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September 13, 2012

The Honorable Judy Biggert
2113 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Biggert,

The National Association of REALTORS® thanks you for holding this important hearing about housing opportunities for America's veterans. Our men and women who have served our nation deserve our gratitude and highest level of priority for access to federal programs.

The VA home loan guaranty program is not only a valuable tool for helping our veterans achieve the dream of homeownership but also fulfills a promise that is made in return for their service. We strongly support the VA home loan guaranty program, and believe there are enhancements that can make the program even more valuable to our veterans.

- **Allow transaction fees to be negotiable**

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. To ensure the veterans do not have to pay excessive fees, VA rules limit the amount veterans can be charged for closing costs and even fees like termite and other inspections. While we fully support 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. For some purchases, 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. And, in instances where there are multiple bids, this certainly puts veterans at a disadvantage to the non-veteran purchaser.

This issue is exacerbated by the current proliferation of distressed properties on the market. On a national level, foreclosed homes and short sales make up 24% of all home sales today, and a number of communities have rates that are significantly higher. Veterans are virtually cut out of this market, because there is no "seller" on the other side to pay the necessary fees. These homes are often the most affordable option in many housing markets; however, because VA policy restricts the fees that veterans can pay, the veteran home loan purchaser is clearly disadvantaged from utilizing his certificate of eligibility for a VA loan to purchase a home.



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- **Create a Pilot Program for Renovation/rehabilitation.**

NAR urges the US Department of Veterans Affairs (VA) 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.

Such a program would be very useful in providing veterans access to the currently large supply of Real Estate Owned (REO) properties, owned by lenders or the government. According to the Federal Reserve, as many as 1 million REO properties in both 2012 and 2013 could enter the market.^[1] Florida, Nevada, and Arizona are three states with a substantial number of REO properties and a high concentration of veterans who could be eligible to purchase a home using this pilot. 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.

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. It should be strengthened and enhanced to ensure that our nation's heroes can achieve the dream of homeownership for themselves and their families.

Sincerely,



Maurice "Moe" Veissi
2012 President, National Association of REALTORS®

Cc: House Financial Services Committee, Subcommittee on Insurance, Housing and Community Opportunity

¹ The US Housing Market: Current Conditions and Policy Considerations. Board of Governors of the Federal Reserve System. January 4, 2012.