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Honorable David J. Shulkin
Secretary of Veterans Affairs
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Submitted via web: <https://www.regulations.gov/document?D=VA-2017-VBA-0010-0001>

RE: Loan Guaranty: Revisions to Allowable Charges and Fees Assessed Incident to
VA-Guaranteed Home Loans

Dear Secretary Shulkin:

On behalf of the more than 1.2 million members of the National Association of REALTORS® (NAR), I thank you for the opportunity to comment on revisions to the allowable charges and fees associated with the Department of Veterans Affairs (VA) Loan Guarantee Service. NAR strongly believes veterans and active-service members should be able to negotiate the terms of their home purchase contracts, including the payment of fees and charges, in the same manner as borrowers using non-VA financing.

The National Association of REALTORS® is America's largest trade association, representing over 1.2 million members, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. NAR's membership is composed of residential and commercial REALTORS® who are brokers, salespeople, property managers, appraisers, counselors, and others engaged in the real estate industry. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®.

REALTORS® are avid supporters of the VA Loan Guaranty service, which provides veterans and active-service members with a centralized, affordable, and accessible method of financing home purchases as a benefit for their service to our nation. According to NAR's 2016 *Veterans and Active Military Home Buyers and Sellers Profile*, veterans make up 18 percent of all recent homebuyers, while active-service members make up 2.0 percent. Of these buyers, 74 percent of active-service members and 54 percent of veterans use a VA loan to finance their home purchase.¹ NAR understands the desire of the VA to protect the best interests of the veterans and active-service members they serve. While NAR would not want any VA approved borrower to pay unfair or excessive fees when purchasing a home, the current limits on closing costs, fees and charges that can be paid by a VA borrower is negatively affecting veterans' purchase ability in today's housing market.

Over the past two years, the VA has financed a total 1.77 million loans; an incredible 275 percent increase from ten years ago. Given the large number of VA borrowers in today's market, it is alarming that many REALTORS® report that borrowers using VA



financing are at a disadvantage when purchasing a home due to the constraints on negotiation of fees. Many sellers are wary of entering into a transaction involving a VA loan due to the limits on fees and charges that a VA borrower is allowed to pay.

These concerns are legitimate especially when the cap on fees is at odds with local real estate customs on which party pays certain costs. In some purchase transactions, there are special certifications and inspections stemming from VA policy guidance 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 accept offers from VA borrowers, due to the inability of VA buyers to pay certain customary buyer-paid fees. VA borrowers should be allowed to contract with sellers, just as non-VA borrowers do, on all aspects of the home purchase transaction.

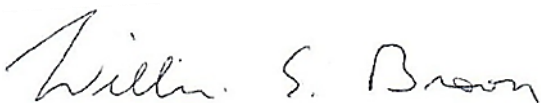
The challenges facing VA borrowers are exacerbated by the current low inventory of homes. Over the past five years, the U.S. housing inventory has become significantly tight and overall home prices grew by 41 percent, four times faster than income.² This phenomenon creates situations where a seller is presented with several offers for a single home. In these multiple bid settings, veteran buyers are often at a disadvantage, because sellers do not want to have to deal with the additional costs imposed by VA's rules. Given the rising cost of homes, VA's no down-payment financing can be the only affordable way for a veteran or active-service member to purchase a given home.

The VA is clearly aware of this problem, as evidenced by the current request for comment and guidance issued by the VA on November 7, 2014, which allowed veterans to negotiate the payment of wood destroying insect inspection fees in select southern and western states. This policy change was a step in the right direction, but did not go far enough to alleviate the burden on VA borrowers created by the VA prohibition on certain borrower-paid fees and charges. NAR believes the VA should take the next step of allowing VA borrowers to negotiate payment of fees and charges with sellers.

REALTORS® urge the VA to give veterans and service members a fair shot at purchasing the home of their choice. The VA home loan was intended to be a benefit for service to America, not to be an obstacle in the VA borrowers' home buying process. The VA should provide veterans with the flexibility to negotiate all fees, charges, and closing costs, so they are not disadvantaged when trying to buy a home.

NAR appreciates the opportunity to comment on this matter. If you have any questions regarding this letter, please contact me or NAR's Regulatory Policy Representative, Sehar Siddiqi, at 202-383-1176 or SSiddiqi@REALTORS.org

Sincerely,



William E. Brown
2017 President, National Association of REALTORS®

² <https://www.nar.realtor/presentations/affordability-challenges-to-homeownership>.