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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
COMMITTEE ON VETERANS' AFFAIRS
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Chairman Van Orden, Ranking Member Levin, and other Members of the Subcommittee: thank you for inviting us here today to present our views on several bills that would affect VA programs and services. I am joined by my colleagues, Joseph Garcia, Executive Director, Education Service, James Ruhlman, Deputy Director for Program Management, Education Service, and Jill Albanese, Director of Clinical Operations, Homeless Programs Office.

H.R. 226 "Veterans Collaboration Act"

This bill would require VA to carry out a two-year pilot program in states with the highest Veteran populations to promote collaboration between VA and nonprofit organizations and institutions of higher learning. It would emphasize collaboration with Veterans Service Organizations (VSO) that provide personnel with appropriate credentials to assist Veterans in filing claims and appeals for VA disability compensation and educational institutions that provide pro bono legal assistance to Veterans. The pilot would require VA to use social media to promote the collaboration efforts. The bill would also require VA to submit quarterly reports to Congress.

VA does not support, unless amended. As drafted, the bill does not provide sufficient information or direction regarding the expected collaboration between VA and VSOs and educational institutions. Thus, the purpose of the pilot program is unclear. Section 2(a)(1) of the bill would require VA to emphasize collaboration with VSOs that provide personnel with appropriate credentials to assist Veterans in filing compensation claims and appeals with VA. It is unclear what would be different about collaboration under the pilot program compared to the current collaboration between VA and VSOs.

Section 2(b) of the bill would require VA to establish metrics to determine which organizations and institutions provide the best service to Veterans, but the language in the bill does not provide any additional details on what would constitute "best service" or how that would be quantified and compared against other nonprofit organizations and institutions. If VA were to award scores ranking our VSO partners from best to worst in terms of assisting Veterans, VA would run the risk of alienating VSOs that have had a long-standing collaborative relationship with VA. Furthermore, any support VA might have for this proposal would be subject to the availability of appropriations.

H.R. 7543 "Guard and Reserve GI Bill Parity Act of 2024"

This bill would amend 38 U.S.C. § 3301(1) by expanding eligibility for Post-9/11 GI Bill benefits to members of the reserve components of the Armed Forces who serve on active duty (as defined in 10 U.S.C. § 101(d)), inactive-duty training (as defined in 10 U.S.C. § 101(d)), or annual training duty. In addition, this bill would expand eligibility for Post-9/11 GI Bill benefits to Army or Air National Guard members with fulltime service in the National Guard when performing fulltime National Guard duty or active duty (as those terms are defined in 32 U.S.C. § 101). (We note that in proposed 38 U.S.C. § 3301(1)(B)(ii), Congress may have inadvertently included language excluding "inactive duty training (as defined in section 101(d) of title 10) or "annual training duty" because that language is included in section 3301(1)(B)(i)).

The bill would take effect 1 year after the date of its enactment, but its provisions would apply to service performed on or after September 11, 2001. However, the time limitation in 38 U.S.C. § 3321(a) for using VA education benefits acquired from the expansion of eligibility for Reserve and National Guard members by this bill would apply retroactively to the date of enactment of the Post-9/11 Veterans Educational Assistance Act of 2008.

VA does not support this bill. Post-9/11 GI Bill benefits are currently available to members of the Reserve Components who are called to active duty (other than for training) and serve on active duty for at least 90 aggregate days of service; to National Guard members who serve full time under title 32, United States Code, for the purpose of organizing, administering, recruiting, instructing, or training the National Guard; and to National Guard members who are activated under 32 U.S.C. § 502(f) to support an operation requested by the President or the Secretary of Defense.

The Post-9/11 GI Bill education benefit was intended to reward active-duty service, particularly overseas in support of operations in Afghanistan and Iraq after September 11, 2001, and was not intended for time spent training to prepare members to implement their missions should their military service be required. Expanding eligibility for Post-9/11 GI Bill benefits for service such as inactive duty training or annual training duty would be inconsistent with the original intent of the Post-9/11 GI Bill.

Further, this bill would reduce parity for the members of the reserve component of the Commissioned Corps of the Public Health Service with respect to Post-9/11 GI Bill eligibility. Parity would be achieved by expanding the definition of active duty in 38 U.S.C. § 3301(1) to include service on active duty under a call or order to active duty under subparagraph (B), (C), or (D) of section 203(c)(2) of the Public Health Service Act (42 U.S.C. 204(c)(2)) or section 216 of the Public Health Service Act (42 U.S.C. 217) with respect to service occurring on or after March 27, 2020.

Although VA did not have time to estimate the mandatory costs associated with this bill, the implementation will likely be very expensive, as this would significantly expand eligibility for Post 9/11 benefits for any military service, including almost all training, and be retroactive to the initiation of the Post-9/11 benefit, September 12, 2001. VA did not estimate discretionary costs given it does not support this provision.

