

A REVIEW OF VA'S LOAN GUARANTY AND SPECIALLY ADAPTIVE HOUSING GRANT PROGRAMS (SAH)

HEARING

BEFORE THE

**SUBCOMMITTEE ON ECONOMIC
OPPORTUNITY**

OF THE

**COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES**

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A REVIEW OF VA'S LOAN GUARANTY AND SPECIALLY ADAPTIVE HOUSING GRANT PROGRAMS (SAH)

Wednesday, February 10, 2016

COMMITTEE ON VETERANS' AFFAIRS,
U. S. HOUSE OF REPRESENTATIVES,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:07 p.m., in Room 334, Cannon House Office Building, Hon. Ryan Costello presiding. Present: Representatives Costello, Radewagen, Takano, and Rice.

OPENING STATEMENT OF RYAN COSTELLO, ACTING CHAIRMAN

Mr. COSTELLO. Good afternoon, everyone, and the Subcommittee will come to order. Chairman Wenstrup has a scheduling conflict and apologizes for not being able to join us today. I am pleased that we were still able to reschedule this important hearing following the snowstorm that caused us to postpone it last month.

The subject of today's hearing is the Loan Guaranty Service of the Department of Veterans Affairs. The major mission of this service is the administration of the VA Home Loan Program. This benefit was originally authorized by the Servicemembers' Readjustment Act of 1944 and has provided over 22 million loans to veterans since its inception. While the home loan program is a wonderful benefit that helps veterans achieve their piece of the American dream, it is also a win-win for taxpayers. Unlike most other VA benefits programs, the home loan program operates as a partnership between the VA and the private mortgage industry. It is because of this partnership and the VA's high underwriting standards that VA-backed loans consistently have one of the lowest foreclosure and delinquency rates in the country.

While the benefit provides a great service to veterans, there is always room for improvement. I am concerned there are veterans who are unaware of this benefit and I look forward to hearing from the VA about their outreach efforts. I am also concerned that the current cap on loan guaranty amounts excludes as many as 12,000 veterans who live in high cost areas from using this benefit. Yesterday, the House passed a version of Mr. Zeldin's legislation that removed this cap. I am hopeful that our colleagues in the Senate will consider this proposal quickly and send it to the President's desk.

The other issue we will examine this afternoon is the administration of VA's Specially Adaptive Housing Program that provides grant funding for severely injured veterans to adapt their homes to

make them more accessible for their needs. Some of our witnesses have raised concerns about the amount of paperwork and processing delays associated with this benefit. While I understand there is a need to examine each veteran's circumstances to appropriately fund the adaptation that fits their needs, we must strive to improve timeliness of service for all veterans.

Finally, I would like to commend Mr. Frueh and the staff of VA's Home Loan Guaranty Service for their dedication and their willingness to work with the Members and staff of this Subcommittee. They truly represent the model for positive interactions with Congress, and I wish other parts of the department would take a page out of their play book.

With that, it gives me great pleasure to recognize Mr. Takano for any opening remarks he may have.

OPENING STATEMENT OF MARK TAKANO

Mr. TAKANO. Thank you, Mr. Chairman. The VA's Home Loan Guaranty Program leverages the non-government world of realtors, lenders, builders, and servicers with the veterans who want to buy a home. Because the government protects lenders from loss on these loans, and because of the safeguards built into the law barring lenders from entering into loans that are risky, more VA loans go to closing than any other product in the industry. Veterans are able to find the homes they want and get into them with a minimum of time and hassle, clearly a win-win for all involved.

Today's hearing is a check-in on this popular program as well as on the Specially Adaptive Housing Program, which helps service-connected disabled veterans build or adapt homes so they can live with greater ease after being catastrophically injured. The Specially Adaptive Housing Program has seen an increase of 65 percent since fiscal year 2013. Today we will hear how VA's improvements in outreach have contributed to this increase, and what is needed in terms of funding and staffing to meet the challenges ahead if growth continues at that pace.

Both programs embody successful public-private partnerships, and I think that makes all of us happy here. I want to thank the witnesses for being here today and I look forward to their testimony. Thank you, Mr. Chairman, I yield back.

Mr. COSTELLO. Thank you, Mr. Takano. On our first and only panel we have Ms. Heather Ansley with Paralyzed Veterans of America; Mr. Ross Meglathery, with VetsFirst; Mr. James Danis testifying on behalf of the Mortgage Bankers Association; Ms. Sherri Meadows testifying on behalf of the National Association of Realtors; and finally, Mr. Mike Frueh, who is the Director of VA's Loan Guaranty Service. Thank you all for being here. Each of you will be recognized for five minutes for your oral statement. Ms. Ansley, let's start with you.

STATEMENT OF HEATHER ANSLEY

Ms. ANSLEY. Thank you, Representative Costello, Ranking Member Takano, and Members of the Subcommittee. Paralyzed Veterans of America would like to thank you for the opportunity to testify this afternoon regarding the Department of Veterans Affairs Loan Guaranty and Specially Adaptive Housing Grant Programs.

Our testimony this afternoon will focus on VA's Adaptive Housing Grant Programs.

PVA's members are veterans who are catastrophically disabled by a spinal cord injury or disease. Many of them have benefitted from VA's Specially Adaptive Housing or SAH Grant Program. Providing a catastrophically disabled veteran with an accessible home is an investment that pays dividends in lower health and long term care costs. We hope that every effort will be made to strengthen VA's Adaptive Housing Program and increase the benefits available for these veterans by making investments in staffing, streamlining and expediting grant processing for veterans with terminal illnesses, and improving outreach.

Investments in staffing are needed to increase the number of SAH agents serving veterans. In many parts of the country, inadequate staffing contributes to delays in processing grants and results in poor customer service for veterans. According to PVA's service officers, many veterans have a difficult time contacting their SAH agents as phone calls and emails are not returned in a timely manner. PVA believes that veterans' inability to connect with their SAH agents is not only unfair to them, but also to these agents who are sincerely trying to serve veterans despite too many tasks and too few resources. Insufficient staffing also leads to retention problems as agents leave their positions due to excessive workload and extensive travel requirements. PVA's service officers report frequent turnover, which overburdens agents who must carry increased workloads when other agents leave. In addition, some agents cover large geographic areas and travel hundreds of miles one way to meet the eligible veterans, which also leads to delays in responding to veterans and processing grants.

One of the biggest challenges PVA encounters in the SAH Grant Program is the length of time it takes for grants to be processed and approved. This is especially true for veterans living with amyotrophic lateral sclerosis, or ALS. Veterans with ALS are critical users of the SAH Grant Program and the housing adaptation assistance it provides. VA's SAH grant process, however, is not well suited to veterans with rapidly changing diseases like ALS. As a result, it may be difficult for a veteran with ALS to get the adaptations he or she needs when he or she needs them.

In its recommendations to the 114th Congress, the coauthors of the independent budget, which include PVA, Disabled American Veterans, and the Veterans of Foreign Wars, recommended that VA expedite these grants for veterans who are terminally ill, including those who have ALS. This includes encouraging the use of waivers to prevent adaptations that are unneeded due to the veteran's level of disability.

Ultimately, the SAH Grant Program must be flexible enough to assist veterans who have relatively static disabilities such as spinal cord injuries, and those who have rapidly changing diseases such as ALS.

Delays in processing grants for veterans with diseases such as ALS can also prevent these veterans' families from accessing the mortgage protection that is available through the VA's Veterans Mortgage Life Insurance, or VMLI program. The VMLI program is designed to provide a mortgage insurance option for veterans who

otherwise would not be able to seek such coverage. Coverage begins when an eligible veteran receives final approval of the grant. VMLI must be available to these veterans earlier in the grant process. One incremental change would be to approve VMLI at the same time as the final grant instead of waiting until funding is in escrow. Another option would be to approve those that are eligible for VMLI coverage as soon as VA determines that they meet all applicable requirements with the exception of the final approval of the adaptive housing grant.

PVA strongly supports VA's adaptive housing programs because the benefits available through this program are not only life-changing, but also life-saving.

When a veteran is determined by VA to be eligible for ancillary benefits including adaptive housing, VA provides the veteran with a decision that includes information about these benefits, and such a notice typically includes the requisite forms to apply. We have noticed, however, that the required forms are not always provided with the notice of eligibility and for veterans who are not represented by a veterans service organization like PVA, it may be difficult for them to navigate the sea of benefits for which they are eligible.

PVA provides significant outreach related to the benefits of adaptive housing. Our service officers communicate with our veterans to ensure they understand the benefit and the importance of the program. We also seek to increase awareness by providing information on our Web site, and in our meetings, and in our membership magazine. We also work to provide information about how to design a wheelchair accessible for home and we support efforts to increase affordable accessible housing for all people with disabilities.

We appreciate the Subcommittee's focus on VA's adaptive housing program. We hope additional resources will be available, and we thank you for the opportunity to share our thoughts today.

[THE PREPARED STATEMENT OF HEATHER ANSLEY APPEARS IN THE APPENDIX]

Mr. COSTELLO. Thank you. Mr. Meglathery?

STATEMENT OF ROSS MEGLATHERY

Mr. MEGLATHERY. Representative Costello, Ranking Member Takano, and other distinguished Members of the Subcommittee, thank you for giving VetsFirst the opportunity to testify regarding VA's Loan Guaranty and Specially Adaptive Housing SAH Grant Programs.

VetsFirst has represented our disabled veterans, their families, and their caretakers since 1946 when paralyzed World War II veterans came together to claim their rights. We advocate for the programs, services, and disability rights that help all generations of veterans with disabilities remain independent and fulfill their desire to reintegrate into society. Today through our parent organization, United Spinal Association, we are not only a VA-recognized national veterans service organization, we are a leader in advocacy for all people with disabilities. We are honored to have the oppor-

tunity to testify about the VA's Loan Guaranty and SAH Grant Programs and offer some suggestions for improvement.

The VA's Loan Guaranty Program is a critical benefit to veterans across the Nation and it is an example of what the VA is doing right by veterans. More than 80 percent of veterans utilize this program as a result of its affordability and ease of use. VA's delinquency rate is quite low as a result of the holistic approach to ascertain the veteran's income based on monthly expenses. On a personal note, I have taken advantage of this benefit, and it allowed me to purchase a home in an area with an extremely high cost of living.

From the perspective of the VSO, this benefit is one of ease. We just determine the eligibility of the veteran, and the lender does the remainder of the work. It is an example of a program that supports VetsFirst's core principle one of independence, and core principle two of timely access to VA benefits.

VetsFirst supports all programs that are designed to enhance the independence of veterans with disabilities. For this reason, community integration and independence is our first core principle. The ability to own a home that is adapted to the unique needs of each individual is critical for both the emotional and physical well-being of the veteran. VetsFirst wholeheartedly backs SAH. We would like to highlight areas where we see that improvements are warranted and would make this program even more successful.

Currently, both SAH and Vocational Rehabilitation and Employment Program are in the business of housing modifications for veterans. VetsFirst believes this is a less efficient way to utilize limited resources. SAH staff are experts in the arena of home modification. While VR&E staff are hardworking and diligent, they are not solely focused on this benefit. Additionally, as you know from a prior hearing, VR&E staff are currently overworked with large caseloads supporting vocational rehabilitation. By taking home modification off their portfolio, VR&E would be able to focus on their area of expertise.

In the last few years, SAH has seen an increase in approved grants. The addition of VR&E's caseload would add to that growing number. For this reason, VetsFirst would like to emphasize its desire to see that SAH is fully funded and staffed to support this upward trend, and would like to see that commensurate with any addition of the VR&E caseload.

VetsFirst does not advocate removing VR&E from the process altogether. If a veteran is getting vocational rehabilitation in conjunction with home modifications, VetsFirst recommends a three-way dialogue amongst the veterans, SAH, and VR&E personnel.

Currently, SAH gives the veterans the chance to choose which contractor to use for home modification. VR&E does not. We recommend shifting VR&E's home modification to SAH. Giving the veteran the choice of contractor is important on several levels. It allows the veteran to have the independence they would seek and it allows them to quickly address any problems or complaints with the intent of not having to bring in a third party to settle the dispute.

With regard to grant money that is funded, VetsFirst is concerned that the benefit is not a large enough amount. SAH has

been indexed based on inflation. However, we are concerned that the baseline was too low. Currently, the maximum amount of a grant is just under \$74,000. Often, with that money, the veteran is forced to make choices as to what to modify and what not, or pay the remainder out of pocket. Another point of concern is the amount of the grant is not based on the cost-of-living, but rather standard across the board. Anyone who has lived in the Washington, D.C. metro area is aware that the cost of living here, for instance, is a lot higher than in Boise, Idaho, for example.

The last point I have to make about SAH based on feedback from my VSOs and our online help desk, Ask VetsFirst, is that the SAH process takes longer than desired. This should not be seen as a criticism of the individual SAH staff members as they work in the local community. It is a way to identify an opportunity to find a solution for rapid response.

VetsFirst would like to express its thanks for the opportunity to testify today on the Loan Guaranty and SAH Programs. We appreciate your leadership on behalf of this Nation's veterans. I would be happy to answer questions.

[THE PREPARED STATEMENT OF ROSS MEGLATHERY APPEARS IN THE APPENDIX]

Mr. COSTELLO. Thank you. We will recess and reconvene very shortly.

[Recess.]

Mr. COSTELLO. I call the hearing back to order and recognize Mr. Danis on behalf of the Mortgage Bankers Association.

