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

**DECEMBER 14, 2022**

Good afternoon, Chairman Takano, Ranking Member Bost, and other Members of the Committee. Thank you for inviting us here today to present our views on the VA Housing Loan Forever Act of 2022. This bill would amend 38 U.S.C. chapter 37 to make certain Veterans' direct descendants eligible for housing loans guaranteed by VA by adding a new section 3737, Authority to Transfer Housing Loan Benefit to Direct Descendants, and making conforming amendments to sections 3701 and 3702. VA would support this bill, if amended, and subject to the availability of budgetary offsets and appropriations.

The bill would provide two options for recognizing a direct descendant as a Veteran for purposes of housing loans under 38 U.S.C. chapter 37. The new section 3737(a) would provide that, during the 5-year period beginning 1 year after the date of enactment of the section, the direct descendant of a Veteran would be deemed to be a Veteran for purposes of housing loans under 38 U.S.C. chapter 37 if the descendant is a first-time home buyer; the descendant files a claim with the Secretary for purposes of section 3737, and the Secretary has not approved any other claim under section 3737 with respect to that Veteran; and the Secretary approves such claim. A Veteran would be described as one who died before the date that is 6 years after the date of enactment of section 3737, who did not transfer eligibility, and who did not receive a housing loan benefit under chapter 37 while living.

Under the new section 3737(b), a Veteran could, beginning 1 year after the section's enactment, elect to transfer their housing loan benefit to one direct descendant. Such descendant would then be eligible for housing loans under 38 U.S.C. chapter 37 provided the descendant is a first-time home buyer; the Veteran is now deceased; and the Veteran did not receive a housing loan benefit under chapter 37 during their lifetime. While Veterans would have an 11-year window in which to transfer their housing loan benefit, the bill would not limit when a direct descendant may use the housing loan benefit.

For descendants under both options, the bill would require the individual to pay the loan fee prescribed by 38 U.S.C. § 3729. The bill further provides that the term "direct descendant" would include a legally adopted descendant. The bill would direct VA to prescribe regulations to implement the amendments made by the bill no later than 180 days after enactment.

VA recognizes the value of the VA home loan benefit in helping Veterans achieve the dream of homeownership and building wealth for themselves and their families. VA notes that an eligible Veteran is able to transfer unused Post-9/11 GI Bill benefits to their spouse or dependent child, and this bill would provide Veterans a similar opportunity in the home loan program. It would also create a path for direct descendants of already-deceased Veterans to realize the intergenerational value of this benefit.

Despite VA's support for the objectives of this bill, amendments are necessary to address several concerns. And VA believes that these amendments can be made without jeopardizing the objectives of this bill or the desire to pass this legislation in a timely manner. First, the bill should make clear that a direct descendant can only use the home loan benefit once under the section and expressly limit use of the benefit by a descendant to a one-time purchase or construction loan for a first-time homebuyer. VA acknowledges that many Veterans use their housing loan benefit multiple times during their lifetime, subject to available entitlement. However, a one-time use accomplishes the goal of assisting direct descendants of Veterans to attain initial homeownership and the advantages that can flow from it. A one-time use also protects the home loan guaranty as a benefit tied directly to a Veteran's service to the Nation. This would not, however, prohibit the descendant from later becoming eligible for housing loan benefits under chapter 37 through their own military service or as a qualifying surviving spouse.

Second, VA supports providing Veterans the ability to transfer to another descendant in the event the current recipient dies prior to using the one-time benefit or the descendant obtains eligibility on their own.

Third, VA has a number of technical concerns that can be addressed by making clarifications to the legislative text. For example, the term "first-time homebuyer" can be interpreted to mean an individual who buys a principal residence for the first time or, as the Internal Revenue Service defines it, "any individual if such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of the purchase" of the new principal residence. 26 U.S.C. § 36(c)(1). VA is also concerned that the bill would not specifically address amounts of entitlement available to a descendant, or whether a default on a descendant's guaranteed loan would constitute a liability to the United States. VA believes additional revisions may be necessary to avoid these and other potential statutory inconsistencies or conflicts, and looks forward to the opportunity to work with the Committee to resolve all of VA's technical concerns.

From an implementation standpoint, VA cannot support a 180-day requirement to prescribe regulations. VA agrees that rulemaking would be appropriate, but VA would expect for the public to have the advantage of a full 60-day comment period. VA would also need time to evaluate all comments and any interagency input. Additionally, allowing VA the time and flexibility to design a regulatory framework and incorporate it into VA's current modernization efforts would ensure that information technology resources are more efficiently spent. VA notes, too, that the authority to issue pre-regulatory guidance could be critical in allowing VA to overhaul existing technology

systems to handle new eligibility determinations under this bill.

VA believes there would likely be both benefit costs and government operating expenses, including information technology costs, associated with this bill; however, VA cannot provide an estimate at this time. As noted above, VA technology systems associated with eligibility determinations and loan tracking would require significant updates to accommodate the transfer of the benefit to a direct descendant. Additionally, because program records dated prior to the 1970s are not available electronically, VA would, for Veterans who may have used benefits prior to 1977, anticipate substantial efforts to review claims and transfer requests to determine whether a Veteran utilized their housing loan benefit. Before VA could estimate these and other costs with some degree of confidence, VA believes that additional discussion with the Committee would be necessary – though again, VA is committed to working with the Committee and others to do so in a timely manner.

In conclusion, VA supports the objectives of this bill and would support this bill, if amended, and subject to the availability of appropriations. This concludes my testimony and I am happy to respond to any questions you may have.