H.R. 7896 "Veterans Education and Technical Skills Opportunity Act of 2024 (or "VETS Opportunity Act of 2024")

This bill would amend 38 U.S.C. § 3680A to allow VA, for a quarter, semester, or term beginning on or after August 1, 2024, to approve enrollment of eligible Veterans in an accredited independent study program that leads to a certificate if it is offered by (i) a postsecondary area career and technical school or (ii) an institution of higher learning that is qualified to participate in the student financial assistance programs authorized by Title IV of the Higher Education Act of 1965 (Title IV). Currently, VA can only approve enrollment of eligible Veterans in an accredited independent study program that leads to a certificate if it is offered by (i) a postsecondary area career and technical school or (ii) a postsecondary vocational institution.

VA supports this bill, if amended, and subject to the availability of appropriations. While this bill would increase training opportunities for Veterans, we note some necessary amendments. Recognizing the Department of Education's (ED) technical expertise, and VA's lack of expertise, concerning Title IV participation qualifications, 38 U.S.C. § 3675(b)(4) requires an educational institution offering an accredited course to be approved and participate in a Title IV program, unless VA has waived this requirement, before VA can approve enrollment in the course for purposes of VA benefits. Authorizing VA to approve enrollment of eligible Veterans in an accredited independent study program if it is offered by an institution that is qualified to participate in the student financial assistance programs authorized by Title IV suggests that VA has the authority to determine whether an institution is qualified to participate in Title IV programs, a responsibility within the sole purview and expertise of ED. VA lacks the technical expertise to make such a determination. Moreover, if both agencies had the authority to make this determination, there could be risk of conflicting conclusions. Therefore, VA recommends that the bill be revised to authorize VA to approve enrollment of eligible Veterans in an accredited independent study program if it is offered by an institution that is approved and participates in a Title IV program.

Additionally, VA notes that this bill would affect approval of certain accredited noncollege degree programs offered through independent study, but other important and invaluable prerequisites for admission into a degree program, such as online remedial courses, would continue to be barred from GI Bill approval. Thus, while the bill would increase training opportunities for Veterans, it perhaps does not go far enough in providing a pathway to GI Bill approval for valuable programs while safeguarding Veterans and beneficiaries from predatory actors. Moreover, because the bill would not require "participation" in a Title IV program as a condition for approval, an educational

institution that “qualifies for”, but does not “participate in”, the program could avoid the additional oversight and protections afforded by ED.

As a technical matter, on page 2, line 5 of the bill, “3680A(4)(B)(iii)(II)” should be changed to “3680A(a)(4)(B)(iii)(II)”.

VA welcomes the opportunity to work with the Committee to improve this bill to better serve and protect Veterans and beneficiaries.

VA is unable to estimate the cost of this bill at this time but will provide a cost as soon as it is available.

H.R. 7920 “Agriculture Grants for Veterans Education and Training Services Act” (or “AG VETS Act”)

This bill would amend Title IV of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. § 7624 et seq.) by directing the Secretary of Agriculture to establish a program to award competitive grants to eligible entities for the purpose of establishing and enhancing farming and ranching opportunities for Veterans. **VA defers to the Department of Agriculture.**

H.R. XXXX (Increase in Book/Supplies Stipend)

This bill would amend 38 U.S.C. § 3313(c) and (e) to increase the yearly (academic) stipend amount for books, supplies, and equipment for each quarter, semester, or term of a degree program of education an individual pursues on a full-time basis, and for full-time pursuit of a degree program while on active duty from up to $1,000 to up to $1,400. In addition, for each fiscal year (FY), this bill would increase this amount and the monthly stipend payable for books, supplies, and equipment for pursuit of a non-college degree program under 38 U.S.C. § 3313(g)(3)(A)(iii) based on the Consumer Price Index.

VA supports this bill, subject to the availability of appropriations. There is currently no annual adjustment to the rate VA pays for the books and supply stipend. While the annual books and supply stipend has remained constant since the Post-9/11 GI Bill was initially enacted in 2009, the cost of books has increased every year. Thus, we fully support an annual adjustment to the stipend that is similar to the adjustment made for tuition and fees payments.

Mandatory costs to the Readjustment Benefits account are estimated to be $230.9 million in 2025, $1.3 billion over 5 years, and $3.3 billion over 10 years. No discretionary costs and no Information Technology costs are associated with this bill.

H.R. XXXX “Student Veteran Debt Relief Act of 2024”

This bill would amend 38 U.S.C. § 3685 to relieve Veterans, eligible persons, and educational institutions of liability for overpayments of VA education benefits in cases of VA error or when the Department of Defense (DoD) provides incorrect information about eligibility for VA education benefits if the Veteran, eligible person, or educational institution proves the error. This bill would also require VA to determine if liability for an overpayment is eligible for a hardship waiver if, after consultation with the educational institution where a Veteran or eligible person is pursuing a course or program using VA benefits, VA finds that liability for the overpayment would likely result in the inability of the Veteran or eligible person to continue pursuit of the course or program. If VA finds that the liability is not eligible for a hardship waiver, VA would be required to attempt to recover the overpayment from the Veteran or eligible person. If VA is unable to recover such overpayment, this bill would require VA to provide evidence of the attempt to recover the overpayment to the Under Secretary for Benefits and establish a plan for repayment with the Veteran or eligible person. This bill would also prohibit VA from recovering any overpayment under section 3685 unless the overpayment occurs and is identified after the date of the bill's enactment and the educational institution is notified of the overpayment not more than 10 years after it occurs.

