

**Statement of Veterans United Home Loans
Before the House Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Regarding the Affordable Housing Guarantee Act Discussion Draft
January 21, 2026 Legislative Hearing**

Chairman Van Orden, Ranking Member Pappas, and Members of the Committee:

Thank you for the opportunity to submit written testimony and for your continued commitment to strengthening the VA Home Loan program. We sincerely appreciate the Committee's proactive efforts to identify ways to improve this incredible veteran benefit - one that has enabled millions of veterans and their families to achieve stable, sustainable homeownership.

Veterans United Home Loans has the privilege of being the nation's largest VA purchase lender since 2016, and as such we stand ready to serve as a resource to this committee on all aspects of the VA Home Loan. We applaud this committee's continued efforts to protect and improve all veterans' hard-earned benefits, including the VA home loan program, and we appreciate the opportunity to weigh in on this vital VA benefit.

At a time when housing affordability remains strained nationwide, the VA Home Loan program is often the difference between homeownership and permanent exclusion from the housing market for veterans. Any changes to the program should therefore be evaluated primarily through the lens of their direct and long-term impact on veteran homebuyers and homeowners.

The Impact of Funding Fees on Veteran Homeownership

One of the most significant but often overlooked cost drivers for veteran borrowers is the VA funding fee. While the funding fee was originally designed to offset the cost of loan guaranty claims and protect the program's fiscal integrity, it has been used for decades to fund other veteran benefits and meet unrelated budgetary needs.

As a result, the funding fee is now artificially high relative to the actual credit risk of VA loans. Historically, the VA Home Loan program has generated far more revenue through funding fees than it has paid out in guaranty claims. In a peer-reviewed economics journal, Dr. Joseph Haslag found that the funding fee on all zero-down purchase loans could be

reduced to 1.3% (from 2.15% and 3.30%, respectively) in order to be revenue neutral.¹ For veterans, this imbalance has concrete and lasting consequences. If the funding fee were reduced to 1.3% for all purchase loans as noted in Dr. Haslag's article, the average veteran or active duty first time homebuyer would pay around \$3,400 less in VA funding fees to utilize their benefit. On any subsequent use of the benefit, that same average veteran or active duty homebuyer would pay \$8,000 less if the funding fee were 1.3%.

Higher funding fees increase the upfront and financed cost of buying a home. Because most veterans roll the fee into their loan balance, it immediately raises the loan-to-value ratio at origination. This also means they pay interest on the fee, which at current rates doubles the total amount paid over the life of the loan. This means veterans start homeownership with less equity, higher monthly payments, and a greater likelihood of remaining underwater for longer periods, particularly during the early years of the loan.

For veteran homeowners, this can limit refinancing opportunities, reduce financial flexibility during life transitions, and increase vulnerability during economic downturns. Over time, these added costs undermine the very affordability advantage the VA loan program is meant to provide.

Potential Benefits of a Uniform Guaranty Increase for Veteran

If Congress were to refocus the VA funding fee on its original, actuarially intended purpose - covering loan guaranty losses - there is a compelling case that the VA loan guaranty could be increased for all veterans without placing the program at risk. Historically, the program has generated substantially more revenue through funding fees than it has paid out in claims, suggesting additional capacity to enhance the guaranty while maintaining fiscal soundness.

A higher, uniform guaranty could benefit veteran homebuyers and homeowners by reducing lender and investor risk across the entire VA loan program. This type of risk reduction improves the pricing of mortgage-backed securities by increasing demand for those MBS. Due to the inverse relationship between bond prices and interest rates, the increased demand flows through the system in the form of stronger liquidity, improved pricing, and lower interest rates on VA Loans. For veterans, this translates directly into lower monthly payments, increased purchasing power, and greater access to credit - particularly for first-time buyers and those in high-cost or competitive housing markets.

Importantly, these benefits extend beyond new homebuyers. Existing veteran homeowners would see improved refinance opportunities, enabling them to lower monthly payments,

¹ Joseph Haslag, *Is the Funding Fee Enough?: A Quantitative Analysis of the VA Mortgage Program*, International Journal of Social Science and Economic Research, Vol. 7, Issue 7, July 2022, https://ijsser.org/2022files/ijsser_07_149.pdf.

reduce interest costs over the life of the loan, and build equity more quickly. In an environment where even small interest rate improvements can significantly affect affordability, a uniform increase in the guaranty could deliver immediate and tangible financial relief to veterans.

With that said, any guaranty increase should be grounded in rigorous actuarial analysis to ensure the long-term sustainability of the program and its ability to serve veterans for generations to come.

Concerns with Disparate Guaranty Structures

While we strongly support the goal of providing additional assistance to veterans with service-connected disabilities, we are concerned that increasing the guaranty for only a portion of VA loans could create unintended consequences for veteran homebuyers.

Under the current bill, roughly half of all VA loans would carry a higher guaranty, while the remainder would continue under existing levels. From a veteran's perspective, this creates a system where similarly qualified borrowers receive different pricing outcomes based not on creditworthiness or risk, but rather on a separate guaranty classification.

In the secondary market, this distinction matters. Servicers and Ginnie Mae investors would be required to manage and price pools of VA loans with different guaranty levels and risk characteristics. That fragmentation could reduce liquidity for certain VA loan cohorts, increase operational complexity, and ultimately lead to pricing disparities that disadvantage some veteran borrowers.

Over time, this could mean higher rates for veterans whose loans carry a lower guaranty despite the historically strong performance of all VA loans.

Conclusion

We commend the Committee for its thoughtful approach to improving the VA Home Loan program and for its focus on supporting veterans with service-connected disabilities. As this legislation is considered, we encourage continued attention to how funding fees, guaranty structures, and secondary market dynamics affect the day-to-day financial reality of veteran homebuyers and homeowners.

We stand ready to work with the Committee and the Department of Veterans Affairs to ensure that any reforms strengthen affordability, preserve market efficiency, and protect this extraordinary benefit for all who have served.

Thank you for your leadership and your unwavering commitment to America's veterans.