

**STATEMENT OF
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THE AMERICAN LEGION
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
DISCUSSION DRAFT, "THE VA HOUSING LOAN FOREVER ACT OF 2022"**

December 14, 2022

Chairman Takano, Ranking Member Bost, and distinguished members of the House Committee on Veterans Affairs, on behalf of National Commander Vincent J. Troiola and our 1.6 million dues-paying members, we thank you for the opportunity to discuss draft legislation concerning the Department of Veterans Affairs (VA) Home Loan Guaranty Program.

The history of the Home Loan Guaranty Program can be traced directly to the American Legion's advocacy when Past National Commander Harry W. Colmery hand-wrote the initial draft of the Servicemen's Readjustment Act of 1944, commonly known as the GI Bill, from his suite at the Mayflower Hotel in Washington, D.C. Since then, the GI Bill has become known as one of the most important pieces of legislation of the 20th century, ushering in an unparalleled period of American prosperity led by home ownership. However, current market variables have created systemic challenges for veterans and families that demand a reexamination of the size and scope of the VA Home Loan Guaranty Program.

Tracing Home Loan Guaranty Usage

The VA Loan Guaranty Program was predicated on the concept that Americans conscripted into service to their country, through no fault of their own, had missed the opportunity to establish purchasing power and credit through civilian employment.¹ By providing government guarantees of payments to lenders, the VA Home Loan Guaranty Program would make veterans returning from World War II competitive in the housing market with their civilian counterparts. In short order, it became apparent that the program would lead to transformational changes across the country.

By 1955, 4.3 million veterans had purchased homes worth \$33 billion, accounting for 20 percent of all new homes built.² While veterans education and unemployment benefits contracted within ten years, the Home Loan Guaranty Program expanded. In four subsequent decades, Congress would pass no less than 18 bills liberalizing the program's usage, including adding a restoration of

¹ Foote, Bruce E. *VA-Home Loan Guaranty Program*. Congressional Research Service, (2011) https://www.everycrsreport.com/files/20110112_RS20533_a7cf26bc51d6605699907bf01add7ca78997de85.pdf. Accessed 8 December 2022.

² *75 Years of the GI Bill: How Transformative It's Been* (2019). <https://www.defense.gov/News/Feature-Stories/story/Article/1727086/75-years-of-the-gi-bill-how-transformative-its-been/>. Accessed December 8, 2022.

entitlement for veterans to regain the benefit after the property and loan had been paid in full.³ According to the VA itself, the impact of this program manifests beyond its users:

“The VA home loan program has made mortgage credit available to many veterans whose loans otherwise would not have been made. In this connection, although VA borrowers have been directly favored by the more liberal terms on those loans, it is also likely that these terms have induced a competitive liberalization of the terms on conventional mortgages, whose recipients have benefited as well. As a result, the impact of the VA home loan programs on the economy and on the mortgage market vastly exceeds the actual volume of VA home loans.”⁴

Despite its outsized impact on the housing market, the full story of the VA Home Loan Guaranty Program cannot be told without recognizing the veterans that it left out. From the inception of the Servicemembers Readjustment Act of 1944, black veterans had challenges utilizing every component of their GI Bill benefit. The segregation policies of the southern states severely limited educational opportunities, and black veterans were often restricted from buying homes in certain communities. The newly founded town of Levittown, New York, a planned community designed for returning World War II veterans, was closed to black residents. For those black World War II veterans who were granted home loans in redlined areas deemed “hazardous to investment,” the amount they received was on average 18% of the amount that their white counterparts received.⁵

The VA Home Loan Guaranty Program today is a powerful tool for narrowing the homeownership gap for black Americans, with black veterans having consistently higher homeownership rates than black non-veterans.⁶ And while research is still identifying the generational effects from decades of overt redlining, systemic risks developing in the housing market present home ownership challenges to all veterans families alike.

In December 2021, The American Legion testified before the House Veterans’ Affairs Subcommittee on Economic Opportunity, expressing concern over the state of the housing market and its potential to impede VA Home Loan Program usage.⁷ In 2022, this concern was realized. Despite record loans guaranteed in Fiscal Year (FY) 2021, VA’s Home Loan Guaranty Program plummeted from 1.44 million loans guaranteed to 746,091 in FY 2022.⁸ Rising interest rates, the commodification of real estate in private equity, and fewer homes for sale have all been cited as contributing to what one analyst described as “the worst time in my living history for the home

³ *Legislative History of the VA Home Loan Guaranty Program* (2006). Department of Veteran Affairs. <https://www.benefits.va.gov/homeloans/documents/docs/history.pdf>. Accessed December 8, 2022.

⁴ *ibid*

⁵ Meschede, Tatjana, Maya Eden and Sakshi Jain. “*IERE Research Brief: Interim Report from our GI Bill Study.*” Institute for Economic and Racial Equity (2022). https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/gi_bill_may_2022.pdf. Accessed December 8, 2022.