VA does not support this bill. This bill is redundant of protections that already exist, such as in 38 U.S.C. §§ 5112(b)(10) and 5302(a)(1).

Currently, under section 5112(b)(10), when an overpayment is the result of a VA mistake (for example, administrative error or error in judgment), which includes a VA mistake based on incorrect information provided by DoD, it is called an administrative error, and VA does not collect a debt from the Veteran or the school. See also 38 C.F.R. § 21.9635(r)(1) ("When an administrative error or error in judgment by VA [or DoD] . . . is the sole cause of an erroneous award, the award will be reduced or terminated effective the date of last payment," which means VA only makes the change prospectively and does not create a debt for past overpayments). When there is an administrative error, a debt is not created on a beneficiary's account. Administrative errors are improper payments that are not recouped from the beneficiary. Therefore, the protections in proposed section 3685(f)(1) would be redundant.

Additionally, under 38 U.S.C. § 5302(a)(1), VA is prohibited from recovering payments or overpayments (or any interest thereon) when the collection of such debts would "be against equity and good conscience" (that is, create a hardship). Therefore, proposed section 3685(f)(2) would not provide any additional protections for Veterans. VA also objects to the proposed process in section 3685(f)(2) whereby VA, in consultation with the educational institution but without the involvement of the Veteran, must assess the Veteran's financial situation and determine whether the overpayment would likely result in the Veteran's inability to continue pursuit of the course or program. Only the Veteran knows the Veteran's current financial situation. The current process under section 5302(a)(1) correctly limits the hardship determination based on the Veteran's financial situation between the Veteran and VA; the educational institution should not be involved in that determination.

We believe revisions would be needed to clarify the intent and effect of proposed new subsection (g) of section 3685. Proposed new subsection (g) would provide that VA may not recover an overpayment under "this section"–meaning 38 U.S.C. § 3685– unless the overpayment occurs and is identified after the date of the bill's enactment and the educational institution is notified of the overpayment not more than 10 years after it occurs. This seemingly would require VA to cease collection of any overpayments that occurred before enactment of this bill. It is unclear whether that result is intended or whether the intent is only to specify that subsections (f) and (g) will apply to any overpayments that occur and are identified after the date of enactment.

VA would welcome the opportunity to work with the Committee to provide technical assistance to ensure that this bill meets its intended goal.

H.R. XXXX "Reforming Education for Veterans Act"

Currently, members of the Armed Forces (including Reserve Components) who are enrolled in a course of education at an institution of higher learning using VA education benefits and who receive orders to enter active service, inactive-duty training, or state active duty can withdraw or take a leave of absence from the course without suffering any adverse action, such as a failing grade or financial penalty. Section 2 of this bill would amend 38 U.S.C. § 3691A to allow such Service members to enter into an agreement with the institution of higher learning to complete the course to the satisfaction of the institution if the Service member has completed at least half of the course of education, without suffering any adverse action.

Section 3 of this bill would amend 38 U.S.C. § 3693(a) to ensure that VA conducts only one annual compliance survey for educational institutions or training establishments with multiple campuses. In addition, section 3 would also amend section 3693(c) to require VA or a state approving agency, to the maximum extent feasible, to provide not more than 15 business days of notice to an educational institution or training establishment with a time stamp database collection feature before conducting a compliance survey. Finally, section 4 of this bill would require VA to provide notice of any updates to its school certifying official handbook to all school certifying officials (defined as employees of an educational institution with primary responsibility for certifying Veteran enrollment) not later than 14 business days after those updates.

VA supports section 2, if amended and subject to the availability of appropriations, and has no objection to section 4, but opposes section 3 of this bill.

VA supports section 2, if amended, and subject to the availability of appropriations. While VA supports much of section 2, VA disagrees with the proposed limitation in proposed section 3691A(d) that would require a student to complete at least half of a course of education to be eligible to enter into an agreement with the school. VA believes the school and student should be allowed to enter into an agreement

regardless of the amount of the course the student has completed. As such, VA recommends striking proposed section 3691A(d).

VA opposes section 3. Approval requirements for educational institutions or training establishments include adequate facilities, space, and equipment, which must be reviewed at each individual location. This section presupposes that all programs are approved at each location and that State Approving Agencies (SAAs) have properly approved programs at each location. Errors found at one location could lead to suspension of programs at branch campuses located in other states, and SAAs can only suspend and withdraw programs within their state. Not all education and training institutions with multiple campuses participate in centralized certification, and they do not all maintain the necessary records to determine compliance with title 38.

VA has no objection to section 4. However, VA believes this provision should be codified in chapter 36 for reference purposes to allow schools to easily locate this requirement in the future. As drafted, this provision would not be included in the U.S. Code and should be. It would not be beneficial to require VA and schools to search for this requirement in Public Laws, if enacted.