STATEMENT OF JAMES H. DANIS

Mr. DANIS. Chairman Costello and Members of the Subcommittee, thank you for the opportunity to testify this afternoon on VA's Home Loan Guaranty Program.

I have been in the mortgage business for 23 years and have worked with the VA Home Loan Guaranty Program the entire time. My company, Residential Mortgage Corporation, is an independent mortgage lender located in Fayetteville, North Carolina. Approximately 70 percent of the loans we issue are VA loans. In North Carolina with our large military population centered around Fort Bragg, loans guaranteed by VA are an important part of our market. In fact, their use is steadily increasing. In the latest fiscal year alone, more than 14,000 VA purchase loans were originated in our state, up 13 percent from 2014.

For many reasons I am a staunch advocate of the VA Home Loan Guaranty Program. You see, the homes my parents purchased and where my siblings and I were raised were bought with VA loans. In keeping with our family tradition of military service, I served my country, and my first home was financed with a VA loan.

Much like our company, MBA has been a consistent supporter of the VA Home Loan Guaranty Program. Our industry is united in the belief that the VA remains an important and viable program for veterans and active duty military personnel. Providing 100 percent LTV loans is a tremendous benefit to our veterans who have dedicated their lives to serving our country and is crucial in mili-

tary communities. But as credit markets have tightened and loan underwriting has become stricter, finding low downpayment mortgages has become increasingly difficult.

Despite most VA borrowers not having skin in the game, VA loans have continued to outperform their counterparts. In fact, the VA portfolio has been able to sustain production, and weather the turbulent market largely due to its historically conservative underwriting standards which includes a residual income test. VA mortgages have always been fully documented, and fully underwritten loans and owner occupied properties. That is why they continue to perform so well today.

Additionally, the borrowers who use the VA program are as diverse as the entire U.S. population. According to VA's 2015 Annual Benefits Report, African Americans comprise 10.6 percent of VA loans; American Indian and Alaskan Natives 8.3; Hispanics 7.8; and Asian and Pacific Islanders 2.6 percent.

In our written testimony, MBA offers a number of policy recommendations for improving VA programs. Chief, among them, we urge the VA to issue a final qualified mortgage rule that establishes clear bright lines for VA lending, and once the rule is issued, we hope that they will permit an appropriate implementation period so that smaller lenders like our company have the time we need to test our systems and ensure we are in full compliance.

MBA also calls on Congress to reauthorize the extended foreclosure protections afforded to active duty military by the Servicemembers' Civil Relief Act, or SCRA. During the financial crisis, SCRA's foreclosure moratorium for active duty military members was extended from three years to a year. Unfortunately, that important consumer protection lapsed at the end of last year. In our view, it should be extended immediately and ultimately made permanent.

I want to conclude my testimony by commending VA and its excellent staff for the collaborative approach they take to policy making, as well as their overall emphasis on maintaining open lines of communication with our industry. We are grateful for our strong partnership, and look forward to continuing to work together on the issues I have outlined here today.

Once again, I want to thank you for holding this hearing and shining a spotlight on the importance of this vital path to home ownership. We look forward to working with you to help our members of our military, past and present, achieve the American dream.

[THE PREPARED STATEMENT OF JAMES H. DANIS APPEARS IN THE APPENDIX]

Mr. COSTELLO. Thank you, Mr. Danis. Ms. Meadows testifying on behalf of the National Association of Realtors, welcome.

STATEMENT OF SHERRI MEADOWS

Ms. MEADOWS. Good afternoon. I have been a realtor in North Central Florida for 33 years. I serve in a volunteer position as the 2016 Vice President of the National Association of Realtors, and represent its more than one million members working in all aspects of real estate.

The National Association of Realtors is a strong supporter of housing opportunities for veterans. According to the U.S. Census, there were 19.3 million veterans in the United States in 2014 and 2015, and one in five home buyers was a veteran or active duty servicemember according to our NAR survey.

In 2015, the homeownership rate was 76 percent for veterans, more than 12 points above the national average. The Department of Veterans Affairs Home Loan Guaranty Program serves a large population and has been doing it well for over 70 years, including in the aftermath of the recent recession. VA's strong, yet flexible underwriting allows veterans the ability to purchase a home of their own without depleting their savings. More than 82 percent of veterans utilize the zero downpayment option provided by the VA.

Despite this VA delinquency, rates are very low, comparable even to today's tight conventional lending. Despite all the talk about the skin in the game, loans with appropriate underwriting, especially VA's use of the residual income test, and zero downpayment can successfully balance risk, and provide sustainable homeownership.

A realtor in Atlanta once told me the story of a veteran who lost his job, and as a result his home, during the Great Recession. When he found a new job, he moved with his family to Atlanta. He worked to rebuild his credit and was able to use his VA guaranty to buy a home for his family just two years after being out of work and down on his luck. This would have been impossible without the VA.

VA also protects their borrowers. Extensive counseling, and active negotiating helps veterans who run into financial difficulty. Since 2009, the VA has prevented more than half a million veterans and their survivors from losing their homes, while saving our taxpayers more than \$16 billion in claims payments.

NAR also supports grant programs that allow disabled veterans to own a home that accommodates their needs. VA provides two types of grants to servicemembers and veterans with service-connected disabilities to help purchase or construct an adapted home or modify an existing home to accommodate a disability. These grants provide a significant benefit that allows our disabled veterans to retain their independence.

We support the comments by the two veterans service organizations urging that staffing and financial levels are sufficient to operate the program efficiently.

In recent years, this Committee has made tweaks to the home loan program to make it even more useful for veterans. The National Association of Realtors is here today to offer several other changes that could further enhance the program. Number one, consider higher cost loan limits. The VA Home Loan Guaranty Program is unique. It is not simply a Federal loan program, it is an entitlement promised to our military members in return for their service to our Nation. Veterans should be able to purchase a home wherever they choose to live and should not be prevented from using their entitlement due to the low loan limits. We urge this Committee to increase the VA loan limits and not penalize veterans for geographic differences in the housing market.

Number two, VA fee requirements. NAR believes that VA borrowers should be allowed to negotiate fees with sellers, just as non-

VA buyers do, as part of the home purchase transaction. A realtor in Ohio recalled a client who wanted to use his VA benefit to purchase his first home. His lender tried to discourage him from using the VA, saying it was too time consuming and complicated. Moreover, he lost offers on the first several homes he bid on because the seller did not want to deal with the VA requirements. While the veteran was able to buy the home, he ended up using FHA and paying 3.5 percent downpayment to get the home he wanted. We urge VA to create a level playing field and provide veterans with the flexibility to negotiate all fees so they are not disadvantaged when trying to buy a home.

Number three, incentivize a program for renovation and rehabilitation. NAR urges the U.S. Department of Veterans Affairs to incentivize lenders to use existing authority to offer a veterans renovation pilot program, similar to the FHA's 203(k) Program. The 203(k) Program provides a loan for post-renovation appraised value. It is a safe and viable way for veterans to purchase a home that is in need of renovation while still using their guaranty.

The National Association of Realtors strongly supports the VA Home Loan Guaranty Program and the Specially Adaptive Housing Grants. It is our hope that the Subcommittee will support our recommendations for enhancing and improving the VA Home Loan Guaranty Program, so it may be a real benefit to those who bravely served our country.

I would also like to thank the Members of this Subcommittee. Each of you have served your communities and our Nation's veterans very well in areas such as protecting private property rights, advocates for affordable housing, the disabled, domestic violence victims, and those that are less fortunate than us. It has been an honor and I thank you for the opportunity just to be here today.

[THE PREPARED STATEMENT OF SHERRI MEADOWS APPEARS IN THE APPENDIX]

Mr. COSTELLO. Thank you, Ms. Meadows. Mr. Frueh, who is the Director of the VA's Loan Guaranty Service, welcome.

STATEMENT OF MIKE FRUEH

Mr. FRUEH. Thank you, Mr. Chairman, Ranking Member Takano, and Members of the Subcommittee. Thank you for this opportunity to appear before you today and discuss the status and accomplishments of the Loan Guaranty Program and the Specially Adaptive Housing Program.

Our program's mission is a very simple one. We work to maximize veterans' and servicemembers' opportunity to obtain, retain, and adapt homes. However, our program does not generally make loans, build or sell homes, service loans, nor do we build adapted homes. Instead, we rely on lenders. We rely on realtors, appraisers, servicers, builders, and many others in the mortgage industry to help us deliver these benefits that our veterans have earned, many at great sacrifice.

We have worked relentlessly to increase our program's efficiency and effectiveness by delegating functions to our mortgage industry stakeholders. And I would like to take this opportunity to thank my colleagues at the Mortgage Bankers Association, the National

Association of Realtors, and others like the National Association of Home Builders and the Appraisal Institute that have worked with us over the years to help make our program work better for our Nation's veterans.

To ensure this relationship is effective, we maintain a robust oversight and risk management program to secure a world class veteran experience, ensuring these private sector stakeholders adhere to our program goals, values, statutes, and regulations. Our work centers on creating success on all sides of the program. We work constantly to remove barriers veterans may face when using their benefits and ensure that veterans experience high quality consistent services no matter where they live. This work ranges from in home grant consultations with SAH eligible veterans and their families, to creating informational YouTube videos and the Google Hangout feeds, to making prudent policy changes that facilitate timely appraisal and loan closings, more efficient SAH grant processing, or innovative loss mitigation efforts.

We also work to ensure our program is easy to understand and at the forefront of industry processes and technology so that our private sector stakeholders succeed in their missions to make and service loans, construct or renovate homes, and manage and sell properties. On this front, we facilitate daily electronic transmission of loan and property data, we established permanent liaisons to all of the lenders and servicers across the Nation, and we hold regular forums, trainings, and calls, so stakeholders have open access to our leadership to ask questions, and obtain realtime answers and timely explanations of program or industry changes. We built systems that streamlined the flow of information between the industry and VA and provide analytical tools that decrease the time from application to closing so veterans benefit directly.

Through these strong partnerships, our focus on veterans, and our continuous drive to innovate and enhance operations and performance, we have built a high performing program that works for veterans, our stakeholders, and the American taxpayer. We have seen tremendous results from our efforts in removing barriers and enabling access. For the past few years, VA loans have equaled or exceeded industry benchmarks for time to close, percent of applications that actually do close, serious delinquency rate, and foreclosure inventory rate. We know our approach works because by creating ways to help our industry partners more effectively deliver these benefits, they have responded by offering veterans an interest rate lower than that for any other type of loan.

Veterans prove our approach works as well. At the same time, we guaranteed our largest number of loans last year, while preventing the largest number of foreclosures, the VA loan program maintained the second highest satisfaction rating in J.D. Power's Primary Mortgage Origination Satisfaction Study, significantly higher than the industry average.

The VA loan is not a good loan, it is a great loan. VA loans are viewed by lenders as safe and viable and viewed by veterans as an important financial benefit that helps them obtain a home for their families. Additionally, the work we have done to streamline policies and procedures in the SAH Program have enabled us to process a

record number of grants for veterans who want to live independently in their own homes.

We have done some amazing things over the past few years. But could we do better? Of course we could. We can always do better. And no matter how successful we have been, we are always looking forward to see how we can make the program successful for veterans a decade from now. To that end, we are focusing on a number of initiatives that will empower veterans with information and access to innovative, effective, high quality products and services.

We have made incredible progress in our ability to manage, market, and sell foreclosed properties, and we have been able to increase our return on sale to almost 90 percent while decreasing our time in inventory to under 120 days.

We created a Federal Housing Agency Task Force, where FHA, USDA, VA, and others meet regularly to talk about best practices in the mortgage industry. And we are happy to report that USDA thought our processes were so good that they asked us to start managing and marketing their REO properties. And in the past three months, we have already made inroads in selling their properties, and they look to save about \$10 million a year by using our processes.

Finally, Mr. Chairman, I would like to leave you with three thoughts about the impact our program has on veterans, on the taxpayers, and on the U.S. housing market. The record 631,000 borrowers obtaining a VA guaranteed home loan last year enjoyed an interest rate that was on average more than a quarter point below the rate for conventional loans. In addition to the long-standing no downpayment feature of VA loans, because they require no mortgage insurance premiums, those 631,000 borrowers saved over \$40 billion in their mortgage payments for the life of their loans. Even here in D.C. that is serious money. The savings in downpayment and mortgage insurance are a strong benefit to veterans who may need those funds in the future to overcome unforeseen financial obstacles.

Since 2009, we have worked with private sector loan servicers to help over half a million veterans and their families retain their homes or avoid foreclosure, helping a record 90,000 last year alone.

And finally, in the past three years, we have helped over 4,000 severely disabled veterans build or adapt homes to help them live independently in the house of their choosing. And the 1,800 we helped last year represents almost a 50 percent increase from the record setting year before.

Obtain, retain, and adapt. It is that simple. Mr. Chairman, I appreciate the opportunity to speak today. I would like to thank the Subcommittee for your support of our veterans and for the productive working relationship that we have had with your Committee Members and your staff. I will continue to identify opportunities to enhance our program and stand ready to provide any information or technical assistance that the Subcommittee requires on ideas the members believe would help deliver our benefits to our veterans. This concludes my testimony.

[THE PREPARED STATEMENT OF MIKE FRUEH APPEARS IN THE APPENDIX]

Mrs. RADEWAGEN. [Presiding] I thank the panel for their testimony and I now recognize myself for five minutes of questions.

Ms. Meadows, can you please expand on your suggestion for VA to enter into a pilot program that would authorize a veteran to borrow money to rehabilitate and renovate their homes?

