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June 1, 2012

Honorable Eric K. Shinseki
Secretary of Veterans Affairs
Washington, DC 20420

Dear Secretary Shinseki:

I am writing on behalf of the 1.1 million members of the National Association of REALTORS® (NAR) to request that the US Department of Veterans Affairs (VA) use existing authority to offer a Veterans Renovation Pilot Program similar to the Federal Housing Administration's (FHA) 203(k) Program. The pilot would 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 will promote homeownership and will be an important tool for community and neighborhood revitalization and stabilization.

The National Association of REALTORS® is America's largest trade association, including its eight affiliated Institutes, Societies and Councils, five of which focus on commercial transactions. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

The Veterans Renovation Pilot Program should be offered in all markets, especially those with a high concentration of veterans. Such a program today would be very useful in dealing with the 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 may 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.



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

The VA can ensure adequate safeguards and protections in two ways. The first safeguard is the appraisal process. The appraiser would be required to provide an after-improved value as is also required in the FHA 203(k) Program. VA can ensure additional protection by requiring the use of 203(k) consultants. These consultants, certified by HUD, are tasked with inspecting the renovation to ensure it is completed as described in the scope of work and within budget. VA may wish to consider additional requirements similar to what is required for the 203(k) Program.

Thank you for your time and consideration of this matter. If you would like to discuss this further, please do not hesitate to contact me or our Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or jnagy@realtors.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Moe', followed by a horizontal line.

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