H.R. XXXX (Increase in Benefits for Apprenticeships and On-Job Training)

This bill would amend 38 U.S.C. § 3313(g)(3)(B) to increase the monthly housing stipend for the second 6-month period of an individual's pursuit of a fulltime program of apprenticeship or other on-the-job training from 80% to 90% of the basic allowance for housing payable to certain members of the military based on their pay grade residing in the military housing area of the individual's employer's location.

VA supports this bill, subject to the availability of appropriations. This bill would provide additional funding during the second 6-month period for individuals participating in apprenticeship and on-the-job training programs.

VA is unable to estimate the cost of this bill at this time but will provide a cost as soon as it is available.

H.R. XXXX "Modernizing the Veterans On-Campus Experience Act of 2024"

This bill would amend 38 U.S.C. § 3697B(a) to require the VA employees who provide educational and vocational counseling services on college campuses to have a bachelors or more advanced degree in a relevant field of study. In addition, this bill would allow these employees to provide the counseling services on more than one college campus but would prohibit them from providing services to more than 25 individuals at any one time.

VA does not support this bill, unless amended, and subject to the availability of appropriations. Currently, section 3697B requires that the on-campus

educational and vocational counseling addressed in that section must be administered by employees who provide services under 38 U.S.C. § 3697A. Under section 3697A, Vocational Rehabilitation Counselors (VRC) provide educational and vocational counseling, including testing and any other services determined to be necessary to increase employment opportunities. VA hires individuals as VRCs specifically for their skill and experience in assisting Veterans with disabilities to return to work in suitable employment. VRCs are specialists with a unique understanding of both disability and vocational counseling. However, because of the lack of VRCs available to provide section 3697B counseling, VA is currently using contracted counselors to help provide educational and vocational counseling on campuses.

VA's Veteran Readiness and Employment (VR&E) program also needs VRCs to manage the increased workload from Veterans applying for chapter 31 benefits and services, as well as chapter 36. The VR&E program has experienced a 46% increase in claims since August 2023, following the passage of the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics Act of 2022. This law improved access to care and benefits for those Veterans who were exposed to toxic substances during their service. When regional offices are provided with additional full-time equivalent employees, they focus on hiring VRCs for local growing workload demands, prioritizing the chapter 31 caseloads to serve the highest number of Veterans and meet staffing ratio goals. VA has struggled to meet the growing staffing demands, despite utilizing more flexible qualifying education requirements and targeted hiring initiatives.

VR&E counselors are critically needed to work the chapter 31 caseloads with their experience and expertise, and this bill would allow other employees to focus on the benefits counseling needed on campus.

VA requests additional consideration of the bill language limiting a section 3697B counselor's services to no more than a total of 25 individuals at any one time. If these employees do not have to be VRCs, they would not carry a caseload under the VR&E program and would only be providing services to the student Veterans at an institution of higher learning assigned. Also, the limitation of caseload would require additional staffing to meet the demand on a single campus where more than 25 students request on-campus counseling. Therefore, Congress may want to avoid placing a limitation on individuals providing on-campus benefits and educational support.

H.R. XXXX "End Veteran Homelessness Act of 2024"

Section 2(a) of this bill would amend 38 U.S.C. § 2003(b) to clarify that the number of case managers in the Veterans Health Administration must be sufficient to ensure that every Veteran who is provided a housing voucher through the Department of Housing and Urban Development (HUD)-VA Supportive Housing (VASH) program and who is determined to require case management is assigned to a case manager. It would also require VA, in assigning case managers and providing services under section 2003(b) to prioritize vulnerable homeless Veterans, including Veterans who are

homeless and who have disabilities (including chronic mental illness, substance abuse disorders, or physical disabilities).

Section 2(b) would require VA, in coordination with HUD, to submit to Congress an annual report on the HUD-VASH program, which would have to include detailed information on Veterans and VHA case managers, as well as the program itself.

VA supports section 2(a) and has no objection to section 2(b).

Section 2(a) would provide more flexibility to VA and HUD in the administration of the HUD-VASH program and would significantly improve voucher use rates in the program by reducing the time it takes for a Veteran to qualify for a voucher because a case manager may not need to be assigned. VA has no objection to the reporting requirement under section 2(b).

VA estimates section 2 would not result in substantive costs to VA.

Section 3 would make several amendments to 42 U.S.C. § 1437f(o)(19), the core authority for the HUD-VASH program. First, it would rescind the outdated cap on the number of vouchers that could be provided in FY 2007-2011. Second, it would remove the requirements that a participating Veteran has and agree to continued treatment of a chronic mental illness or chronic substance use disorder. Third, it would clarify that Veterans who are at risk of homelessness, and those receiving assistance under another housing assistance program if a HUD-VASH voucher would be more appropriate, would be eligible for this program. Fourth, it would require VA to provide case management to Veterans who are determined (by qualified employees or entities that participate in a centralized or coordinated HUD entry system) to require case management, but Veterans could refuse case management. For those Veterans, VA would have to make recurring attempts to engage and build a relationship with the Veteran to provide case management, solicit feedback, and promote the Veteran's housing stability and opportunities to access health care and other VA benefits and provide case management if the Veteran subsequently requested it. Fifth, neither HUD nor public housing authorities could revoke rental assistance solely based on the refusal of case management. Sixth, if a Veteran's case management was suspended for the health and safety of the Veteran or the case manager, owners could not evict or otherwise penalize the Veteran solely on the basis of the suspension. Seventh, vouchers could be used for Veterans who are homeless or at risk of homelessness who do not require case management if such use is included in the notice of operating requirements for the program. Finally, funds would be authorized to be appropriated for administrative fee payments to public housing authorities for costs of administering vouchers and other eligible expenses (such as security deposit assistance and other costs related to retention and support of participating owners) as defined by notice issued by HUD.

