

**KITCHEN TABLE ISSUES: LOWERING COSTS
FOR VETERAN FAMILIES THROUGH THE
VA HOME LOAN PROGRAM**

HEARING

BEFORE THE

**SUBCOMMITTEE ON ECONOMIC
OPPORTUNITY**

OF THE

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SUBCOMMITTEE ON ECONOMIC OPPORTUNITY,
COMMITTEE ON VETERANS' AFFAIRS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, DC.

The subcommittee met, pursuant to notice, at 3:37 p.m., in room 360, Cannon House Office Building, Hon. Derrick Van Orden, [chairman of the subcommittee] presiding.

Present: Representatives Van Orden, Hamadeh, King-Hinds, Pappas, and Kennedy.

OPENING STATEMENT OF DERRICK VAN ORDEN, CHAIRMAN

Mr. VAN ORDEN. The subcommittee will come to order. I will figure out how to use these buttons later.

I want to thank everyone for being here today to discuss affordability for our men and women who have served in ways we can improve and modernize the U.S. Department of Veterans Affairs (VA) Home Loan Program. The purpose of this VA benefit is to assist veterans and servicemembers with living the American Dream by purchasing their first home. As always, I appreciate the non-partisan approach to the subcommittee, my friendship with Mr. Pappas, Ranking Member Pappas. It is a something I really truly enjoy that we have a great working relationship.

In Fiscal Year 2025, an estimated 528,340 veterans, servicemembers, and their families used the VA Home Loan Program, with 61 percent of VA guaranteed loans being used for the initial purchase. VA has guaranteed over 29 million loans in excess of \$4 trillion since the 1940's. I will tell you what, the VA Home Loan Guarantee Program and the GI Bill are the two best programs the U.S. Government has ever developed. These impressive numbers represent millions of veterans, their servicemembers, and families who may not have otherwise achieved the American dream of home ownership.

I am also proud user of the VA Home Loan Program myself, and I personally know the benefits and purpose of this program can bring to veterans and their families. This is a benefit that we must protect to ensure it unleashes economic opportunity for today and tomorrow's veterans.

Last year I championed H.R. 1815, VA Home Loan Program Reform Act, that was signed into law by President Trump. I am look-

ing forward to full implementation of this partial claims program that will put the VA Home Loan Program on par with other Federal home loans in terms of options to mitigate foreclosure. That is something that I know the timing of that I think it should have—probably should have been earlier. We talked about this with the Veterans Affairs Servicing Purchase (VASP) deal. This law helps fulfill a promise to those who protect us with their services and continue—with their service, excuse me, and can continue to do so today by providing a safety net to maintain home ownership. I am very proud of our legislation and grateful to President Trump for signing it into law.

I know the VA is working with industry to implement this law and encourage them to work closely with industry so that the good work we have done with this law is not wasted in bureaucratic red tape. The enactment and implementation of this law is important, but the work is not done. I am currently working on a piece of legislation that would streamline the VA Home Loan Program by requiring VA to review and update their outdated Minimum Property Requirements (MPR) and barriers to entry into the appraisal process.

We must find ways to eliminate the unnecessary administrative costs of the VA home loan and better align it with other Federal housing programs so that it remains the best benefit our veterans in today's volatile housing market. It is both a priority of mine, Chairman Bost, our Republican conference, and President Trump to ensure that housing is affordable for all, especially our veterans. Today we will be hearing from industry experts about how to do just that.

I was happy to see the VA is taking a closer look at updating some of their minimum property requirements, but there is more work that needs to be done to streamline the home loan program and remove unnecessary bureaucracy getting in the way of veteran home ownership. I want today's discussion to be meaningful, respectful obviously, and with the end state of keeping housing affordable for our veterans, servicemembers, and their families.

With that, I would like to yield to my very good friend, Ranking Member Pappas.

OPENING STATEMENT OF CHRIS PAPPAS, RANKING MEMBER

Mr. PAPPAS. Thank you, Mr. Chairman, for holding this session. I agree with you that the VA Home Loan Guarantee Program is one of the most important commitments that we can make to veterans. So essential, especially at this moment where we are dealing with a housing crunch all across our country.