Ms. MEADOWS. Thank you, Acting Chairman. The FHA 203(k) program, we want VA to be a very similar program to that. The 203(k) program is a rehabilitation and renovation loan. An FHA buyer can purchase a home that they plan to renovate. The costs of that renovation are included in the loan amount. Working with a specially designed plan and a trained appraiser, the value of the completed renovations is included in the loan and put in escrow. The work is done by an approved contractor and the renovation part of the loan is paid out as the work is completed. VA has the authority for a similar program, but has not promoted it with lenders. We believe some kind of incentive program for lenders, whereby they get an enhanced fee due to the extra work required, would make this type of program available to veterans.

Mrs. RADEWAGEN. I have got a follow-up question. Should the program be approved, what could be done to ensure that our veterans who live in remote areas such as the U.S. Territories would be made aware of and included in the program? By the way, I think it is a good idea.

Ms. MEADOWS. We have, as I said in my opening statement, thank you for the opportunity to answer this question. We have 1.1 million realtors across the United States and Territories. The realtors have worked very hard to promote VA loans. I have with me a VA Toolkit, Home Loan Guaranty Services, that each of our realtors has the opportunity to obtain. So I believe by us continuing to educate our members and realtors working within the community and with the lenders in those areas, that we would be able to promote this product. Thank you.

Mrs. RADEWAGEN. Mr. Frueh, in her written statement, Ms. Ansley raises concerns about inadequate staffing levels and high turnover rates for SAH agents. What can be done to reduce case-loads and improve services in this area?

Mr. FRUEH. Well as part of our evolution in the loan guaranty process to enable veterans to use their benefits, we look at efficiency and effectiveness across the Board. And SAH agents, by their very nature, need to be located, dispersed throughout the country, so that they can actually get to and meet with veterans in their homes. In fact, we have a requirement within 30 days of being deemed eligible for the grant, we want to be in your house, speaking with your family, and looking at your living conditions, and talking about what you want and what ideas we might have for your future needs. So we do need to keep those staff dispersed, but we have taken a lot of time the last several years to move the rest of the work that we can across the Nation. So that just because there is a spike in originations in a state such as California, it does not mean that our office that serves California is the only office that is affected. We spread that work nationwide.

We have seen a lot of efficiencies in that the last couple years and we are making a couple changes as we proceed through that process of allocating those efficiencies. And one of those changes is

focusing on SAH and saying where are the most disabled veterans living, where we need this help? We had a 50 percent increase in SAH grants authorized last year, which means 1,800 over 1,200 from the year before. That is a significant increase in work for approximately the same number of SAH agents. So we are working to free up the other staff that we do have in our budget across the Nation so that more agents can be put out to work on what we think is a very essential, very in person, very unique benefit that requires one on one development.

Mrs. RADEWAGEN. Mr. Frueh, yesterday the House passed H.R. 3016 as amended, which included legislation from our colleague Mr. Zeldin that would eliminate the home loan guaranty cap. Can you please share with us how the current cap is affecting veterans in high cost areas of the country? Additionally, how many veterans does the current cap affect?

Mr. FRUEH. First let me say thank you for passing that particular piece of legislation. H.R. 3016 eliminates the cap, which to explain is actually a little bit convoluted because it relies on several different organizations to set a cap in virtually every single MSA around the country. So it depends on where you live. If a veteran decides to move to a particular area or finds a house that they like in a particular area, what they might find by looking up our caps in the particular area is that the house they want to buy is greater than the amount that we are willing to guarantee or we are able to guarantee.

I think a misnomer is that it is a lending cap. VA does not set a limit on how much a veteran can purchase, we set a limit on how much we will guarantee. Which basically means that a lender can offer a loan to that veteran with no downpayment up to what that cap is, which is predominantly \$417,000 around the country.

We did some analysis last year and found that there were about 15,000 veterans who wanted to buy a home in an area that was, where the price of the home was greater than the amount that is allowed. And we do not know how many veterans did not pursue purchasing a home with their VA benefit in an area where the cap was less than the amount of the home that they want because they never started the process. What we do know is that from the inception of the program, almost 90 percent of our loans have been made with zero downpayment. It is a cornerstone of the program for 72 years. Our average loan to value, our percentage of money that people put in on loans that they do put money in, it's 98 percent. So people put two percent down. The only other national housing program with a small downpayment is FHA, which is a 3.5 percent downpayment program. So I think that our records for the last almost 22 million loans indicate that no downpayment is important. And setting an artificial cap on the amount that we can guarantee is going to limit people that want to buy a home above that cap because that no downpayment is a very important part of the benefit.

Mrs. RADEWAGEN. I now recognize Mr. Takano for five minutes for any questions he may have.

Mr. TAKANO. Thank you, Madam Chair. Ms. Meadows, we recently had a field hearing on veterans homelessness in my district and one of the witnesses was someone who worked on the VA Loan

Guaranty, or the advising and educating veterans about the benefit. And I think they also work with realtors. But he said something that I vaguely recall, and I may not have it correctly, but I recall him saying that often realtors may have, not a vindictive or a malicious bias against directing veterans toward the benefit, but that there may be easier ways to get the veteran into a home. And so often they may not mention the benefit to them, even though that benefit may be advantageous. And that similarly the sellers, you know, may not wish to go, I want to kind of understand what that's about, if you know what I'm talking about.

Ms. MEADOWS. So there is a misconception among lenders as well as realtors and they discourage veterans from using the VA benefit because of that. You mentioned homelessness, and when I was the 2014 President of Florida Realtors, we as a leadership team traveled around the state to our 140,000 members to raise awareness on homelessness, to bring a face to the invisible homeless, and I believe we helped eliminate homelessness in many communities. Of the 500,000 homeless in the United States, eight percent of them are veterans. We have 40,000 homeless veterans. So that is an issue that NAR is looking at. It is one of our objectives this year, to try to decrease homelessness, and especially among our vets.

I was just speaking with a few of my colleagues earlier, and in my office what I have learned in working with the VA loans is that it's just a misperception. And I taught 20 of my agents yesterday that the first question that we should ask as a realtor when we have a buyer approach us is number one, have you served? Have you served in the military? Because if they have, we want to thank them for their service, but number two, we need to tell them about the VA Guaranty Funding Program. The toolkit explains a lot of things. And I believe that realtors, we just need to educate them and we can overcome this misconception of the VA process being difficult.

As well as I believe if we, you know, are able to negotiate the closing fees in the transaction and we raise those limits, because those individuals want to live in areas where their family is from. And I wrote some numbers down earlier. You were asking earlier the prices around the United States. And the average price around the United States is \$222,700. But when you move into areas like San Jose, California, it's \$940,000. Areas like San Francisco, it's \$781,600. So the higher loan limits, or removing the cap are absolutely necessary. Thank you for your question.

Mr. TAKANO. Yes, just if I could follow-up. So you did hear about the legislation by Mr. Zeldin that did pass, and I am happy that we have addressed the loan limit issue and I am hopeful that the Senate will pass similar language, so we can make it law and actually make this happen. But help me understand, what is the misconception? If you could just—

Ms. MEADOWS. That the VA process is clunky. That appraisers come in with low appraisals. That there are repairs that need to be made to the property in protecting the vet. And when you have an investor come in with cash, and you have somebody with a VA loan, the seller tends to believe in the misconceptions of this being a clunky process, and they are going to take the cash deal over somebody having to go get VA financing because those fees that the

seller has to pay in the closing, play a part in what their net proceeds will be in the transaction.

Mr. TAKANO. So is that beyond a misconception? I mean it sounds like, you know, the idea that cash is king, I mean, is very real. So I mean, it is not that maybe the realtors are under a misconception, it is maybe that they are looking for a quicker transaction, right? And so if the veteran has some other way, so I did recall that I had a conversation with a realtor about the appraiser coming in, the cost of that appraiser. So are there elements of the process which sort of burden the veteran who wants to go through the VA program? And I want to know how we can fix it because I want to make sure that veterans are able to use it. If there's advantages, I want the veterans to have that advantage.

Ms. MEADOWS. I think being able to negotiate those fees, you have the termite inspection fee, the escrow closing fee, the tax service fee, the document recording fee, attorneys fees, brokerage fees, postage and delivery charges, these are fees that a veteran cannot pay. So if they were able to negotiate that into the contract, I believe that you would see a more level playing field for the veteran.

Mr. TAKANO. Well so it is not just a misconception. There are some real things that we need to address, and realtors are not behaving, you know, in a rational manner. I thank you for the spirit and attitude that you brought to Florida. But you know, that caught my attention and I want to work with the industry and the VA in looking at how we can incentivize realtors to use the program. Thank you.

Ms. MEADOWS. Thank you.

Mrs. RADEWAGEN. Mr. Frueh, would you like to comment on the fees?

Mr. FRUEH. Yes, actually on several things that you brought up. One is an overall misperception that I call my father's VA. You know, the way the VA operated before is really what is living in a lot of realtors' minds and others in the industry, bankers, and others, that say it takes a long time. And that is what we have been working to address very very directly the last several years, is to survey the landscape and say, what is taking the most time that we control at VA? And moving it out of the way. And closing time is very important. So for the last several years, we look every month at industry benchmarks to say how long does it take to close a VA loan compared to a conventional loan? Which is someone that puts 20 percent down, or pays mortgage insurance, someone that has got pristine credit versus our borrowers who may or may not have pristine credit. We don't have a credit requirement. They may or may not put something down. We do not have a downpayment requirement. We try to compare ourselves to the best of the best. And we have been at industry standard closing times around 47 days, 49 days for most of the year. As of December, the last time I saw, we were about two days slower than the average conventional loan in the industry. Which to me is two days of opportunity that we can get back. But for the last several years, we have been dead even.

So we look at things like appraisal turn times, how quickly can we work our appraisal process from order to receipt. And we track that very diligently. And we know that at eight and a half days on

average for each of our 600,000 appraisals last year, we are pretty much on par with industry. However, there is another five days of notice of value issuance, which is five days that we can control. And we have provided tools that this year we anticipate will drive down that five days to one day or less. And then, we will be at a four-day better than what we were today in the process. So we are continually looking at what we can do to take little steps out of the way that VA controls to make the process more efficient.

I did note that 74 percent of loans started as a VA loan actually closed last year, which is the highest rate in the industry. Conventional loans was only 72 percent. So our loans, if a veteran wants to use their benefit, they have a greater likelihood of actually getting the home that they want and completing that transaction than if they use any other type of mortgage, more than anyone else that tries to use the mortgage.

As for closing costs we do agree, and we take what Sherri said seriously. We are looking at the ability for veterans to negotiate what fees they pay. We are kind of balancing, we have been for 72 years, protecting veterans from getting into a situation they don't like versus protecting them from buying a house that they want. And that balance in some periods has shown to be more protective than less. And I think this is a regulatory option that we have for some of these fees and charges that are allowable, and we are certainly willing to work with our partners in the industry to find a balance that works better.

Mrs. RADEWAGEN. I now recognize Ms. Rice for five minutes for any questions she may have. Thank you.

Miss RICE. So I just want to add, New York has got to be up there in terms of housing prices, right? I mean, I do not know how they compare to California, but I cannot believe that they are not as high because this is a perennial complaint that I hear about from our veteran community.

I have one question and it really is a question that every meeting we have with the VA, every hearing we have, the question is, and we just did a round table out in my district last week. How is it—so there's 40,000 homeless veterans. You mentioned some of the ways that you try to reach out to make them aware, whether it is upon separation or when they are still active duty. We have got to be able to do this better. I mean, one of the great failures, I think, of our government is we let too many veterans fall through the cracks, whether it is for mental health care, physical health care, these benefits, G.I. benefits. So is there a plan that you have, more than just—well we are going to do these pamphlets, that—where are they going to get them, how are they going to, do you understand what I am saying? How do we reach more veterans?

Mr. FRUEH. Well that is a very very important question to ask. And I can address some of it. And we actually have a department at VA called the Ending Veteran Homelessness which is focused 100 percent on combining all of VA's resources that can help in the homeless arena and reach out with the private sector and other public sector entities to address the needs and various entities. Because, you know, as real estate is all about location, location, location, homeless veterans are in pockets in different areas. And we have to reach them where we are.

You know one thing that we did as an organization last month, VA had their point in time count. And in about 40 communities around the Nation, VA employees and local representatives from all the different constituencies went out to count the homeless and to meet with the homeless and to talk to them about services that they could avail them right then, they could find out whether these are homeless veterans or non-veterans, what we can do to help them. And those are things that we do repeatedly to find out how big is the problem. Because 40,000 veterans is a number that is out, but there is different numbers on different days in different communities. So we are trying to continually address it.

In the Loan Guaranty Program, we deal with a single benefit, the home loan benefit. And one thing that we focused on a lot in the last nine years is how do we stop a veteran who is already in financial distress from progressing down towards foreclosure? And what we have seen in the last nine years is—we have put together a formula, working with servicers around the country, working with the Mortgage Bankers Association and others, we have found a way to avoid foreclosure more than any other major loan product out there. And what we have started thinking about it more as we are not just avoiding foreclosure, we are helping prevent homelessness by keeping a family in a home, by not allowing one more family or one more veteran or one more member of a community to not have a roof over their head. So to that end, we work with our Ending Veteran Homelessness group. And when we have a veteran that is in default and a foreclosure date is set, we communicate that with them to say here is a potential for homeless. We need to conduct outreach to this family now and see do they have opportunities for housing afterwards. Not every deed in lieu of foreclosure or every short sale or every foreclosure leads to homelessness, but we do take it very seriously and we call this at risk for homelessness. And we identify a veteran family is at risk and we communicate with that process. But for everything else that VA is doing, I would have to put you in touch with our EVH group, the Ending Veteran Homelessness group.