⁶ Williams, Arzelia. “*Military Service Helps Narrow the Homeownership Gap for Black Americans.*” Veterans United, January 28, 2022 <https://www.veteransunited.com/valoans/black-veteran-homeownership-gap/>. Accessed December 8, 2022

⁷ Statement of Joseph C. Sharpe, National Veterans Employment & Education Division, The American Legion, before the House Veterans Subcommittee on Economic Opportunity Removing Barriers to Veteran Home Ownership. December 8, 2021. <https://archive.legion.org/node/8372>. Accessed December 8, 2022

⁸ *VA Home Loan Lender Statistics* (2022). https://www.benefits.va.gov/HOMELOANS/Lender_Statistics.asp. Accessed December 8, 2022.

buyer.”⁹ Most disturbingly, the National Association of Realtors reports that first-time buyers dropped to an all-time low of 26%.¹⁰

These numbers are important because they communicate a national interest in building buying power across federal housing programs, and the VA Home Loan Guaranty Program should not be exempted from review. Nearly fifty percent of non-homeowner millennials say down payment savings is their primary obstacle in buying a home.¹¹ If transferability is added to the VA Home Loan Guaranty Program, the no down payment incentive is a solution that can overcome this obstacle for those from veteran and military families. Also, this could positively impact living veterans as twelve percent of home buyers were adult children purchasing multi-generational homes to be closer to and provide care for aging parents.

Expanding Eligibility

The prospect of expanding eligibility is one The American Legion does not take lightly. The honor and privilege of voluntary service experienced by men and women in uniform set them apart as they swear to support and defend this country. The benefits and privileges that go along with that service should be reserved for those who put their life on the line, but in some cases, it is equitable to extend benefits to the veterans family.

The question before us today is whether descendants should enjoy the VA Home Loan Guaranty Program earned by their loved one who served in the U.S. military. While recognizing the above injustices, we currently do not have a position on the question of transferability to descendants, but welcome continued discussion surrounding this approach to benefit transferability. Concurrent with this question, a separate discussion on expanding the VA Home Loan Guaranty Program to immediate dependents is warranted.

The Post-9/11 GI Bill’s transferability component serves as the principal example for this potential expansion. While the enactment of this provision was designed in part to supplement Department of Defense retention incentives, in 2008, The American Legion articulated its support clearly on the basis of family need:

*“The American Legion also believes that a servicemember or veteran should have the authority to transfer their educational benefits to family members, such as their spouse and children. This is an earned benefit that should be used at their discretion and based on family need. This transferability option would show the thanks of a grateful nation to the servicemember or veteran. Transferability also recognizes the importance of family support to the servicemember or veteran because, although the nation recruits the servicemember, it re-enlists the family for continued service by the servicemember in the armed forces”.*¹²

⁹ Chen, Stefanos. “The Housing Market Is Worse Than You Think.” New York Times, November 4, 2022.

<https://www.nytimes.com/2022/11/04/realestate/housing-market-interest-rates.html>. Accessed December 8, 2022.

¹⁰ National Association of Realtors (2022). <https://www.nar.realtor/blogs/economists-outlook/eleven-takeaways-from-the-2022-profile-of-home-buyers-and-sellers#:~:text=1.34%25%20just%20a%20year%20ago>. Accessed December 8, 2022.

¹¹ Factors That are Holding Back Non-Homeowners From Saving for a Down Payment in the United States in 2021, By Age Group (2022). Statista Research Department. <https://www.statista.com/statistics/1118356/factors-restraining-saving-downpayment-usa-generation/>. Accessed December 8, 2022.

¹² Statement of Steve Smithson, Veterans Affairs and Rehabilitation Commission, The American Legion, before the Senate Committee on Veterans' Affairs on Numerous Veterans' Legislation. May 7, 2008. <https://archive.legion.org/node/7453>. Accessed December 8, 2022

The expansion of the VA Home Loan Guaranty benefit will produce similar advantages for veterans and their families. The fundamental goal of the VA's education and housing programs must be to ensure that veterans have the opportunity to provide, with honor and dignity, the economic necessities of life for themselves *and* their families. All veterans should have the privilege and equal opportunities to enjoy this benefit in any way they choose, including in support of their dependents.

The military has a saying that when a person chooses to serve this country, the entire family serves. If this is an authentic statement, the sacrifices made to support that service should be rewarded in a way that makes the family whole by providing something tangible that reflects the pride of such service. By expanding the VA Home Loan Guaranty benefit to family members of those who serve, our nation will put action to the words "Thank you for your service."

Conclusion

Chairman Takano, Ranking Member Bost, and distinguished members of the Committee; The American Legion thanks you for your leadership and for allowing us the opportunity to explain the position of our 1.6 million members on the importance of this legislation. Questions concerning this testimony can be directed to Mr. John Kamin, Legislative Associate in The American Legion's Legislative Division at (202) 263-5748 or jkamin@legion.org.