial Claim Program.

“3724. Civil penalties with respect to loan holders.”.