Miss RICE. I think it is one of our great moral failures as a country that we have even one homeless or jobless veteran. I applaud all of you for doing your part to reduce that number of homeless veterans. Thank you. I yield back my time.

Mrs. RADEWAGEN. Thank you all for your testimony and questions, and I thank the witnesses for taking time out of their busy schedules to be here. Finally, I ask unanimous consent that all Members—

Mr. TAKANO. Madam Chair, I just wanted to ask one more. Mr. Danis, is it?

Mr. DANIS. Yes, sir.

Mr. TAKANO. You looked like you wanted to say something earlier and I just wanted to give you a chance to say it.

Mr. DANIS. I did, and thank you. As far as the misconception with the question that you asked earlier, I have to agree with most of what Ms. Meadows says. Most of my business is done in North Carolina, which is veteran heavy of course. But I also work in other states that do not have a military presence, and I have come up against the same issues that Ms. Meadows has talked about where

as realtors or homeowners in that area are being discouraged from using their VA benefits. And I think it is more of a lack of education with the lenders, the veterans, and the realtors in that area because they do not understand the program. They think it is a difficult and cumbersome program to work through when in reality VA is a very easy loan program to do. With Mr. Frueh, when he talks about his closing times, you know, being in 40-day range, there have been times where I have originated a loan on a Monday and closed it that next Monday. So it can be a very streamlined process. There is no reason why veterans should be discouraged from using their benefits as far as a lender is concerned. The fees can be an issue, but that can always be worked around. Where you talked about where a veteran was discouraged from using his VA benefits, that should not come about. The program is a very easy, a very workable loan program to do.

Mr. TAKANO. Well I am very happy to hear this. And you know, I want to find out ways in which we can make sure the industry, you know, overcomes this misconception.

Mr. DANIS. I think it is just education. It is educating lenders and realtors about the program. And then a little bit of experience. We have that experience, but it is not something that is difficult to gain at all.

Mr. TAKANO. Well thank you. And I appreciate the chairwoman's indulgence.

Mrs. RADEWAGEN. Finally, I ask unanimous consent that all Members have five legislative days in which to revise and extend their remarks and include any extraneous material on today's hearing. Hearing no objection, so ordered.

This hearing is now adjourned.

[Whereupon, at 3:29 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Heather Ansley

Chairman Wenstrup, Ranking Member Takano, and members of the Subcommittee, Paralyzed Veterans of America (PVA), thanks you for the opportunity to testify for this oversight hearing regarding the Department of Veterans Affairs' (VA) Loan Guaranty and Specially Adaptive Housing Grant programs. Our testimony will be directed to the adaptive housing grant programs which are vital to veterans who have acquired a disability as a result of their service to our nation.

PVA is an organization of veterans who are catastrophically disabled by a spinal cord injury or disease. Access to housing, employment, and transportation are critical to ensuring that these veterans are able to fully return to their communities. Many of our members have benefited from VA's Specially Adapted Housing (SAH) grant program as they worked to rebuild their lives after acquiring a life-altering disability. Veterans who are unable to obtain accessible housing are in danger of being forced to live in more restrictive settings, away from their friends and family members.

Authorized under Chapter 21 of Title 38 of the United States Code, VA's SAH program provides assistance to veterans and servicemembers who need to remodel an existing home or build or purchase a home that will accommodate their disability-related needs. Accommodations may include wider doorways, ramps, roll-in showers, and other modifications that allow individuals with significant disabilities greater independence.

VA's SAH program is an ancillary benefit available to veterans who are permanently and totally disabled as a result of their military service. Some of those veterans who are eligible for SAH include those who have lost or lost the use of both legs or both arms, those who have lost or lost the use of one leg together with the residuals of organic disease or injury, or those who have lost or lost the use of a leg together with the loss or loss of use of one arm. Veterans are eligible to use the grant a maximum of three times up to the current grant maximum. The benefit is indexed for the cost of construction. For fiscal year 2016, the grant is \$73,768. In fiscal year 2014, VA approved 1,154 SAH grants for a total amount of \$61,353,253.¹

The VA's Special Housing Adaptation (SHA) grant is available for veterans who have blindness in both eyes with 20/200 visual acuity or less, those who have lost or lost the use of both hands, those who have severe burn injuries, and those with certain severe respiratory injuries. Like the SAH grant, SHA eligible veterans may use the grant three times up to the current grant maximum. For fiscal year 2016, the amount available is \$14,754, as indexed for the cost of construction. In fiscal year 2014, VA awarded 99 grants for a total amount of \$960,930.²

Providing a catastrophically disabled veteran with an accessible home is an investment that pays dividends in lower health and long-term care costs. Veterans with catastrophic disabilities who are able to live safely in their homes with their families also reap benefits beyond those that are easily quantifiable. Consequently, we hope that every effort will be made to strengthen VA's adaptive housing grant programs and increase the benefits available for these veterans. This includes investments in staffing, streamlined and expedited grant processing for veterans with terminal diseases, increased benefits, and improved outreach.

STAFFING CONCERNS AND RESPONSIVENESS

In many parts of the country, it appears that there are too few SAH agents charged with too many responsibilities. PVA's service officers overwhelming report that insufficient numbers of SAH agents is a problem for their veterans. Inadequate

¹Department of Veterans Affairs, Veterans Benefits Administration, FY 2014 Annual Benefits Report-Home Loan Guaranty Section, available at: <http://benefits.va.gov/REPORTS/abr/ABR-LoanGuaranty-FY14-10202015.pdf>.

²*Id.*

staffing contributes to delays in processing and results in poor customer service for veterans. Agents are not able to handle the large workload, including the influx of veterans living with amyotrophic lateral sclerosis (ALS).

According to our service officers, many veterans have a difficult time contacting their SAH agents. Phone calls and emails to agents are often not returned in a timely manner. PVA believes that veterans' inability to connect with their SAH agents is not only unfair to them but also to the agents who are trying to serve veterans despite too many tasks and too few resources.

In general, we believe that most agents genuinely try to fulfill their duties to the veterans in their caseloads. Many are simply stretched too thin due to the demands on their schedules. For example, SAH agents are required to review VA appraisals, which is unrelated to their role in helping veterans with housing adaptations. We understand that VA is hoping to eliminate this process through the use of electronic reports. In light of the chronic staffing needs of this program, which serves veterans with the most significant service-connected disabilities, we hope that VA will reassign these and other similar duties so that agents will be able to fully focus on their SAH-related duties.

Insufficient staffing also leads to retention problems as agents leave their positions due to the excessive workload and extensive travel requirements. PVA's service officers reported frequent turnover which overburdens agents who must carry increased workloads when other agents leave. In addition, we understand that some agents cover large geographic areas and must travel hundreds of miles one way to meet with eligible veterans, which also leads to delays in responding to veterans and processing grants.

Limited numbers of SAH agents mean that every agent must do his or her part to fulfill their obligations to the veterans in their caseloads. Increased accountability measures are needed to ensure that all agents are performing at peak capacity. Underperforming agents are a burden to other agents struggling to keep up with the demands of their positions.

VETERANS LIVING WITH ALS

Grant Processing and Approval

One of the biggest challenges PVA encounters in the SAH grant program is the length of time it takes for grants to be processed and approved. This is especially true for veterans living with ALS. ALS is presumptively related to a veteran's military service and is rated at 100 percent regardless of how advanced the veteran's disease is at the time of rating. ALS veterans are also presumed medically eligible for SAH even if the disease has not yet resulted in loss of use of limbs or other significant impairments.

Veterans with ALS are critical users of the SAH grant program and the housing adaptation assistance it provides. VA's SAH grant process, however, is not well suited to veterans with rapidly changing diseases like ALS. As a result, it may be difficult for veterans with ALS to receive the types of accommodations they need when they need them.

In its recommendations to the 114th Congress, the co-authors of The Independent Budget (IB), Disabled American Veterans, PVA, and the Veterans of Foreign Wars, recommended requiring VA to expedite SAH grants for veterans who are terminally ill, including those with ALS. This includes encouraging the use of waivers where appropriate to prevent adaptations unneeded due to a veteran's level of disability. Projects that take a long time to complete are not able to meet the needs of a rapidly progressive disease like ALS.

Ultimately, the SAH program must be flexible enough to assist veterans who have relatively static disabilities, such as spinal cord injuries, and those who have rapidly changing diseases such as ALS. For example, SAH agents should be given permission to approve all paperwork needed in order to get these projects underway instead of following standard procedures which require the agent to gather the paperwork and submit it for approval to the regional loan center (RLC). We believe that this will eliminate months of waiting and delays, which will allow veterans with ALS to have faster access to bathrooms and other crucial areas of their homes.

Implementation of expedited procedures for veterans living with ALS may also help VA continue to streamline the grant process for all eligible veterans. Although VA recently revised its internal processing procedures, some veterans continue to encounter bureaucratic processes. The need for waivers of project requirements and delays in receiving final grant approval once agents have submitted all paperwork to the RLCs continues to cause concern for many veterans.

Veterans' Mortgage Life Insurance

VA's Veterans' Mortgage Life Insurance (VMLI) program provides veterans who are eligible for an adaptive housing grant with insurance benefits that pay down or off their home's mortgage in case of their death. The VMLI program is designed to provide a mortgage insurance option for veterans who would otherwise not be eligible for such coverage due to their catastrophic disabilities. Coverage begins when an eligible veteran receives final approval of his or her adaptive housing grant. Unfortunately, delays in processing grants for veterans with diseases such as ALS can delay final approval and prevent veterans' families from accessing the mortgage protection available through VMLI.

To ensure that veterans with ALS and other similar diseases are able to receive mortgage protections available through VMLI for their families, VMLI must be available to these veterans earlier in the grant process. One incremental change would be to approve VMLI at the same time as the final grant instead of waiting until the funding is in escrow. Another option would be to approve eligibility for VMLI coverage for these veterans as soon as VA determines that they meet all applicable requirements, with the exception of final approval of the adaptive housing grant. If the veteran's adaptive housing grant does not receive final approval, then VMLI coverage could be terminated.

CONTRACTORS

Another difficulty many veterans face is locating a contractor who will agree to work through VA's adaptive housing grant process. Due to the length of the process, many contractors are no longer willing to work with VA. In addition, VA provides veterans with little guidance about how to locate contractors who are willing to work through the process. We understand that VA is working to improve its relationship with contractors and educate veterans. We applaud these efforts.

VA should work more closely with contractors to ensure that they are aware of VA requirements up front. Providing contractors with this information might prevent all the haggling over materials and equipment in the early stages of the contract. Additional thought should also be given to the level of detail involved in providing information about the project.

For example, floors tiles must have the slippage coefficient and color identified and approved prior to final grant approval. While the slippage coefficient is understandable, requiring identification of the color in most cases is not. There are many examples of too much information being required from contractors that is not critical to ensuring completion of a quality, safe project.

SUPPLEMENTAL GRANT FOR ADAPTATION OF A NEW HOME

Although veterans with catastrophic disabilities are able to access VA's adaptive housing grant programs three times, up to the statutory funding limit, this benefit may be insufficient to assist a veteran who must move due to employment, health, family, or other needs. For veterans who have used up their remaining eligibility for these programs, they may have fewer options to acquire a new accessible home. Many homes are not built with universal design or other features that would allow these veterans the opportunity to live independently and remain healthy.

The IB for the 114th Congress recommends establishing a supplementary housing grant to cover the costs of housing adaptations for veterans who have already exhausted their eligibility. This grant would be available to allow veterans with catastrophic disabilities to build or adapt another home to ensure safety and independence. Without proper living accommodations, veterans who could otherwise live in their homes may be forced to reside in expensive, restrictive settings.

Providing a supplemental grant is an investment in veterans who have acquired catastrophic disabilities as the result of their military service. It ensures that veterans will not be forced to choose between the need to relocate and having a home that accommodates their needs. Until the nation's housing stock provides a greater supply of homes universally designed to accommodate individuals with varying abilities, the lack of affordable, accessible housing will remain an issue.

Alternatively, Congress could choose to increase the amount of funding available through the current adaptive housing grant programs to provide veterans with more funding throughout their lifetimes. Public Law 110-289 increased the maximum allowable grant amounts available through VA's adaptive housing grant programs and also provided for indexing the grants based on the cost of construction. Due to indexing, the SAH grant amount has risen from \$60,000 to \$73,768 as of October 1, 2015.

Despite these increases, which have been crucial to the program, the total amount of funding remains inadequate. It can be difficult for veterans with catastrophic disabilities to have the kitchen or additional bathrooms adapted. Consequently, additional funding for the grant would not only allow veterans to better adapt their

homes to fully meet their needs but would also increase the probability that veterans would have funds remaining to allow them to adapt another home in the future. It would also make it easier for veterans to get the help they need without being forced to cobble together assistance from other programs such as the Home Improvements and Structural Alterations grant program.

IMPROVED OUTREACH TO ELIGIBLE VETERANS

Access to housing adaptation assistance is fairly limited outside of VA. Discovering the benefits available through VA for housing adaption may not only be life changing, but also lifesaving. When a veteran is determined by VA to be eligible for ancillary benefits, such as the adaptive housing grant programs, VA provides the veteran with a decision that includes information about those benefits. Such a notice typically includes the requisite forms to apply for the benefits.

