

March 26, 2026

The Honorable Derrick Van Orden  
Chairman  
Subcommittee on Economic Opportunity  
House Committee on Veterans' Affairs  
364 Cannon House Office Building  
Washington, D.C. 20515

The Honorable Chris Pappas  
Ranking Member  
Subcommittee on Economic Opportunity  
House Committee on Veterans' Affairs  
364 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Van Orden and Ranking Member Pappas:

Auction.com appreciates the opportunity to submit this statement for the record in connection with the Economic Opportunity Subcommittee hearing “Kitchen Table Issues: Lowering Costs for Veteran Families Through the VA Home Loan Program” on reform of the VA Home Loan Program on Thursday, March 26, 2026. We commend the Subcommittee for its focus on policies that improve outcomes for service member homeowners while strengthening stewardship of taxpayer resources.

Based on our engagement with the Department of Veterans Affairs and our experience operating a nationwide, transparent, competitive real estate marketplace, we respectfully offer the following policy recommendations. These recommendations focus on two interrelated objectives:

1. Improving outcomes for service members and the VA at the point of foreclosure, and
2. Encouraging distressed VA service member homeowners to sell their homes prior to foreclosure whenever feasible.

Together, these reforms would reduce program costs, preserve service member equity, and accelerate the return of housing inventory to productive private ownership.

## **I. Improving VA Outcomes at Foreclosure Through Market-Based Pricing and Competitive Sales**

A significant opportunity exists to improve outcomes for both service member homeowners and taxpayers by modernizing how VA-guaranteed properties are priced and sold at foreclosure. Current foreclosure outcomes too often result in VA taking title to properties rather than achieving third-party sales, driving unnecessary costs and delays.

Approximately 75 percent of VA guaranteed loans proceed into VA owned real estate (REO) inventory following foreclosure, a rate materially higher than comparable federal housing programs such as HUD, Fannie Mae, and Freddie Mac, which convey **less than half** of foreclosed properties into REO. This disparity reflects a misalignment between foreclosure pricing practices and real-world market conditions, rather than a lack of market demand.

When foreclosure pricing does not reflect current market realities:

- Third party foreclosure buyers don't engage;

One Mauchly, Irvine CA 92618

- Service member homeowners lose the opportunity for competitive sale outcomes that often lead to better outcomes; and,
- VA incurs avoidable costs associated with conveyance, holding, and disposition of REO properties.

To improve outcomes for both VA service member homeowners and the VA at foreclosure, VA policy should prioritize market based pricing and competitive sale execution, including the following complementary reforms.

#### **A. Align Foreclosure Pricing With Realistic Market Expectations**

Foreclosure pricing should be calibrated to reflect actual market demand rather than theoretical recovery values. Market aligned pricing increases the likelihood of third-party sales, minimizes conveyance into REO, and reduces downstream costs related to property maintenance, security, and disposition.

Other federal housing programs demonstrate the effectiveness of this approach. HUD's Claims Without Conveyance of Title (CWCOT) program has saved the FHA insurance fund more than \$10 billion by avoiding unnecessary REO conveyance through market responsive pricing and competitive sales. Applying similar principles within the VA program would materially improve outcomes for service member homeowners and taxpayers alike.

#### **B. Expand Use of Independent Third-Party Auction Platforms to Include Total Debt Sales**

In addition to improved pricing, VA should allow and encourage the use of independent, third-party auction platforms for all foreclosure sales, including Total Debt sales.

Competitive auction environments:

- Expose properties to the widest pool of qualified buyers;
- Promote transparent price discovery; and,
- Increase the likelihood of achieving the highest and best outcomes at foreclosure.

This approach directly benefits service member homeowners. In a competitive foreclosure sale:

- Proceeds received in excess of total indebtedness are returned to the homeowner, where they may be used to satisfy subordinate liens and support a smoother transition.
- Competitive Total Debt sales have generated meaningful surplus value for service member homeowners. Based on Auction.com transaction data, these sales have returned, on average, approximately \$30,000 above total debt per property, directly benefiting distressed service members.
- Selling a property at foreclosure for total debt or more allows for reinstatement of the service member's VA loan entitlement, a significant long-term benefit that preserves future access to affordable homeownership.

For VA and taxpayers, broader use of competitive auctions increases third party sales, reduces REO inventory, and lowers long-term carrying and disposition costs — all while preserving existing service member homeowners.

## **II. Encouraging Sales Prior to Foreclosure to Preserve Service Member Equity and Reduce Program Costs**

Equally important, VA policy should more actively encourage distressed borrowers to sell their homes prior to foreclosure whenever feasible.

Pre-foreclosure sales offer substantial benefits:

- They provide service member homeowners with a greater sense of control during a difficult financial circumstance.
- They represent the best opportunity for service members to preserve the equity they have built in their homes.
- Even when a sale results in a shortfall, the cost to VA is significantly lower than proceeding through foreclosure and REO disposition.

To strengthen these outcomes, VA may wish to consider policy mechanisms that reward proactive borrower behavior. For example, in cases where a short sale occurs, VA could explore reinstating a service member homeowner's loan entitlement when the borrower demonstrates that:

- The property was exposed to the market through an independent third-party sale provider which creates a competitive, transparent sale process; and,
- Allows for the highest available offer to be obtained benefiting the service member homeowner, the VA and the surrounding community.

Such an approach aligns service member homeowner incentives with program efficiency while reflecting the lower net cost to VA compared to foreclosure and REO management.

### **Conclusion**

Improving foreclosure outcomes through market based pricing and competitive sale execution, while encouraging pre-foreclosure sales that preserve service member homeowner equity, offers a practical, evidence-based path to reform.

Together, these policies would:

- Reduce VA program costs:
- Improve financial outcomes for service member homeowners:
- Accelerate the return of housing inventory to the private market; and,
- Strengthen long-term stewardship of taxpayer resources.



One Mauchly, Irvine CA 92618

Auction.com appreciates the Subcommittee's leadership on these issues and stands ready to support Congress with data, analysis, and technical expertise as VA Home Loan Program reforms are considered.

Respectfully submitted,

Ali Haralson  
President  
Auction.com