We know that housing prices, along with pretty much every other expense a family faces, like energy and groceries, continue to rise. As veterans spend more money at the pump and at the grocery store, they have less to spend on rent, their mortgage, or to save for a down payment. From what I hear constantly from my constituents, and I am sure this applies to all of my colleagues, too, affordability concerns are not a hoax. They are a huge concern of Americans. I am thankful that we are holding this hearing in recognition of that.

When we are talking about how to make a VA Home Loan Program more affordable, we cannot forget that veterans are facing the same housing and affordability crisis that impacts all Americans, a situation we cannot address through minor fixes to the home loan program itself. For example, when most Americans talk about barriers to buying a home, they are talking about the down payment. We know for veterans, one of the greatest advantages of the Home Loan Guarantee Program is that no money that no money down option, so down payments are not an issue for a lot of veterans.

When it comes to closing fees, VA already limits what lenders can charge veterans. Of course, we should be open to a discussion about how limiting fees even more can save in terms of veterans costs. However, it is important to make clear that up to two-thirds of the closing fees a veteran pays are to register the deed, homeowners insurance, escrow, and taxes, none of which this committee can influence.

My point here is that focusing on issues like fees should not divert our attention away from the crux of the problem. That is why we need a whole of government approach to tackle the housing crisis, lower cost for veterans and all Americans, and put home ownership back within reach for everyone. We should explore comprehensive policies that would provide real savings, tangible affordability, and accessibility to home loans for veterans.

We need to focus on legislative packages, like the updated Senate-passed 21st Century Road to Housing Act, which House leadership has yet to put to the floor for a vote. This bipartisan bill includes bills I helped introduce that would cut red tape to build more housing, strengthen assistance to middle class homeowners for improvements and repairs, and expand access to the VA Home Loan Program by ensuring veterans are made aware of the benefit during the loan application stage. The housing crisis requires an all hands on deck approach and we should be using every tool at our disposal to create the conditions to tear down red tape, build more housing, and lower prices.

In my State of New Hampshire, we are moving in that direction. We have a First in the Nation Veterans Campus in Franklin, which is a partnership between the private sector, government, and the nonprofit community, funded with Federal dollars and providing critical housing for our veterans. We are empowering our nonprofit and Veterans Service Organizations (VSO) partners, including Harbor Care, that have stepped up to fill a need for emergency, transitional, and permanent housing for veterans.

Based on the testimony we received and we will hear momentarily, perhaps there are ways to align VA along with other Federal agencies to put veterans on an equal footing with nonveteran home buyers. However, the benefits must outweigh the cost, especially if proposals will ultimately expose veterans to excessive risks. Rather than discussing slight changes to improve accessibility, let us also focus on what this hearing should be about: affordability and that big picture conversation about how to bring down costs and make life better for veterans and all Americans.

I look forward to the testimony today and I yield back.

Mr. VAN ORDEN. The gentleman yields.

Before I introduce the witness panel, I would like to recognize one of my constituents who is sitting in the audience. Jane, how are you? Thanks for coming very much. She works for Portage County and she does a fantastic job. Thank you so much for joining us today.

I will now introduce the witness panel. Our first witness is Mr. Patrick Zondervan, executive director of Loan Guaranty Service at the Department of Veterans Affairs. Accompanying Mr. Zondervan is Mr. Terry Rouch, assistant director for Loan Policy and Valuation, Loan Guaranty Service at the Department of Veterans Affairs.

I ask you two gentlemen to stand and raise your right hand.

[Witnesses sworn.]

Mr. VAN ORDEN. You may be seated. Let the record reflect that the witnesses have answered in the affirmative.

Mr. Zondervan, you are now recognized for 5 minutes to deliver your testimony on behalf of the Department of Veterans Affairs.

STATEMENT OF PATRICK ZONDERVAN

Mr. ZONDERVAN. Good afternoon, Chairman Van Orden, Ranking Member Pappas, and members of the subcommittee. Thank you for the opportunity to present information on several topics regarding the Department of Veterans Affairs' Home Loan Guarantee Program.

Mr. VAN ORDEN. Mr. Zondervan, is your microphone on?

Mr. ZONDERVAN. Yes. I will try to speak a little louder. How is that? Okay. Good afternoon, Chairman Van Orden, Ranking Member Pappas, and other members of the subcommittee. Thank you for the opportunity to present information on several topics regarding the Department of Veterans Affairs' Home Loan Guaranty Program. Joining me is Terry Rouch, assistant director for the VA Loan Policy and Valuation. My remarks will focus on a set of key issues that are both timely and significant to veteran home lending. These are also detailed in my written testimony for your reference.