We have noticed, however, that the required forms are not always provided with the notice of eligibility. For veterans who are not represented by a veterans service organization, it may be difficult for them to locate these forms and subsequently navigate the sea of benefits for which they may be eligible. This may be especially true for veterans and their families who are overwhelmed by their circumstances and unable to fully appreciate the ancillary benefits available to them, including how to obtain them.

Without additional staff support for the adaptive housing grant programs, PVA is concerned that efforts to increase outreach would only lead to increased wait times for veterans who are seeking to use them. Aside from increased staffing to perform new outreach efforts, VA should seek to implement partnerships with non-profit organizations that assist veterans with catastrophic disabilities. It is important to ensure that partners are aware of VA's adaptive housing grant programs and how to direct veterans to VA for assistance. Additional outreach will also be critical to assisting veterans who have ALS to ensure that they understand the importance of beginning the adaptation process before it is needed so that they will be able to remain as independent as possible, for as long as possible.

Everyone has a role to play in increasing awareness of VA's adaptive housing grant programs. For its part, PVA's service officers communicate with the veterans they assist to ensure that they understand the benefit and its importance. Some service officers even provide agents with veterans' contact information as soon as eligibility is established to ensure that the agent is prepared to move forward as soon as he or she is assigned the case.

In addition, PVA seeks to increase awareness by providing information about adaptive housing benefits on our website and by including articles on the grant program and housing adaptation in our membership magazine. PVA also assists veterans with disabilities by providing information about how to design a wheelchair accessible home. Furthermore, PVA supports broader efforts to increase affordable, accessible housing for all people with disabilities.

Recent efforts include supporting increased assistance for veterans who need help with housing adaptations beyond that available through VA. Specifically, we support the Veterans Homebuyer Accessibility Act of 2015 (H.R. 3975). This legislation, sponsored by Representatives James Langevin (D-RI), Paul Cook (R-CA), and Dina Titus (D-NV), would provide a veteran first-time homeowner or a current veteran homeowner with a refundable tax credit of up to \$8,000 for adaptive housing improvements. The credit may also be assigned to another individual making the improvements. We support these and other efforts to expand the help available to our members.

We appreciate the Subcommittee's focus on VA's adaptive housing programs. Many of PVA's members have greatly benefited from the SAH program. We hope that additional resources will be provided to this program and that it will continue to serve as a cornerstone in the efforts of veterans with catastrophic disabilities to remain independent.

PVA thanks you for this opportunity to express our views. We would be happy to answer any questions that you may have.

Information Required by Rule XI 2(g)(4) of the House of Representatives

Pursuant to Rule XI 2(g)(4) of the House of Representatives, the following information is provided regarding federal grants and contracts.

Fiscal Year 2016

Department of Veterans Affairs, Office of National Veterans Sports Programs & Special Events - Grant to support rehabilitation sports activities - \$200,000.

Fiscal Year 2015

Department of Veterans Affairs, Office of National Veterans Sports Programs & Special Events - Grant to support rehabilitation sports activities - \$425,000.

Fiscal Year 2014

No federal grants or contracts received.

Disclosure of Foreign Payments

Paralyzed Veterans of America is largely supported by donations from the general public. However, in some very rare cases we receive direct donations from foreign nationals. In addition, we receive funding from corporations and foundations which in some cases are U.S. subsidiaries of non-U.S. companies.

Heather L. Ansley, Esq., MSW

Heather L. Ansley is the Associate General Counsel for Corporate and Government Relations at Paralyzed Veterans of America.

Ms. Ansley began her tenure with the organization in January 2015. Her responsibilities include corporate legal matters, government relations, and disability advocacy. She also works to promote collaboration between disability organizations and veterans service organizations by serving as a co-chair of the Consortium for Citizens with Disabilities (CCD) Veterans and Military Families Task Force. Additionally, she serves as an officer on CCD's Board of Directors.

Prior to her arrival at Paralyzed Veterans of America, she served as Vice President of VetsFirst, a program of United Spinal Association. She has also served as the Director of Policy and Advocacy for the Lutheran Services in America Disability Network.

Before arriving in Washington, D.C., she served as a Research Attorney for The Honorable Steve Leben with the Kansas Court of Appeals. Prior to attending law school, she worked in the office of former U.S. Representative Kenny Hulshof (R-MO) where she assisted constituents with problems involving federal agencies. She also served as the congressional and intergovernmental affairs specialist at the Federal Emergency Management Agency's Region VII office in Kansas City, Missouri.

Ms. Ansley is a Phi Beta Kappa graduate of the University of Missouri-Columbia with a Bachelor of Arts in Political Science. Ms. Ansley also holds a Master of Social Work from the University of Missouri-Columbia and a Juris Doctorate from the Washburn University School of Law in Kansas.

She is licensed to practice law in the State of Kansas and before the United States District Court of Kansas.

Prepared Statement of Ross A. Meglathery, MPA

At VetsFirst, our priorities are based on three core principles for improving the lives of veterans with disabilities.

Core Principle-1: Community Integration and Independence

VetsFirst supports policies that help veterans with disabilities reintegrate into their communities and achieve independence. Disabled veterans must have access to employment and educational opportunities that allow them to live meaningful and productive lives.

Core Principle-2: Timely Access to Quality VA Health Care and Benefits

Access to VA health care, compensation and pension benefits are the lifeline for many veterans with significant disabilities. Veterans who are unable to access these needed services and benefits due to delays or shortages of personnel will lack the foundation that will allow them to take advantage of opportunities in their communities.

Core Principle-3: Rights of Veterans with Disabilities

VetsFirst believes that discrimination against disabled veterans that produces barriers to housing, employment, transportation, health care, and other programs and services must be eliminated.

Introduction

Chairman Wenstrup, Ranking Member Takano, and other distinguished members of the subcommittee, thank you for giving VetsFirst the opportunity to testify re-

garding VA's Loan Guaranty and Specially Adaptive Housing (SAH) Grant Programs.

VetsFirst has represented our disabled veterans, their families and their care-takers since 1946 when paralyzed World War II veterans came together to claim their rights. We advocate for the programs, services and disability rights that help all generations of veterans with disabilities remain independent and fulfill their desire to reintegrate into society. Today, through our parent organization United Spinal Association, we are not only a VA-recognized national veterans service organization, but we are a leader in advocacy for all people with disabilities.

VetsFirst is honored to have the opportunity to both underscore its support of the VA's Loan Guaranty and Specially Adaptive Housing Grant Programs while at the same time offer some suggestions for improvement.

Specially Adaptive Housing Grant Program

VetsFirst supports all programs that are designed to enhance the independence of veterans with disabilities. For this reason Community Integration and Independence is the first of VetsFirst's three Core Principles. The ability to own a home that is adapted to the unique needs of each individual is critical for both the emotional and physical well-being of the veteran. With that said, VetsFirst wholeheartedly backs the Specially Adaptive Housing Program. VetsFirst would like to highlight areas where we see that improvements are warranted and would succeed in making this program even more successful.

Currently, both SAH and Vocational Rehabilitation & Employment Program (VR&E) are in the business of housing modifications for veterans. VetsFirst believes that this is a less efficient way to utilize limited resources. Whereas the SAH staff are experts in the arena of home modification, VR&E personnel are not. While VR&E staff are hardworking and diligent, they are not solely focused on this one benefit alone. Additionally as you know from a prior hearing, the VR&E staff are currently overworked with large caseloads supporting vocational rehabilitation. By taking home modification off their portfolio, VR&E would be able to focus on their areas of expertise.

In the last few years SAH has seen an increase in approved grants. The additions of VR&E's caseload would add to that growing number. For this reason VetsFirst would like to emphasize its desire to see that SAH is fully funded to support this upward trend and would like to see that commensurate with any addition of the VR&E caseload. But, by removing the stovepipe of two parallel programs, VetsFirst believes that in the longer term the taxpayers will see cost savings.

That said, although VetsFirst does recommend shifting all home modification to SAH, it does not advocate removing VR&E from the process altogether. If a veteran is getting vocational rehabilitation in conjunction with home modification, VetsFirst recommends three-way dialogue amongst the veteran, SAH and VR&E.

Currently, SAH gives the veteran the chance to choose which contractor to use for home modification. VR&E does not afford this opportunity. While it is unclear whether or not this lack of choice is based on statute or regulation, it serves as another reason why VetsFirst recommends shifting VR&E's home modification to SAH. Giving the veteran the choice of contractor is important on several levels. First off, it allows the veteran to have the independence that they would likely seek. Additionally, it allows them to quickly address any problems or complaints with the intent of not having to bring in a third party to address any disputes.

With regard to grant money funded, VetsFirst is concerned that the benefit is not a large enough amount. SAH has been indexed based on inflation, however, we are concerned that the baseline was too low. Currently the maximum amount of a grant is \$73,768. While in some geographical areas that number is reflective of the costs, in areas with a high cost of living that is not enough money and the veteran is forced to make tough choices as to what and what not to modify; or pay the remainder out of pocket. This brings up another point of concern which is the amount of the grant is not based on the local cost of living, but rather a standard, across the board amount. However, as anyone in the National Capitol Region is aware, the cost of living in Washington, D.C. for instance, is not the same as it is in Boise, Idaho.

The last point I have to make about SAH based on feedback from my lead veterans service officer and veterans using our online helpdesk, Ask VetsFirst, is that the SAH grant process seems to take longer than desired. This should not be seen as a criticism of the individual SAH staff member as they work in and are from the local community in which their services are used. Rather, it is stated as a way to identify an opportunity to find a solution for more rapid response. VetsFirst cannot state if the slowdown is a result of grant request action that must first take place at Cleveland or if it occurs upon receipt by the local staff appraiser who works with the veteran.

VA's Loan Guaranty Program

Following the return of 16 million veterans, the VA experienced tremendous growth. Congress passed the GI Bill along with education and housing benefits. The home loan guaranty program began with the original Servicemen's Readjustment Act that was passed by the United States Congress in order to extend a wide variety of benefits to eligible veterans.

The main purpose of the VA home loan program is to help veterans finance the purchase of homes with favorable loan terms and at a rate of interest which is usually lower than the rate charged on other types of mortgage loans.

The VA's Loan Guaranty program is a critical benefit to veterans across the nation. During a period where VA has had much criticism leveled at it as an organization, the Loan Guaranty program is an example of the VA doing right by veterans.

More than 80% of veterans utilize this program as a result of its affordability and ease of use. Although this nation has in recent years seen a housing crash, VA's delinquency rate is quite low as a result of its holistic approach to ascertaining the veteran's income based on monthly expenses.

On a personal note, I have taken advantage of this benefit and it allowed me to purchase a home in an area with an extremely high cost of living.

From the perspective of a veteran service organization the process by which we assist a veteran receive this benefit is one of ease. We help the veteran identify the requirements of eligibility and if/once eligibility is determined, they can contact a lender that will assist them through the process.

The VA Loan Guaranty is another example of a program that supports VetsFirst's Core Principle 1 of Independence. Based on its ease of use and efficient processing, it further supports VetsFirst's Core Principle 2 of Timely Access to VA Benefits.

VetsFirst would like to express its thanks for the opportunity to testify concerning its views on VA's Loan Guaranty and Specially Adaptive Housing Grant Programs. We appreciate your leadership on behalf of our nation's veterans who are living with disabilities. I will be happy to answer any questions.

Information Required by Clause 2(g) of Rule XI of the House of Representatives

Written testimony submitted by Ross Meglathery, Director of VetsFirst; VetsFirst, a program of United Spinal Association; 1660 L Street, NW, Suite 504; Washington, D.C. 20036. (202) 556-2076, ext. 7103.

This testimony is being submitted on behalf of VetsFirst, a program of United Spinal Association.

In fiscal year 2012, United Spinal Association served as a subcontractor to Easter Seals for an amount not to exceed \$5000 through funding Easter Seals received from the U.S. Department of Transportation. This is the only federal contract or grant, other than the routine use of office space and associated resources in VA Regional Offices for Veterans Service Officers that United Spinal Association has received in the current or previous two fiscal years.

Biography of Ross Meglathery

Ross Meglathery is the Director of VetsFirst, a program of the United Spinal Association. Ross has devoted his life to serving the nation and its military/veteran community. Prior to his tenure at VetsFirst, Ross spent over 15 years in the military, Homeland/National Security and private sectors. As a high school student he interned for Representative Ted Weiss in his New York City district office. As a college student he attended Officer Candidates School where upon graduation, he was commissioned a second lieutenant of Marines. Highlights of his active duty career include a deployment to Western Sahara, Africa as a United Nations Military Observer serving as one of 15 US military personnel in a multi-nation contingent. In 2004-05 Ross deployed with the 24th Marine Expeditionary Unit (Special Operations Capable) where he received the Combat Action Ribbon, and the Purple Heart Medal for wounds received by mortar fire. He deployed once again to Iraq as part of the 2007 Surge in Al Anbar where he performed the duties of a Joint Terminal Attack Controller (JTAC) and led a specialized team in support of US, and Iraqi Army units. For his service, he was awarded the Navy and Marine Corps Commendation Medal with Valor Device. In 2010, Ross was selected as a Congressional Marine Fellow where he worked for Representative Mike Coffman. In this capacity, he worked on Defense, Homeland Security, Veterans, Small Business and Rare Earth Metals issues.

As a reservist, Ross has commanded an artillery battery and currently serves as a lieutenant colonel at MAGTF Staff Training Program Division, Marine Corps Base Quantico.

As a civilian, Ross has worked as a Program Analyst at the Office of Special Programs at the Department of Homeland Security for Intelligence, Surveillance and Reconnaissance matters. Additionally, he has experience with unmanned aerial system policy, test & evaluation, modeling & simulation, intelligence production as a subject matter expert in both the public and private sectors.