VA supports section 3 of the bill. Section 3 would expand Veterans' eligibility for the HUD-VASH program. We also appreciate the flexibility to ensure that case

management services are focused on those Veterans with greatest need. This would allow VA to tailor services more specifically to the unique needs of Veterans, particularly those who continue to need a housing voucher but who have become stable such that case management services are no longer required. This section would also expand HUD-VASH eligibility to Veterans who are at risk of homelessness and those participating under other housing assistance programs; we recommend the bill be amended to include formerly homeless Veterans as well to support such individuals who may need case management or other assistance from VA.

VA defers to HUD regarding some of the specific operational elements of this section that would be administered by HUD, as there may be programmatic issues associated with some of the specific language here.

VA has minor technical edits that would improve the clarity and accuracy of this section and would be happy to share them with the Committee.

VA estimates there would be no new costs to VA based on this section, as this bill would not expand the number of vouchers allocated by HUD for the program. Section 2003(b) already requires VA to ensure that the number of case managers is sufficient to ensure Veterans with a HUD-VASH voucher receive required case management services.

Section 4 of this bill would require the Comptroller General to submit to Congress a report containing demographic data on the HUD-VASH program and an assessment of various elements of the program.

VA defers to the Comptroller General on section 4 of this bill.

Because section 4 would require the Comptroller General to submit a report to Congress, VA defers to the Comptroller General.

Section 4 would result in no costs to VA.

VA strongly supports efforts to end Veteran homelessness. To complete the mission of housing all homeless Veterans is complex and multifaceted. VA needs to broaden its scope of resources and services to homeless Veterans. VA strongly recommends Congress consider and enact the following proposals from the FY 2024 President's Budget request to support this mission. Versions of the first two proposals appear in the HOME Act of 2023 (title IV of the Senator Elizabeth Dole 21st Century Veterans Healthcare and Benefits Improvement Act).

1) Increase the Maximum Per Diem Rate for Services to Homeless Veterans under the Grant and Per Diem (GPD) Program: This would amend 38 U.S.C. § 2012(a)(2)(B) to adjust the maximum rate of per diem payments the Secretary of Veterans Affairs can make to grantees that provide services to homeless Veterans to 200% of the state home domiciliary rate, unless the Secretary determines an alternate

rate is appropriate (for example, public health emergency, other pressing community need). Additionally, 38 U.S.C. § 2016 must be amended to increase the authorization of appropriations to ensure no Veterans are displaced because of modifications to per diem rate limits.

The current statutory language included an exception during the coronavirus disease 2019 (COVID-19) public health emergency, which ended on May 11, 2023. As a result, the maximum rate for per diem payments under the GPD program may not exceed the rate that is 115% or 150% of the authorized state home domiciliary rate. This amendment would allow VA to increase per diem payments under the GPD program so that grantees may request up to 200% of the state home domiciliary rate. Also, it would allow the Secretary to make adjustments to per diem limits in response to emergent community needs, including a public health emergency. Although not expected under typical operating circumstances, authorizing the Secretary to make adjustments to per diem rates above 200% would enable the Department to act quickly to provide funding for emergent operational needs (for example, alternate sites of care, additional staff, infection control supplies) should another public health or similar emergency occur.

VA estimates the 5-year costs of this additional proposal to be $1.65 billion (FY 2025-29) and the ten-year costs to be $3.54 billion (FY 2025-34).

2) Flexibility in the Provision of Assistance to Homeless Veterans: During the COVID-19 public health emergency, VA was authorized to provide to homeless Veterans and Veterans participating in the HUD-VASH program additional support and services. Before this authorization, VA could not use funds to provide these services or support and had to rely on donations or community organizations to fill the service gaps, which were not always readily available. VA providers need the flexibility and access to critical resources to carry out the mission of making Veteran homelessness rare, brief, and non-reoccurring. In recent years, VA providers excelled at reducing Veteran homelessness; however, the Veterans who remain unsheltered often present with complex needs and face unprecedented barriers, such as high cost of food, increased housing costs, and lack of public transportation or access to information. To complete the mission of housing all homeless Veterans, VA needs to be able to provide all available resources. This proposal would also allow VA to collaborate, to the extent practicable, with one or more organizations to manage the use of VA land for homeless Veterans for living and sleeping.