As the new executive director of VA Loan Guaranty Service, I have the distinct honor to lead the VA's Home Loan Program. The VA Home Loan Program is an earned benefit for veterans and servicemembers to obtain, retain, and adapt a home which truly recognizes their service to the Nation. As a veteran myself, I have personally leveraged the VA Home Loan Program more than once to secure stable housing for my family.

Since 1944, VA has been helping veterans achieve the American Dream of home ownership. To date, VA has guaranteed more than 29 million home loans totaling over \$4 trillion and there are more than 3.9 million active VA guaranteed loans. VA guaranteed home loans can be considered as one of the most useful VA benefits available to veterans and servicemembers and is a premier choice in opening the door to home ownership.

VA home loans provide a great opportunity for the first-time veteran home buyers to purchase a home because of the following unique features on the VA Home Loan Program. One hundred percent financing with no down payment required. Exemptions from paying the VA funding fee for service-connected disabled veterans

in receipt of disability compensation. Limits on certain costs lenders may charge a veteran for origination and administrative fees to 1 percent. Lower interest rates. No monthly private insurance premiums. Allowing seller concessions of up to 4 percent of the reasonable value of the home for items like prepaid escrow and paying off consumer debts. These cost-saving measures ensure that the VA home loan is an affordable option for veterans.

Even in tight housing markets VA continues to see strong demand for the program. In Fiscal Year 2025, VA guaranteed more than 500,000 home loans, with more than 60 percent of those being new and first-time homeowner purchases.

While the demand for the VA Home Loan Program is strong, housing affordability remains a valid concern for veterans as it does for buyers in the conventional market. With mortgage rates around 6 percent on average, housing prices remain elevated in many areas where property taxes, homeowners' association fees, home insurance costs, and other unexpected repairs continue to impact the overall cost of home ownership.

VA continues to make efforts to modernize its origination system and increase automation to allow lenders to submit proposed loan information prior to closing and identify potential errors that may lead to costly corrective measures after the loan is closed.

Earlier this month, VA launched an enhancement to the VA mobile app that now allows eligible veterans to view their certificates of eligibility from their mobile phones. Within the first week, more than 35,000 certificates of eligibility were downloaded from the mobile app.

An often misunderstood component of the VA program is the VA appraisal process, which is designed to ensure the home meets safety, soundness, and livability standards for veterans. These minimum property requirements have frustrated many buyers, sellers, and real estate agents alike. Today, I would like to set the record straight and dispel a few myths about the VA appraisals for the committee.

The first myth is that the VA appraisals take too long. As of February 2026, VA appraisals are taking on average 7 business days to complete, which is equal to other conventional and Federal Government programs.

The second myth is that the VA appraisals are a home inspection. VA appraisals are not a home inspection. The VA home loan appraisal is an opinion of fair market value. VA is developing several actions to reduce and simplify the minimum property requirements for appraisals outlined in VA Regulation, Handbook policies, and procedures. This month, VA updated the VA Lenders Handbook chapter 12 with the removal of several minimum property requirements to streamline the appraisal process.

In conclusion, VA will continue to support the path to home ownership through the VA Home Loan Program, strive to modernize our systems, streamline processes, and expand communication and education efforts to improve the VA Home Loan Program for future veterans and their families.

Mr. Chairman, thank you for the continued support of the VA Home Loan Program and for this opportunity to speak today. This

concludes my testimony and I welcome any questions that you or other members of the subcommittee may have.

[THE PREPARED STATEMENT OF PATRICK ZONDERVAN APPEARS IN THE APPENDIX]

Mr. VAN ORDEN. Thank you, Mr. Zondervan. The written statement of Mr. Zondervan will be entered into the hearing record.

We are now going to proceed to questioning. Please stick to the 5-minute rule.

I now recognize Ranking Member Pappas for 5 minutes to question the witnesses.

Mr. PAPPAS. Well, thank you very much for that testimony. I appreciate the steps that you are already taking to make things more efficient and to streamline processes. I think that is incredibly important and we always need to be thinking about how we can do things a little bit better.