Ross is a graduate of Harvard University where he earned a Master in Public Administration. In addition, he holds a Master of Science in the Management of Information Technology degree from the University of Virginia and a Bachelor of Arts in History from Trinity College, Hartford.

In his spare time, Ross is the president of the board of directors for Deeper Missions a 501 C 3 organization devoted to clean energy and safe water in Africa.

As Director of VetsFirst, Ross's efforts support legislation that is designed to address the issues where veterans and disability community issues intersect. Ross seeks to bring attention to veteran issues such as PTS, TBI, MST, suicide, unemployment, VA accountability, dependent concerns and find ways to mitigate these problems. Additionally, he serves the Resource Center through VetsFirst's programs to answer veterans' question regarding educational, health, and disability benefits that they deserve based on their service.

Prepared Statement of James H. Danis II, CMB, AMP

Chairman Wenstrup, Ranking Member Takano, thank you for the opportunity to testify on behalf of the Mortgage Bankers Association (MBA)¹ on the status of the U.S. Department of Veterans Affairs (VA) Loan Guaranty Program and Specially Adaptive Housing Grant Programs. I am James H. Danis II, and President of Residential Mortgage in Fayetteville, North Carolina, a Certified Mortgage Banker, and MBA member.

I have been in the mortgage business for 23 years and have worked with the VA Home Loan Guaranty Program since 1993. Approximately 70 percent of the loans my company makes are VA loans. In North Carolina, loans guaranteed by VA are an important part of our market and their use is increasing. During fiscal year (FY) 2015, 14,353 VA purchase loans were originated in our state, up 12.9 percent from FY 2014. On a personal note, I am a beneficiary of the VA Home Loan Guaranty Program. The homes my parents purchased to raise me and my siblings were bought with VA loans. In keeping with our family tradition, I served my country and my first home was financed with a VA loan. For many reasons, I am a strong advocate of this guaranty program.

In 1944, Congress established the VA Home Loan Guaranty Program, under which an eligible veteran could obtain a low-interest, up to 100 percent loan-to-value (LTV) mortgage loan to buy a house. The program was one of the major innovations and an important part of the original Servicemen's Readjustment Act of 1944, commonly known as the "GI Bill." Since its inception, the objective of the program has been to assist eligible veterans and active duty service members in becoming homeowners. The VA program is designed to benefit men and women because of their service to the United States, and is not intended to fulfill general economic or social objectives.

MBA has always been a staunch supporter of the VA Loan Guaranty Program and we believe it remains an important and viable program for veterans and active duty military personnel. As credit markets have tightened and loan underwriting has become stricter, finding zero-downpayment mortgages has become increasingly difficult. Providing 100 percent LTV loans is a tremendous benefit to our veterans who have dedicated their lives to serving our country and is crucial in military communities.

I. Background

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mba.org.

Based on VA and MBA data, VA guaranteed 629,087 loans totaling \$154.1 billion in calendar year (CY) 2015, to purchase or construct a home, or refinance an existing home loan. This number is up from CY 2014, when VA guaranteed 483,229 mortgages totaling \$111.7 billion. Though VA lending is still a relatively small percentage of the overall housing market, constituting 10 percent of the overall originations for CY 2015, VA home loans have gained market share, increasing from 9 percent in CY 2014 and 7 percent in CY 2013. More remarkably, according to 2014 Census and the National Association of Realtors (NAR) data, as of January 7, 2016, homeownership among the veteran population is 76 percent, compared to 62.5 percent for the general population. The borrowers who use the VA program for their homeownership financing are as varied as the U.S. population. According to VA's 2015 Annual Benefits report, African Americans comprised 10.6 percent of VA loans, American Indian and Alaskan Natives comprised 8.3 percent, Hispanics comprised 7.8 percent, and Asian and Pacific Islanders comprised 2.6 percent.

VA guaranteed loans are underwritten by private lenders to eligible veterans for the purchase of owner-occupied homes. These loans are comprised of both fixed- and adjustable-rate mortgages and can be used for purchase or refinance. Lenders will generally loan up to four times a veteran's available entitlement without a downpayment provided the veteran is income and credit qualified and the property appraises for the asking price. If the loan is approved, and the veteran is eligible, VA will guaranty a portion of the loan to the lender. Although the VA does not have a maximum loan amount, there are effective "loan limits" for high-cost counties. The basic or primary VA guaranty is \$36,000, however, for loans that exceed \$144,000, a guaranty of up to 25 percent of the loan amount is possible, and for loans that exceed \$417,000, a guaranty of the lesser of 25 percent of the VA county loan limit or 25 percent of the loan amount is available. This guaranty allows a veteran to obtain favorable financing terms while protecting the lender against losses up to the amount guaranteed.

II. VA Loan Performance

Despite most of these borrowers not having "skin in the game," VA loans have continued to outperform their counterparts (see chart below, based on MBA data). This demonstrates that the VA portfolio has been able to sustain successful production and weather the turbulent market, largely due to its historically conservative underwriting standards, which include a residual income test. VA mortgages have always been fully documented and fully underwritten loans on owner-occupied properties.

	Seriously Delinquent 3rd Quarter 2015, %	Foreclosure Starts, %
		3rd Quarter 2015
VA	2.85	0.38
FHA	5.39	0.61
Conventional	3.23	0.34
U.S. Total	3.57	0.38

Source: Mortgage Bankers Association

Although VA requires no downpayment and has no monthly mortgage insurance, VA requires a mandatory funding fee that can be financed into the loan. This fee must be paid at closing unless a borrower receives service-connected disability payments each month that serve as an exemption from the fee. The fee ranges from 2.15 to 3.3 percent of the loan amount on purchases and 0.5 to 3.3 percent of the loan amount on refinances. The fee varies depending on the type of loan, the borrowers' type of military service (regular, Reserves, or National Guard), whether the borrower is a first-time or subsequent loan user, and whether the borrower makes a downpayment. First-time users' fees are less than subsequent users. For borrowers refinancing to lower the rate, the fee is 0.5 percent. This fee is a critical part of the VA Loan Guaranty Program and allows the program to maintain funding for future generations of military families.

III. Recommendations

MBA appreciates VA's continued support of veterans through its policies and guidelines. MBA supports VA's primary objective of increasing access to credit for deserving veterans and their families through flexible underwriting criteria that gives lenders the ability to qualify more veterans for homeownership. This objective

is reflected in VA's willingness to help veterans and lenders to achieve sustained homeownership with the inclusion of a waiting period after a foreclosure or bankruptcy, 100 percent financing options, and no minimum credit score requirements. Additionally, it is critical to acknowledge VA's responsiveness to lenders' concerns throughout the loan process in efforts to avoid significant delays and ensure that loans are processed in a timely manner. To this end, MBA recognizes VA's efforts to work effectively with lenders on a one-on-one basis, valuing the need to establish strong relationships with participating lenders. These efforts help keep the program relevant and encourage continued lender participation.

Although the VA program has had an excellent track record of providing benefits to veterans and active duty military personnel, MBA has recommendations to further improve this important program. To this end, MBA supports the creation of a lender advisory panel to better align VA's standard policies with other industry programs to ensure VA programming remains current, competitive, and adaptive to the changing needs of its borrowers.

1. Originating VA Loans

MBA offers the following origination recommendations to keep the loan program effective and relevant in the marketplace today. Enhancing this important program will encourage more lenders to participate in the VA program and ensure direct benefits for military families.

a. VA Guidelines:

MBA recommends that VA issue a final QM rule that establishes clear, bright lines in response to questions lenders have raised following the release of the interim final rule on May 9, 2014. When this final rule is issued, MBA urges VA to allow for an appropriate implementation period so that lenders can change processes and procedures and to obtain any necessary clarifications from the VA. When guidance is promulgated and effective immediately, many lenders are not afforded the sufficient time necessary to test their systems to ensure that they are in compliance with VA guidelines.

MBA commends VA for making a number of clarifications in its recently released Circular 26-16-03, specifically clarifying that the "allowable fees" included in the Interest Rate Reduction Refinance Loan (IRRRL) recoupment calculation are not intended to include prepaid items such as real estate taxes and homeowners insurance. In the interim final rule, for an IRRRL to be accorded QM safe harbor status, all allowable fees and charges financed as part of the loan or paid at closing had to be recouped within 36 months through regular mortgage payments, which caused certain IRRRL originations to fall outside of QM safe harbor status in one month, and inside it in the next, based on proximity to tax season.

This Circular, however, also changed VA policy by clarifying that for an IRRRL to be QM safe harbor, the loan being refinanced must have been originated at least six months before the new loan's closing and at least six payments have been made on the original loan. In VA's interim final rule, a lender needed to only wait six months from closing. The inclusion of a six month payment requirement adds an additional 45-60 day period after closing. This policy change will have implications on the way in which lenders are processing IRRRLs and will result in lender confusion without further clarification or a delayed effective date for this policy change.

MBA urges VA to repeat these clarifications in its final QM rule. Providing clarity to IRRRL guidelines through a source as authoritative as a final rulemaking will create a sense of certainty for lenders and a consistent application of the rules throughout the industry. Without such authoritative guidance, some lenders may still be hesitant to take on the risks associated with loans that are not formally deemed safe harbor loans.

b. Certificate of Eligibility Process:

Once an active duty service member or veteran establishes their eligibility for a VA guaranteed loan, eligibility to obtain VA home loan benefits must be confirmed by obtaining a Certificate of Eligibility (COE). A COE is an official document, issued upon proof of military service, to verify to the lender a borrower is eligible for a VA-backed loan. Without a COE, lenders are unable to complete the processing of a VA guaranteed loan. The COE can be obtained by the prospective VA borrower themselves, online, by mail, or by visiting a nearby Regional Loan Center, or the document may be obtained by a VA approved lender through VA's Automated Certificate of Eligibility (ACE) system. The ACE system was designed to automatically generate a COE, which is intended to make it easier for the veteran and lender to obtain eligibility verification. Though ACE automatic certifications have been significantly improved for veteran borrowers over the past year, some lenders still struggle

with the additional verification needed for COEs generated and housed in the ACE system. In order to protect lender guarantees, lenders must be able to verify the original date a COE was issued due to individual lender requirements. Additionally, there is no mechanism for lenders to verify whether a COE has already been used by another lender. Though ACE has created a centralized database to hold all veteran COEs, without the ability to obtain additional verification information on these issuances, lenders will still be unable to accept these certifications, which ultimately will delay the VA loan process for a deserving veteran who is eligible for a loan.

MBA appreciates the strides VA has made in significantly improving the COE process for veterans. In order to make this system even more user-friendly, MBA encourages VA to continue to improve the COE process and create a business to government communication system that assigns a case number to each COE request. By streamlining the processing system, similar to other loan program systems, lenders will have easier access to COE information.

c. Appraisals:

Accurate and timely appraisals are critical to a successful origination process. MBA recommends VA work with the industry to refine its appraisal process. Currently, VA operates a “closed” panel of appraisers who must be approved by VA to be a part of the panel. VA approved appraisers must be licensed, and have at least five years of experience. To maintain the independence of the appraisal process, VA completely controls the valuation process by setting fees, turn times, and assigning appraisers to assignments on a rotating and randomized basis. VA may also remove an appraiser from the panel based on failure to follow VA guidelines.

Although this process works well for many, some have voiced concerns regarding appraiser availability and the length of appraisal processing times. Due to the limited number of VA-approved appraisers, some lenders are concerned about sufficient appraiser availability to cover the demand for VA appraisals. Additionally, some lenders have reported the overall VA appraisal process can result in extended processing times that have the potential to delay the VA loan process.

With these concerns in mind, MBA welcomes the opportunity to work with VA on improving the appraisal process within the bounds of VA’s statutory framework. MBA encourages VA to re-evaluate its appraisal process and we look forward to working with VA staff on developing enhancements that will improve appraiser efficiency while maintaining the independence and integrity of the current process.

d. Technology Support:

Given increasing developments in technological capabilities and a fast-changing market, VA requires additional support for technology developments in order to increase program competitiveness and support increased efficiencies within its loan processes. MBA supports the allocation of increased funding and resources for VA to work with its participating lenders to improve its technology interface, including its appraisal software and lender portal, to meet the needs of both lenders and VA and increase technological integration with the industry. This will also enable VA to improve current systems and databases to make processes more user-friendly for both lenders and veterans. Additionally, MBA requests resources to support VA efforts to educate veterans on its homeownership program by better understanding the decision-making process of veterans when financing a home and to monitor and measure individual VA appraiser performance to help streamline the appraisal process. These initiatives are critical to the further improvement and expansion of the VA loan program.

2. Servicing VA Loans

MBA appreciates VA’s continued support of veterans through its servicing guidance and believes that VA’s efforts towards efficient communication benefits the program by providing transparency within key processes. MBA recognizes many useful communication tools VA uses to help lenders access contact information for specific groups such as Regional Loan Centers and the Construction and Valuation Section (C&V) to make the loan process more efficient. Additionally, the functionality of the VALERI Helpdesk serves as a great resource for loan-level answers. MBA also values VA’s open guidelines that give servicers the opportunity to do what is in the best interest of the veteran borrower. Though guidelines state a required end result, no specific actions are required to achieve it. This flexibility allows servicers to work with a borrower to make decisions that best benefit their particular circumstances. This program flexibility benefits lenders, borrowers, and the VA in adjusting to a borrower’s specific needs.