The total estimated cost is $21.37 million for FY 2025, $22.24 million for FY 2026, approximately $115.98 million over a 5-year period, and the cost over a 10-year period is approximately $251.37 million. This estimated cost is based on FY 2022 expenditures. These are the most current figures and are included in the FY 2025 legislative proposal.

3) Authorization of Appropriations for Supportive Services for Very Low-Income Veterans' Families (SSVF): This proposal would make permanent the

appropriations authority due to expire September 30, 2024. VA proposes to authorize appropriations at the necessary amounts for the SSVF program beginning in FY 2025 and in perpetuity. SSVF is an integral component of VA's efforts to reduce and end homelessness among Veterans and has contributed significantly to cutting homelessness among Veterans in half since 2010. Permanent authority supports continuity of these essential services and supports local planning by local communities receiving SSVF funding.

This is a cost-neutral proposal. VA requested increased amounts for the program via the FY 2024 and FY 2025 President's Budget submission.

H.R. XXXX "VA Housing Loan Forever Act of 2023"

This bill would add new 38 U.S.C. § 3737 to provide eligibility for home loan benefits to certain Veterans' legatees. The bill would apply to legatees of Veterans who served in the active military, naval, air, or space service (or any part of such service) between January 1, 1944, and December 31, 1977. The bill would define the term "legatee" as a spouse or surviving spouse, a biological or legally adopted child, a grandchild, and any other direct descendant of the Veteran.

VA supports this bill, if amended, and subject to the availability of appropriations. VA recognizes the value of the VA home loan benefit in helping Veterans achieve the dream of homeownership and in 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 legatees of already-deceased Veterans to realize the intergenerational value of this benefit.

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. New section 3737(a), which would apply to living Veterans, would provide that a Veteran could elect to transfer their housing loan benefit to one or more legatees, if the Veteran served in the active military, naval, air, or space service (or any part of such service) between January 1, 1944, and December 31, 1977, and has not received VA housing loan benefits under chapter 37. Under new subsection (g), this transfer election would be revocable provided the legatee has not used the benefit and the Veteran provides written notice of the revocation to the Secretary.

Under new section 3737(b), which would apply to legatees of deceased Veterans, the Secretary would be required to transfer the housing loan benefits of a Veteran who served in the active miliary, naval, air, or space service (or any part of such service) between January 1, 1944, and December 31, 1977, and who did not receive a housing loan benefit under chapter 37 during their lifetime to a legatee of the Veteran provided:

- The legatee files a claim with the Secretary during the 10-year period beginning 1 year after the date of enactment of the section;
- The Veteran died before the end of the 10-year period, and before the legatee filed a claim; and
- The Veteran did not elect to transfer their housing loan benefit under new section 3737(a) prior to their death.

This new section would also specify that a determination of the Secretary as to the transfer of benefits from a deceased Veteran would be appealable under 38 U.S.C. § 5104C, even after the 10-year period during which the individual could apply for such benefits.

For legatees under both options, new section 3737(c) would specify that a legatee would be treated as a Veteran for purposes of housing loans under chapter 37. New section 3737(d) would specify that each legatee would receive the full housing benefits of the Veteran from whom the benefits are transferred, and new section 3737(e) would specify that a legatee would be eligible to use the housing loan benefits immediately upon transfer. New section 3737(f) would prohibit a legatee from transferring the housing loan benefits to another individual. New section 3737(h) would specify that legatees who become otherwise eligible for housing loan benefits under chapter 37 may elect to use their transferred housing loan benefits or the housing loan benefits to which they are otherwise eligible. New section (i) would specify that a legatee may not be exempt from paying a fee under 38 U.S.C. § 3729(c).

New section 3737(j) would define “legatee” for purposes of this section to include a spouse or surviving spouse, a biological or legally adopted child, a grandchild, and any other direct descendant.

In addition to adding new section 3737, the bill would make conforming amendments to sections 3701(b) and 3702(a)(2) by expanding the definition of Veteran for purposes of housing loan benefits and eligibility requirements to include a legatee to whom housing loan benefits are transferred under the new section 3737. Finally, the bill would direct VA to prescribe regulations to implement the amendments made by the bill not later than 1 year after the bill’s enactment into law.

Despite VA’s support for the objectives of this bill, amendments are necessary to address several technical and implementational concerns. VA believes that these amendments can be made without jeopardizing the objectives.

First, VA recommends replacing the legalistic term “legatee” with a plain language term like “transferee,” which is easier for a Veteran and/or a Veteran’s descendant(s) to understand. To illustrate how the replacement would simplify the text, VA has used the term transferee throughout the remainder of this testimony.

Second, the bill should make clear that a transferee can only use the home loan benefit once under the section and expressly limit use of the benefit by a transferee to a one-time purchase or construction loan. An eligible transferee should be limited to a first-time homebuyer, a term to be defined by the Secretary. VA acknowledges that many Veterans use their housing loan benefit multiple times during their lifetime, subject to available entitlement. However, a one-time use under this bill would accomplish the goal of assisting direct descendants of Veterans to attain initial homeownership and the advantages that can flow from it. A one-time use would also protect the home loan guaranty as a benefit tied directly to a Veteran's service to the Nation. This would not, however, prohibit the transferee from later becoming eligible for housing loan benefits under chapter 37 through their own military service or as a qualifying surviving spouse. VA also recommends Congress provide an explicit limitation regarding the number of transferees who can claim a deceased Veteran as the nexus for obtaining the benefit transferred under the new section 3737.