We hear a lot of comments from industry that the processes and standards for the VA Home Loan Program are different from other government lending programs, especially when it comes to the appraisal process and minimum property requirements. I understand the desire for these programs to be matched up across the board as it would be easier for industry and it would reduce misconnections among sellers and real estate agents that VA-backed loans are harder to complete or take long longer to get done, as you have addressed. I have to question the logic, though, that we should lower VA standards to meet everyone else instead of perhaps raising all standards for Federal Housing Loan (FHA) and U.S. Department of Agriculture (USDA) to match VA.

I am wondering, does the VA Home Loan Program perform better than similar programs at other agencies? Is that partially credited to the kinds of protections that are in place for veterans that are purchasing a home?

Mr. ZONDERVAN. Thank you for that question, sir. The protections are very important because the veteran is our first priority. However, there are parts of our minimum property requirements that we can remove. Right now what we are doing is evaluating our policies and identifying any, you know, minimum property requirements that we can remove without compromising the additional features that we have to ensure that the safety, the soundness, and the sanitary conditions of the home remain in place.

Mr. PAPPAS. Could you give folks some examples of ways that you feel like you could modify the property requirements in a way that would not hurt veterans or put them at risk?

Mr. ZONDERVAN. Certainly. Actually, I am going to defer to my colleague, Mr. Terry.

Mr. ROUCH. Thank you for that question. A lot of these are cosmetic in nature, so we are looking at some of the things that have been problematic over the years, such as chipped paint or peeling paint. Those are one of the ones that are out there. Hand railings, burglar bars, those type of things have been problematic, that while there are MPRs and other programs as well, VA has made those subject to in the past, and so those are the ones that we want to tackle.

Mr. PAPPAS. You agree that there are certain minimum property requirements that you feel should stay in place as a means to protect veterans?

Mr. ROUCH. The whole purpose of minimum property requirements are safety, soundness, and sanitation. Those were the ones that we will be wanting to keep.

Mr. PAPPAS. I appreciate that. Last year, the administration put an end to the VASP program, which we know offered veterans a low interest rate and refinances to avoid foreclosure. I am just wondering if you can say whether VASP prevented folks from getting foreclosed on and if that lowered the foreclosure rate for veterans.

Mr. ZONDERVAN. Thank you for that question. The VASP program did end. The Secretary decided to end it in May of last year. Our focus right now remains on implementing the partial claims program, which will now provide the additional option for veterans to—

Mr. PAPPAS. Yes. While it was in place, can you speak to, I mean, the fact that there were thousands of veterans that were assisted. I assume for those veterans that that helped them prevent foreclosure and that kept the foreclosure rate lower across the board. Would you agree with that?

Mr. ZONDERVAN. I would say that the VASP program at the time did have options to help veterans who were facing foreclosure, yes.

Mr. PAPPAS. Okay. Well, it is certainly borne out in the numbers that I have seen. Talking about partial claims, I mean, we are approaching a year since this was, you know, designed and passed by Congress. We are really eager to see this implemented. With VASP gone, I am wondering what happens to veterans who are still waiting for this to be stood up.

Mr. ZONDERVAN. Thank you for that question. There are other options before the partial claims rolls out. There are forbearance, special forbearance, modifications of the loans. Those options have always been available absent of the VASP program. We work closely with our servicers and the industry partners to ensure that when veterans reach a point of default, that they are offered all of the remaining options that are available until the partial claims program comes out.

Mr. PAPPAS. We are seeing the foreclosure rate increase, and so I think time is of the essence here. I know you have been briefing staff. I am wondering if you can give us a clearer picture on the timetable for the rollout.

Mr. ZONDERVAN. Absolutely. Thank you for that question. Our goal is to have it available to the public in June of this year.

Mr. PAPPAS. Okay. You have been through the comment period. I assume you have received significant comments from folks on the outside that would be, you know, working with veterans on loans. Can you characterize any of those comments and how long it is going to take to work through that, you will still be able to hit that June timeframe?

Mr. ZONDERVAN. Certainly. Thank you. We actually did something new with the VA. We used what is called a drafting table. It is different from comments through the regulatory process. We received well over 800 individual unique feedback items.

Mr. VAN ORDEN. The gentleman's time has expired.

Mr. PAPPAS. I yield back.