Though there are many positive VA servicing guidelines, there are some changes VA could make to allow its servicing partners to better serve veteran borrowers and

address the challenges unique to servicing VA loans. MBA offers the following servicing recommendations to simplify and create more cost-effective processes that will further improve the program.

a. Reauthorization of the Extended Foreclosure Protections in the Servicemember Civil Relief Act (SCRA).

MBA calls on Congress to reauthorize the extended foreclosure protections afforded to active-duty military provided by the SCRA. During the financial crisis, Congress extended the SCRA's foreclosure moratorium for active-duty military from three months to one year. This extension has been continuously renewed until Congress failed to extend this provision at the end of 2015. MBA urges the House to reauthorize SCRA as the Senate did late last year and to ultimately enact a permanent extension of this important protection for active duty military.

b. Assumptions:

With many in the industry anticipating a rise in interest rates over the next few years, a growing opportunity for veterans seeking homeownership will be the assumption of an existing VA loan that was previously originated at lower than market rate. Today, many VA loans are assumable at the discretion of the servicer of the original loan. However, VA rules cap the maximum amount a lender is allowed to charge to process an assumption at either \$250 or \$300, plus the credit report, depending on whether the lender has automatic authority to underwrite the file on behalf of VA. This fee cap was set many years ago, and has not been increased or indexed for inflation. In practice, the actual cost of processing a loan assumption for a new borrower is several times this amount. Additionally, many servicing platforms are not properly equipped to process the required elements of an assumption, such as a creditworthiness review of the assuming party.

In order to make processing VA assumptions viable for servicers, MBA encourages VA to ensure that those processing VA assumptions are able to cover their processing expenses. This can be achieved by increasing the maximum assumption fee servicers are allowed to charge. MBA offers to assist VA with this initiative to offer veterans the opportunity to utilize assumptions to further expand homeownership opportunities at below market rates. The availability of assumptions will also increase home values for veterans looking to sell their homes by making below market rate loans available to any buyer, ultimately expanding access to credit for all American consumers.

c. Improve the Issuance Process for Disability Benefits:

MBA commends VA on its ability to work with VA's loan technicians to push for disability benefits to get veterans to workout options. In fact, MBA urges VA to reduce turnaround times so servicers can help more veteran borrowers. In some instances veteran borrowers are unable to make their payments because their disability benefits have not been processed. As a result, these veterans may be flagged as being in danger of losing their home. The delay in processing disability benefits not only hurts veterans by putting them in danger of losing their homes, despite their ability to make their loan payments if benefits were paid on time, delays also have the potential to raise VA costs because in cases of defaulted loans, VA will have to pay the cost of the guaranty.

MBA recommends that VA establish a formalized process to issue disability benefits owed to deserving veterans. Through this process, VA would be able to coordinate the payment of disability benefits in tandem with housing loan payment due dates. A formalized process will grant veterans the benefits they are owed, keep deserving veterans in their homes, and decrease VA costs by improving VA program coordination.

d. Train Regional Loan Center team members for specific states:

While centralizing the Regional Loan Center staff has organizational and communication benefits, the process has resulted in the loss of some expertise in state specific rules or requirements. MBA encourages VA to retain the benefits of centralization by training some Regional Loan Center staff to cover specific state laws and requirements.

e. Expand Loss Mitigation Options:

There is a balance in loss mitigation between doing everything possible to keep a borrower in their home while protecting the taxpayer investment in the program. While VA loss mitigation options do afford some flexibility to servicers, the available program options could and should be expanded to allow servicers more leeway to meet the needs of the borrower. To this end, MBA suggests working with Ginnie

Mae to develop programs that would facilitate pooling of longer term-extension modifications and other similar programmatic solutions that may help increase the tools a servicer can deploy in loss mitigation.

3. Specially Adaptive Housing Grant Programs

VA provides two types of grants to service members and veterans with permanent and total service-connected disabilities to help purchase or construct an adapted home or to modify an existing home to accommodate a disability. These programs are the Specially Adapted Housing (SAH) grant and the Special Housing Adaptation (SHA) grant. Specifically, the SAH grant program helps veterans with certain service-connected disabilities to live independently in a barrier-free environment by providing funds to construct a specially adapted home on land to be acquired, build a home on land already owned if it is suitable for specially adapted housing, remodel an existing home if it can be made suitable for specially adapted housing, or to apply against the unpaid principal mortgage balance of an adapted home already acquired without the assistance of a VA grant. These grants are critical to allowing disabled veterans to live independently after they return home from their dedicated service. According to VA data, in FY 2014, VA approved more than 1,154 SAH grants totaling over \$61 million in home modifications for disabled service members.

MBA urges Congress and the VA to ensure that this program is fully funded and fully staffed to provide disabled veterans with access to the valuable resources and benefits afforded by SAH grants. These benefits can be used for, but are not limited to, the building of wider doorways and hallways to accommodate wheelchairs, ramps or platform lifts, and wheelchair accessible bathrooms. Adding these housing features can be time consuming and expensive, but these grant programs are designed to reduce burdens and costs for deserving veterans. The robust continuation of this grant program is critical to the care and rehabilitation of our wounded veterans and a necessary benefit that will help our veterans regain their independence.

IV. Conclusion

MBA welcomes the opportunity to work with the VA and Congress to enhance the already-existing benefits of the VA Loan Guaranty Program. MBA and its members are willing and eager to work with this subcommittee and the VA staff in an effort to develop and implement our recommendations in order to increase the attractiveness of the VA program and, ultimately, the number of available homeownership opportunities for the many deserving eligible veterans and their families.

We thank this subcommittee for giving MBA the opportunity to voice our appreciation for and dedication to the VA Home Loan Guaranty Program. This program is invaluable to the brave men and women who have sacrificed for our country. MBA is confident the enhancements suggested today will help make the program even more beneficial to veterans and their families. We look forward to working with you and the administration to help sustain the VA Home Loan Guaranty Program for many generations of veterans to come.

Prepared Statement of Sherri Meadows

INTRODUCTION

Chairman Wenstrup, Ranking Member Takano, and members of the Subcommittee, My name is Sherri Meadows. I have been a REALTOR® for 33 years, and am the broker/owner of three Keller Williams offices in Florida. In 2014 I was elected President of the Florida Association of REALTORS®, and today I serve as the 2016 Vice President of the NATIONAL ASSOCIATION OF REALTORS®. I am here representing more than one million REALTORS® working in all aspects of real estate.

The NATIONAL ASSOCIATION OF REALTORS® is a strong supporter of housing opportunities for veterans. REALTORS® commend the Subcommittee for its attention to issues impacting American veterans. According to the US Census, there were 19.3 million military veterans in the United States in 2014. The Department of Veterans Affairs (VA) Home Loan Guaranty program serves a large population and is doing it well. The homeownership rate for veterans was 76 percent in 2014 - well above the national average of 64 percent.

The VA Home Loan Guaranty Program

In 2014, the GI bill turned 70 years old, and with it, the VA Home Loan Guaranty program did as well. The very first loan was made that same year right here in

Washington, DC. This entitlement program encourages private lenders to offer favorable home loan terms to qualified veterans. Today, the VA has guaranteed nearly 22 million loans to American veterans, with a total loan volume of over \$1.7 trillion. The number of veterans eligible to buy a home is increasing. Active military and veterans comprised 21 percent of all home buyers in 2015, according to NAR's 2015 Profile of Home Buyers and Sellers report released in November 2015.

The VA home loan guaranty program is a vital homeownership tool that provides veterans with a centralized, affordable, and accessible method of purchasing homes as a benefit for their service to our nation.

VA's strong yet flexible underwriting allows veterans the ability to purchase a home of their own without depleting their savings. More than 82 percent of veterans utilize the zero-downpayment option provided by VA. Yet, despite this, VA's delinquency rate is very low. In fact, VA's foreclosure inventory rate (the percentage of loans in foreclosure) has bested that of even prime mortgage loans for 25 of the last 30 quarters, according to the Mortgage Bankers Association's National Delinquency Survey data. According to the 2015 3rd quarter MBA data, VA's seriously delinquent rate was 1.46 percent, and the foreclosure rate was even lower at 1.39 percent. That number is very comparable to conventional lending products, which had a foreclosure rate of 1.10 percent, and a delinquency rate of 0.97 percent. This is the experience even when conventional lending rules are widely believed to be very tight with high downpayment requirements.¹

How does VA have such a successful program with zero down? VA requires participating lenders to ensure that the loan payments are appropriate for the veteran's present and anticipated income and expenses and solidly underwrite the loans using debt-to-income ratios and credit history. But, in contrast to conventional lending and even FHA, VA also uses a residual income test. Residual income calculates how much income a borrower will have left for other monthly expenses after home payments. This calculation considers the borrower's complete financial picture, and ensures money is available for emergencies or other contingencies.

VA also requires the use of manual underwriting for those veterans who marginally qualify. For these borrowers, lenders must look at non-traditional factors and give veterans the benefit of the doubt when making a decision.

This program shows that accurate and proper underwriting is the key to successful low-downpayment lending programs. Despite all the talk about "skin in the game", loans with appropriate underwriting and zero down can successfully balance risk and provide for sustainable homeownership.

In addition, the VA home loan program offers protections for veteran borrowers when unexpected financial difficulties occur by offering a variety of supplemental loan servicing programs to help military families avoid foreclosure. VA offers financial counseling and can serve as an intermediary between the veterans and the private lender holding the loan. VA will try and negotiate repayment terms for veteran borrowers in financial difficulty. Under some specific conditions, VA may also purchase the loan and allow the borrower to make payments directly to the VA at a reduced interest rate.

These interventions not only help the veteran retain their home, but save the VA money by avoiding the payment of a guaranty claim. Since 2009, more than half a million veterans, active-duty members, and survivors kept their homes, at a savings to the Government of over \$16.3 billion.

Specially Adapted Housing Programs

In addition to our strong support for the underlying VA loan program, NAR strongly supports grant programs that allow disabled veterans to own a home that accommodates their needs. VA provides two types of grants to service members and veterans with service-connected disabilities to help purchase or construct an adapted home, or modify an existing home to accommodate a disability. These grants are critical to allowing disabled veterans to live independently, and a critical part of our commitment to the benefits provided in return for their service. In FY 15, VA approved more than 1,800 grants totaling \$96M in home modifications for seriously injured service members.

NAR urges Congress and the VA to ensure that this program is fully funded and fully staffed, so that veterans with disabilities can access this valuable resource. Making a home suitable for an individual's disability is expensive and time-consuming. The Specially Adapted Housing programs are designed to reduce these costs for our veterans. Our wounded warriors need assurances that their needs will be met through this program, and that applications will be received, reviewed and ap-

¹National Delinquency Survey, Mortgage Bankers Association, Q315.

proved without unnecessary delay, so they can move forward with their lives and regain their independence.

REALTOR® OUTREACH TO VETERANS AND ACTIVE DUTY SERVICE MEMBERS

Many REALTORS® are veterans themselves, and NAR is proud to support our military members and has created special pins that recognize the service of REALTORS® in each of the military branches. Our members wear these proudly to display their veteran status.

The National Association of REALTORS® has also created an educational program for our members to learn how to best service our military families. The Military Relocation Professional Certificate program focuses on educating real estate professionals about working with current and former military service members to find the housing solutions that best suit their needs and take full advantage of military benefits and support. To date 6,868 REALTORS® have earned the certification.

NAR also has an ongoing partnership with the Department of Veterans Affairs. Each May, REALTORS® from across the nation attend a briefing at the Department regarding the home loan program and discuss ways to make it work to the greatest benefit to veterans. NAR has produced a short video, "VA Home Loans - 70 Years and Counting"² to educate REALTORS® on the program, and has worked to disseminate a video produced by the VA entitled, "VA Home Loan Program: Why Should REALTORS® Work with VA?"³

Changes to the VA Home Loan Guaranty Program

This Committee was successful in 2008 and 2012 in making a number of changes to the VA home loan guaranty, making this program even more useful for veterans. The National Association of REALTORS® offers several other changes that could further enhance the program.

Consider High Cost Loan Limits: The VA Home Loan guarantee program is unique. It is not simply a federal loan program - it is an entitlement promised to our military members in return for their service to our nation.

A significant number of veterans live in urban areas. States with the largest veteran population are California, Texas, and my home state of Florida. These three states account for about 24 percent of the total veteran population. Both California and Florida include areas where the median prices of homes are well above the national average. The current loan limits simply cannot provide all veterans with the full range of access. Higher limits, which provided loans up to 125 percent of local area median price, expired in 2014. NAR urges the Subcommittee to take action to give veterans the freedom to purchase a home where they choose to live. Veterans in high costs areas should not be penalized for geographic differences in the housing market.

VA Fee Requirements: To ensure the veterans do not have to pay excessive fees in the home purchase transaction, VA rules limit the amount veterans can be charged for closing costs and even fees like termite and other inspections. While NAR fully supports VA's efforts to limit fees paid by veterans, our members report that veterans using the VA Home Loan Guaranty program have found themselves at a disadvantage when purchasing a home because of these rules. NAR believes that VA borrowers should be allowed to negotiate fees with sellers, just as non-VA borrowers do, as a part of home purchase transactions.

In some purchase transactions, special certifications and inspections stemming from VA policy guidance are required by lenders. Today, these certifications and inspections involve fees that must be paid by the seller, as VA limits the fees veterans can pay in a home purchase transaction. If the seller refuses, the veteran is denied the opportunity to purchase the home of his or her choice.