Third, VA recommends Congress consider aligning new section 3737(b) with service eras to prevent disparity between Veterans with otherwise similarly situated service periods. See 38 U.S.C. §§ 101, 3701, 3702. For example, the bill would not cover Veterans who served during World War II between September 16, 1940, and December 31, 1943, and were eligible to use their home loan benefits from 1944 onward. See 38 U.S.C. § 3701(b)(1).

Fourth, VA recommends a technical amendment to correct an apparent inconsistency regarding appeals. New section 3737(b)(3) would seem to allow for an appeal, under 38 U.S.C. § 5104C, of determinations related to the transfer of benefits from a deceased Veteran, even after the 10-year period during which the transferee could apply for the benefits. But under section 5104C, the individual would be entitled to file a supplemental claim/application at any point in the future, which could mean that VA would be required to consider claims/applications (that is, supplemental claims/applications) under this section outside of the 10-year period prescribed in the new section 3737(b)(1). This would effectively negate the bill's 10-year limitation.

VA recommends deleting new section 3737(c) ("Treatment of a Legatee") as this section is rendered unnecessary by the conforming amendments to 38 U.S.C. §§ 3701 and 3702, outlined in section 2(b) and (c) of the bill. The conforming amendments to sections 3701 and 3702 would ensure that the transferee is treated as a Veteran for all purposes of the chapter, unless otherwise specified (for instance, in relation to the loan fee under section 3729). VA further notes that implementing the conforming amendments would be simpler than relying on subsection (c), due to the various ways chapter 37 addresses spousal relationships. For example, the conforming amendments would mean a lender could, under section 3710(g), count the income of a Veteran's (meaning, the transferee's) spouse when underwriting the loan. Subsection (c), on the other hand, would leave a question as to how to treat the income of a spouse.

From an implementation standpoint, VA would be unable to comply with new section 3737(e) Commencement of use. VA would need time to process the transfer

and then issue a certificate of eligibility. VA would also need time to ensure the transfers would be recognized by the technology systems used by lenders and VA.

Additionally, VA cannot support a 1-year requirement to prescribe regulations. VA agrees that rulemaking could have advantages, but the interagency reviews, the comment period, the time to evaluate the comments, and the subsequent design of information technology resources could make it difficult to ensure that VA both meets the imposed deadline and is able to ensure the information technology resources are efficiently spent.

VA believes additional revisions are necessary to avoid these and other potential statutory issues and looks forward to the opportunity to work with the Committee to resolve all of VA's technical concerns.

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. VA technology systems associated with eligibility determinations and loan tracking would require significant updates to accommodate the transfer of the benefit to a transferee. Additionally, because program records dated prior to 1977 are not available electronically, VA would anticipate substantial manual 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.

H.R. XXXX "VA Home Loan Program Reform Act"

This bill would optimize VA's tools to help Veterans retain their homes and would establish a temporary partial claim program. The bill would also require VA to submit a report to Congress outlining VA's strategy to address the recent litigation involving the National Association of Realtors.

VA does not support this bill, unless amended.

VA supports section 2, with additional amendments. Section 2 of the bill would amend 38 U.S.C. § 3732, most notably to provide express authority for the Secretary to prescribe a mandatory sequence of options (commonly referred to as a loss mitigation waterfall) that loan holders would follow to assist Veterans avoid foreclosure. Section 2 would also allow the Secretary to require loan holders to take any actions necessary to facilitate the Secretary's purchase of indebtedness under section 3732. Additionally, section 2 would update outmoded terminology and make other changes to help VA save Veterans from foreclosure. Additionally, section 2 would allow the Secretary to streamline payments to holders that make front-end certifications, and the Secretary would identify noncompliance, if any, through post-audit reviews, on a random sampling basis.

VA supports the purpose of section 2 of the bill because it would make VA's home retention purchases under section 3732 more efficient, allow VA to tailor loss mitigation steps to unique circumstances, and enhance program oversight. However, VA believes that additional amendments are necessary for VA to better protect Veterans who are at risk of losing their homes. For example, VA recommends amending 38 U.S.C. § 3720 to provide the Secretary with express discretion to exercise emergency powers in response to national emergencies, major disasters, and significant, widespread crises. VA believes VA should have the authority to temporarily impose moratoria on foreclosures and evictions related to loans guaranteed, insured, made, or held by VA. In addition, VA recommends express authority to impose forbearance periods which would allow payments to be paused.

VA also notes current section 3732 includes inconsistent terminology, alternating among the following terms: obligation, loan, and housing loan. Section 2 of the bill would eliminate obligation but alternate between loan and housing loan. VA recommends choosing either the term loan or housing loan and conforming the remainder of the section for consistency.