Mr. VAN ORDEN. The gentleman yields back.

The chair recognizes Representative Hamadeh from Arizona.

Mr. HAMADEH. Thank you, Mr. Chairman. Mr. Zondervan, thank you for being here.

As a veteran, myself and I represent Arizona's Eighth District, which is home to one of the fastest-growing veteran populations in the country, the median home prices in our communities are now topping \$450,000. Young veterans fresh off Active Duty, they are trying to start families and put down roots in the State they defended, are being locked out, not because they lack discipline or drive, but because the VA Home Loan Program has failed to keep up with Arizona's skyrocketing cost of living and housing market.

My first question is, Mr. Zondervan, my constituents in Arizona are getting slammed with what I call fee stacking. You know, lenders are charging the full 1 percent origination fee on VA loans, then piling on extra itemized charges for processing, underwriting, and others. That 1 percent is supposed to be all-in inclusive. It is meant to cover the lender's labor and overhead. Now, these sneaky add-on administrative fees are nothing but a cash grab and they need to be banned. Now, what is the VA doing right now to ensure our veterans are not paying twice for the same paperwork at closing?

Mr. ZONDERVAN. Thank you for that question. We look at data. Our systems evaluate data and if there is any evidence of misuse or inappropriate fees being charged, we do work with the lenders to recoup those fees back. If we receive complaints from veterans, we do a full file loan review. If we do find that there are overages and charges, those are actually paid back by the lender.

Mr. HAMADEH. They get paid back to the veteran?

Mr. ZONDERVAN. To the VA because—

Mr. HAMADEH. Now, right now the VA caps seller concessions at just 4 percent, as you know, now while FHA and USDA allow 6 percent. In a red hot market like Phoenix, that 2 percent difference can sometimes be the difference-maker between winning and losing a home. Now, sellers see a VA offer and realize they are getting less help with closing costs and immediately choose the FHA buyer instead. Now, our veterans are getting squeezed out of the market they fought to protect. Now, does the VA support raising the seller concessions cap to 6 percent to align with the other Federal agencies?

Mr. ZONDERVAN. Thank you for that question. Seller's concessions, it is kind of, you know, the higher you go on the seller's concessions, it can create some issues with cost because it is—what we have seen is that the lenders will—or the person selling the home, when you have higher concessions, that sometimes causes them to raise the price on the home. It does not necessarily help with affordability. That is one of the things that we are looking at. We will be glad to work with the committee to continue to look at that. We currently are at 4 percent, but we do want to make sure that whatever decision we make, it will continue to protect the veteran and not cost them more down the road.

Mr. HAMADEH. Yes, of course. I am about common sense. Right now, FHA, USDA are 6 percent. It seems to make sense to me to

align the VA with FHA and USDA. My family is in real estate. I am very familiar with housing and I know the unintended consequences of that, what you are talking about. That is not what we are seeing. I would encourage you to go back to the VA and try to align that up with the FHA. Okay?

Mr. ZONDERVAN. I will be glad to take that into consideration.

Mr. HAMADEH. Now, the VA has identified 436 counties across 31 states that do not have enough certified appraisers to meet demand. The VA demands 3 to 5 years of experience for certification, while the FHA only requires 12 to 18 months. Now, that gap is forcing our veterans into longer wait times and much higher fees, sometimes \$600 to \$1,300 per appraisal versus just \$400 to \$700 on the FHA side. Is the VA willing to reduce its experience requirements to align with FHA standards and get more qualified appraisers into the pipeline?

Mr. ZONDERVAN. Thank you for that. We are absolutely willing to consider looking at our requirements and reducing those to help.

Mr. HAMADEH. How are you doing that?

Mr. ZONDERVAN. I am working with my staff right now to determine the balance between what is required versus ensuring that the product that is delivered is still a quality product. I am looking forward to our modernization efforts, which will help us with the quality control of appraisals, which will then also help us reduce the requirements before a VA—before an appraiser can become part of the panel.

Mr. HAMADEH. Yes, but it goes back to my previous question. We just got to align up with what FHA is doing. It seems like it is common sense to me, and I know it is common sense for our veterans as well. Thank you.

Mr. VAN ORDEN. The gentleman yields.

The chair now recognizes Representative King-Hinds from the Northern Mariana Islands.