Some sellers have refused to even accept offers from VA borrowers, due to the inability of VA buyers to pay certain customary buyer-paid fees. This issue is exacerbated by the current low inventory of homes. When there is a multiple bid situation on a home, veteran buyers are often at a disadvantage, because buyers do not want to have to abide by VA's rules. NAR believes that VA borrowers should be allowed to negotiate fees with sellers as a normal part of home purchase transactions.

On November 7, 2014, the Department of Veterans Affairs issued new guidance that allows veterans to negotiate the payment of wood destroying insect inspection fees in select southern and western states. NAR and VA continue to work together to find ways to improve the loan process for Veterans. NAR has urged VA to allow

² <http://www.realtor.org/videos/veterans-home-loans-70-years-and-counting>

³ <https://www.youtube.com/watch?v=O90LCcea-Uo&list=PLA93A5833057D78B7>

buyers to negotiate the payment of certain fees, such as pest inspections. While pest inspection fee payments will not be allowed in all states, this policy change is a step in the right direction.

REALTORS® urge VA to create a level playing field, and provide veterans with the flexibility to negotiate all fees, so they aren't disadvantaged when trying to buy a home.

Incentivize a Program for Renovation/Rehabilitation: NAR urges the US Department of Veterans Affairs (VA) to incentivize lenders to use existing authority to offer a Veterans Renovation Pilot Program similar to the Federal Housing Administration's (FHA) 203(k) Program. The pilot could be run through VA's Loan Guaranty Program, which allows a veteran to purchase, repair, alter, renovate, and improve a home under USC Title 38, section 3710. Like FHA's 203(k) Program, this pilot would promote homeownership and be an important tool for community and neighborhood revitalization and stabilization. The program would also be effective in areas with a large stock of older homes in need of renovation, just as the FHA program has been for years. Under the Veterans Renovation Pilot Program, veterans would use their guaranty to purchase single family homes in need of renovation and repair. Condominium units would also be eligible. The borrower gets just one mortgage loan, at a long-term fixed rate, to finance both the acquisition and the rehabilitation of the property. To provide funds for the rehabilitation, the mortgage amount is based on the projected value of the property with the work completed, taking into account the cost of the work. Renovations should be completed only by licensed and bonded contractors. This program has been very successful for FHA borrowers, and should be offered to veterans as well.

Conclusion

I thank the Subcommittee for this opportunity to share the views of NAR regarding veterans housing. The NATIONAL ASSOCIATION OF REALTORS® strongly supports housing opportunities for our nation's veterans and active duty military professionals. It is our hope that the Subcommittee will support our recommendations for enhancing and improving the VA home loan guaranty program, so it may be a real benefit to those who have so bravely served our country.

Prepared Statement of Mike Frueh

Good afternoon Chairman Wenstrup, Ranking Member Takano, and other Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the status and accomplishments of the Department of Veterans Affairs (VA) Home Loan Guaranty Program, to include the Specially Adapted Housing Program.

Overview

The mission of VA's Home Loan Program is to maximize opportunities for Veterans and Servicemembers to obtain, retain, and adapt homes by providing a viable and fiscally responsible benefit in recognition of their service to the Nation. We empower Veterans with information and access to innovative, quality products and services by engaging our industry partners and helping them deliver high-quality benefits to Veterans in an efficient and effective manner. Through these strong partnerships, our focus on Veterans, and our continuous drive to innovatively enhance operations and performance, we have built a high-performing program that has provided nearly 22 million loans totaling over \$1.7 trillion over the last 70-plus years.

Program Data and Accomplishments

Recent efforts increasing Veteran access to and stakeholder knowledge of the program have contributed to a number of beneficial outcomes for Veterans. Interest rates for VA loans remain lower than those of conventional and Federal Housing Administration (FHA) loans, and VA captured approximately ten percent of the mortgage market in FY 2015, guaranteeing a record of more than 631,000 loans. VA has provided more loan guaranties over the past six fiscal years (2.9 million) than it did in the ten years prior (2.5 million).

Despite the worst housing-market crash since the Great Depression, VA has worked with private-sector loan servicers to help over 500,000 Veterans and their families retain their homes or avoid foreclosure since 2009. This equates to the United States taxpayer avoiding over \$16.3 billion in foreclosure claim payments. Last year alone, VA saved a record 90,000 Veterans from foreclosure, which equates to a savings of \$2.8 billion in avoided claim payments. Further, VA's foreclosure in-

ventory rate (the percentage of loans in foreclosure) has been better than conventional prime mortgage loans for 25 of the last 30 quarters according to the Mortgage Bankers Association's National Delinquency Survey data.

VA has seen significant increases in Veterans using the Specially Adapted Housing (SAH) program in recent years as well. The SAH program is designed to ensure eligible seriously disabled Veterans have the ability to improve independent living through the purchase and/or construction of an adapted home, or the modification of an existing home to meet their needs. In FY 2015, we approved more than 1,800 grants, totaling \$96 million, which represents an increase of approximately 44 percent over FY 2014 and an increase of approximately 65 percent over FY 2013. Additionally, FY 2015's approvals include a best-ever 13 grants for Veterans living outside of the U.S. Recent statutory expansions in the SAH program, coupled with military drawdowns and VA's success in reducing disability compensation claims processing time, have contributed to the overall increase in SAH-eligible Veterans. VA's success in helping these Veterans reach grant-approval is largely due to the streamlined policies and procedures that VA implemented in February 2014.

VA has also sought to increase awareness and usage of the Native American Direct Loan (NADL) Program by reinvigorating outreach efforts to Native American Veterans and Tribal governments. The NADL Program allows VA to provide direct loan financing to Veterans seeking to live on Federal Trust lands. In order for VA to provide financing, a memorandum of understanding (MOU) must first be signed between the Tribal government and VA. During FY 2015, VA held 44 outreach events with over 80 tribes, and recorded nearly 1,100 individual phone or email communications with various Tribal governments. This work translated into eight new MOUs and 18 new loans in FY 2015, bringing the program-to-date totals to 93 MOUs and 989 loans originated.

Process and Technological Enhancements

VA has worked to provide world-class customer service to a recent influx of Veteran borrowers by enhancing and implementing new technology and nationalizing or streamlining key work products and processes. One such nationalized process is the Home Loan Program's certificate of eligibility (COE) workload. The COE verifies to the lender that a Veteran is eligible for a VA-guaranteed loan. While the percent of COEs issued electronically and in a matter of seconds rose to a record 67 percent in FY 2015, some COEs cannot be processed automatically by the system and require manual intervention. In order to increase VA's efficiency in processing those requests, VA began distributing those COE requests across staff at VA's nine regional Home Loan Program offices. In May 2015, VA's inventory of pending home loan COEs was over 15,000, with an average processing time of 26 business days. By August 2015, that inventory declined to fewer than 4,000, with an average processing time of two business days. Currently, there are approximately 2,000 pending COEs, with an average processing time of two business days.

VA also recently implemented two initiatives that provide key program and industry benchmarking data necessary for enhanced monitoring of loan, lender, and appraiser performance. As part of the first phase of an initiative to develop and implement a risk-based loan review environment, VA's Full File Loan Review (FFLR) initiative is enhancing our electronic collection of over 300 data points from loan closing documents and our ability to standardize and analyze that data.

Additionally, in order to ensure quality and timeliness of appraisals, VA implemented the Automated Valuation Model/Appraisal Management System (AVM/AMS), which aggregates appraisal data on VA loans as well as other loan types in the marketplace. The AVM/AMS tool uses an automated, rules-based approach to identify areas of risk, and provides VA with an appraisal risk score and comprehensive and detailed data for each appraisal in one report. This tool provides VA and its lending partners with significant time savings in appraisal reviews and issuance of the notice of value, an important benefit given the program's recent upward trend in loan volume.

Outreach and Program Education

In recent years, VA has focused outreach and education efforts on homebuyer literacy, general program and benefit information, the NADL Program, and foreclosure avoidance. In order to deliver information directly and further the interests of Veteran beneficiaries, VA participates in many interagency workgroups and private-sector collaborations and attends numerous mortgage industry events each year. VA also develops and delivers numerous informational products such as brochures, posters, and personal online testimonial videos from Veterans who have taken advantage of the assistance VA provides in avoiding foreclosure and in adapting a home through the SAH grant program. In response to a rapidly changing mortgage indus-

try and the need for lenders to obtain real-time answers to pressing questions about program policy changes, VA has developed a number of live, interactive training broadcasts that we later make available to those unable to attend the live broadcasts.

VA takes a more individualized approach to outreach under the SAH Program. Due to the complex and individual nature of each grant, it is imperative for VA's SAH agents to consistently, frequently, and personally communicate with Veterans throughout the entire process. Each individual Veteran's disability and housing situation is unique, and as such requires personalized case management from VA's SAH Agents. While the standard outreach methods, such as letters, are used in notifying the Veteran of his/her eligibility, the SAH staff adds personalized outreach from that point forward. Initial program interviews with Veterans are conducted in-person within 30 business days of eligibility determination, and personal agent-to-Veteran contact occurs at least every 30 business days throughout the SAH process. A typical SAH case involves numerous communications and in-person meetings to best understand and communicate the Veteran's unique needs and to help the Veteran navigate the home adaptation process through to completion. VA also conducts yearly outreach to all Veterans who are known to be eligible for the SAH program.

Inter-Agency Collaboration

VA and the Department of Agriculture (USDA) have forged a new partnership to create efficiency in managing foreclosed property assets. Since 2003, and as a result of an OMB A-76 study, VA's business model has been one in which a private-sector contractor is hired to perform all functions required to manage, market, and sell the properties VA acquires from lenders as a result of foreclosure. After numerous discussions between USDA and VA, the two agencies found that this privatized business model would dramatically increase the efficiency with which USDA disposed of its acquired properties and drastically lower costs incurred for each property sold.

In fall 2015, VA and USDA established a pilot program under which VA leverages its private-sector contract to manage, market, and sell USDA's foreclosed property inventory. Since sales under the program have only recently begun, significant performance data is not yet available; however, the joint value proposition analysis prepared in advance of the inter-agency agreement projects that the program will generate annual taxpayer savings of over \$9 million. VA looks forward to continuing work with USDA to realize this projected success.

Upcoming Activities and Enhancements

In the coming year, VA will be working hard to provide Veterans with continued exceptional service. In 2016, VA will continue its focus on nationalizing and standardizing processes to ensure the program is operating in an efficient and effective manner. One such focus is an initiative to reduce hold-times and increase first-call resolution rates for calls coming in to the Home Loan Program. By moving to one telephone number for all Home Loan Program offices, standardizing automated call scripts, and nationalizing the incoming call queue, VA expects Veteran and lender hold times will be reduced and callers will be able to obtain the information or response desired on their first call attempt.

Additionally, VA will enhance Veterans' experience with the SAH grant process by producing a revised Handbook for Design, which Veterans, contractors, and compliance inspectors will use as a helpful resource throughout the grant and construction process. VA will release a new online training module for SAH agents so that they can continue to provide accurate program information and high levels of customer service to SAH grantees. The program will also continue its focus on identifying new ways to handle challenging and problematic SAH cases, such as those involving severe structural defects resulting from poor workmanship or contractor negligence.

VA will develop a risk-based review process for appraisals and appraisers, and for its post-closing loan review program. Risk-based reviews, facilitated by the AVM/AMS and FFLR technology, and developed using statistical methods, will allow VA to identify risk indicators in its loan and appraisal data and target high-risk cases for review. From an oversight perspective, VA will enhance its ability to monitor key program stakeholders and provide them with more detailed performance feedback.

Further, VA's new SAH Assistive Technology (SAHAT) grant program will be poised to award its first grants in April 2016, providing funding to individuals and entities for the purpose of developing assistive technologies related to housing. We look forward to receiving a number of qualifying proposals/applications from interested parties in early 2016, and we are eager to see how the new and innovative technologies could enhance Veterans' abilities to live independently in barrier-free environments.

Finally, VA will re-compete the private fee-for-service contract that provides the VA Loan Electronic Reporting Interface (VALERI) in FY 2016. VALERI is a software-as-a-service solution, deployed in 2008, that allows VA to monitor status on every VA-guaranteed loan, level and distribute work overnight, service and process foreclosure claims electronically, and monitor private-sector loan servicers' performance and compliance with VA policy and regulations. Although this technology has enabled VA to realize significant success in helping Veterans and their families retain their homes or avoid foreclosure, it requires a refresh. VA will be working diligently to identify different contractual and technological solutions to ensure VA's loan servicing technology is modernized and Veterans continue to receive the best service possible.

Legislative Matters

VA looks forward to continued discussions with the Subcommittee on how Veterans can be served by collaborative administration of VA's SAH and Vocational Rehabilitation and Employment programs. As the Subcommittee identified last year, legislation would be required to effectuate the coordinated administration. VA testified to a specific section of draft bill H.R. 2344 before this Subcommittee, which proposed that housing modifications required under a vocational rehabilitation program may be provided under the SAH Program. VA supported the purpose of the bill, but outlined in written testimony some concerns with the bill as drafted. VA appreciates the Subcommittee's interest in helping identify ways in which we can work together to serve Veterans through streamlined benefit programs, and we stand ready to provide any additional technical assistance requested of us in the coming year.

Conclusion

Mr. Chairman, the coming months at VA will be busy and challenging, but I know we will continue to provide our Nation's Veterans with efficient, effective, and meaningful programs centered on meeting their homeownership, home retention, and home adaptation needs. Thank you for your continued support of our programs and for this opportunity to speak today. This concludes my testimony, and I welcome any questions that you or other Members of the Subcommittee may have.