VA does not support section 3. Section 3 of the bill would require VA to establish a temporary partial claim program to assist Veterans who are in default or facing imminent default. VA does not support section 3, because of concerns that a partial claim would compromise Veterans' long-term financial standing and could make it more challenging to retain their home in the future.

Generally, partial claim programs resolve a delinquency by advancing funds to the servicer in an amount necessary to bring the loan current. The partial claim is then established as a junior lien and interest-free subordinate mortgage payable to the Federal government, often as a one-time balloon payment upon termination of the underlying loan. This framework creates a debt that could restrict Veterans' future ability to refinance, diminish profits from the sale of their home, and limit their ability and/or willingness to successfully repay the debt once the underlying loan is paid in full. Further, because the partial claim framework does nothing to reduce a Veterans' monthly payment—nor the lifetime borrowing costs on their home loan—these loans are likely to be at greater risk of default and therefore pose additional financial risk to VA's home loan program in the event of re-default or foreclosure.

The partial claim program that would be established under section 3 of the bill would be similar in many ways, but certain elements would differ dramatically. For example, under section 3(c), the Veteran would be required to repay the Secretary for the partial claim at the "end of the period" of the guaranteed loan. Repayment terms, including interest, would be left to some degree to the Veteran. If the Veteran agrees to make monthly payments, beginning not later than 1 year after the partial claim is made, the interest rate would be 0%. If the Veteran does not agree or fails to make the previously agreed to payments, the partial claim would be subject to a 0.50% interest rate.

VA believes many Veterans would simply defer repayment and, much like other partial claim programs, a program established under this bill would likely still burden Veterans with a large balloon payment due upon loan termination. And for those Veterans who do elect to undertake and maintain the repayment plan, the additional monthly payment could cause additional financial stress that could put those Veterans at greater risk of default. It is also unclear from the text of section 3(c) whether the 0.50%interest rate would begin “at the end of the” guaranteed loan or would apply to the partial claim balance at, for example, the 1-year mark.

In addition to the challenges VA believes Veterans would face, VA anticipates significant operational challenges implementing a partial claim program under section 3 of the bill, in a timeframe that would assist Veterans in default on the date of enactment and Veterans who might later become delinquent. For example, subsection (c)’s repayment plans could make it challenging to implement policies and procedures that are consistent with Consumer Financial Protection Bureau requirements for interest-bearing mortgage loans. Additionally, VA would require time to modify existing systems to ensure appropriate calculation, validation, and oversight of these complex and individualized repayment plans. VA would also likely need to modify existing servicing contracts or explore alternative solutions to service these more complex partial claims. Servicers would likewise need time to implement any policies and procedures issued by VA, which would further extend the date upon which assistance could be provided to Veterans. VA would likely be unable to promulgate regulations in time to assist Veterans who are not in default on the date of enactment but who later become delinquent before the program’s sunset date, September 30, 2026. The same concern applies to Veterans who are not in default on the date of enactment but who are at serious risk of default. This is because rulemakings generally take 18 to 24 months to complete.

While VA believes that implementing section 3 of the bill would be infeasible before FY 2025, VA’s recently announced home retention waterfall and Veterans Affairs Servicing Purchase (VASP) program became available on May 31, 2024, with full servicer implementation not later than October 1, 2024. The VASP program is designed to provide qualifying Veterans with significant payment reductions, as housing finance research suggests borrower liquidity is a key determinant of loan performance. Payment reductions are therefore promoted to minimize re-default odds by maximizing household liquidity through reductions in monthly mortgage payments. VASP is VA’s solution to address the unavailability of private market solutions to help Veterans during periods of high interest rates. Under the VASP program, VA also affords Veterans a home retention option by offering a lower interest rate than what is currently available in the private market. This below-market rate affords Veterans a long-term, sustainable solution to recover from longer-term financial setbacks, such as a permanent reduction in income, without establishing additional debt burden against the Veteran. The lower rate also significantly reduces borrowing costs for Veterans over the life of their home loan. VA anticipates the VASP program will assist more than 40,000 Veterans currently in default.

VA remains committed to working with Congress to assist Veterans experiencing financial difficulties and looks forward to sharing the amendments that would be needed to ensure a feasible loss mitigation program for Veterans.

Section 4 of the bill would require the Secretary to submit a report to the Senate and House Committees on Veterans' Affairs, not later than 90 days after enactment, on VA's strategy to ensure a Veteran seeking a home loan is not disadvantaged by the result of the decision in the *Burnett v. The National Association of Realtors* case.

VA does not support section 4. VA is preparing to release guidance that would address Congress's concerns and is working toward a proposed rulemaking that would seek public input on amendments to 38 C.F.R. § 36.4313, which covers brokerage fees. Requiring VA to prepare a report is therefore unnecessary and would only delay VA's efforts to implement its strategy to ensure Veterans are not disadvantaged when attempting to secure representation by a real estate agent or broker. However, VA would be pleased to meet with the Committee to share our strategy and timeline for release.

Conclusion

This concludes my statement. We would be happy to answer any questions you or other members of the Subcommittee may have.