Ms. KING-HINDS. Thank you very much for your time today.

Earlier there was a lot of focus on how do we make things better for our vets. I kind of want to just start off and get your thoughts on what has the VA done to modernize the home loan program in recent years.

Mr. ZONDERVAN. Thank you for that question. Part of our modernization efforts is what we call guaranteed remittance. It has four different parts where we use Application Programming Interface (API) to gather data and to be able to evaluate information. We have implemented our first part of that modernization 100 percent back in November 2024. We are about 83 percent with the second API and about 34 percent with the third.

Although our priority is partial claims right now, once we have partial claims implemented, we will continue to focus on getting guaranteed remittance to full production, as that is one of the things that our stakeholders have asked for and it is one of my priorities.

Ms. KING-HINDS. That is good to hear. Are you familiar with the Commonwealth of the Northern Mariana Islands (CNMI)?

Mr. ZONDERVAN. Somewhat.

Ms. KING-HINDS. Somewhat. You know, one of the challenges that we have out there, and I was reading the written submitted

testimony of the second panel, the folks that are coming right behind you, and they were talking about shortage of housing available in general. Right. That is a challenge out here. That is not the challenge out in the Northern Mariana Islands. I think more outreach with regards to the programs that you provide needs to be done so that, you know, the vets out there know, right, that they have this opportunity and the ability to avail of this program.

I think Abe has mentioned that Arizona, he has a lot of veterans who are living in Arizona. Well, we have the second highest enlistment rate per capita across any State or territory. You know, folks are coming back home and this program is incredibly useful. That is why I want to thank the chairman for taking the lead with me to sponsor the Heroes Owning and Materializing Equity (HOME) Act, which addresses or attempts to close in some of the gaps by explicitly requiring that the VA does an outreach to places like the CNMI.

Ranking Member Pappas mentioned that, you know, the priority right now should be how do we make housing more affordable? I think it is the President's priority as well to make home ownership more affordable. What are you doing toward that effort?

Mr. ZONDERVAN. Thank you for that question. The VA Home Loan Program is already a fantastic program. It is the best option for veterans out there. I am willing to work with the committee if you have any legislative proposals that you would like for us to view or provide technical assistance. We do want to help make it more affordable, so any opportunities that there are, we will be glad to work with your committee and our stakeholders as well.

Ms. KING-HINDS. If you were to give a suggestion in terms of what policies are standing in the way to be able to open up that path, what would it be?

Mr. ZONDERVAN. Thank you for that question. I do not have a specific suggestion at this time. You know, our program, as I stated, has a lot of benefits already. If you have ideas on how we could make it better, we would welcome that and we will work with you.

Ms. KING-HINDS. All right. I yield back, Mr. Chairman.

Mr. VAN ORDEN. The gentlelady yields back.

I now recognize myself for 5 minutes.

Who writes the requirements for the—so I just want to talk a little bit about some of the stuff that Ranking Member Pappas was saying and also my Republican colleagues. About this appraisal thing, it is fascinating to me. How long is the residency for a family practice physician? It is 3 years. If you can do a residency to become a family practice physician in 3 years, why would you take 5 years to be an appraiser? I am not trying to degrade appraisers. It is, you know, it is a great vocation. I just do not see, you know, 5 years is a very long time.

It is not just the fact—and I understand the times for getting an appraisal, you are right, you know, they are generally on par. I have never had a problem with it. When you are talking about 5 years, that is 5 years of a bunch of different people doing essentially repetitive tasks. To me, that looks like another VA jobs program. You are paying for these other people to train them as an apprentice to look at paint chips and stuff like that. It just seems

like a waste of time and money, and we cannot waste time and money anymore.

Who writes these requirements? I mean, there is a bunch of people like, hey, let us pile on all these requirements to make it take a half a decade to become an appraiser? Who writes those?

Mr. ZONDERVAN. Thank you for that question. I fully agree with you. I am new to this program.

Mr. VAN ORDEN. I know.

Mr. ZONDERVAN. However, there is a lot of opportunity for us to reduce that 5-year significantly. I will be working on that with my staff. It is within my control to change that.

Mr. VAN ORDEN. It is. I am going to admit it, I knew the answer to that question before I asked it.

One of the greatest slogans ever for advertising was Nike when they said, just do it. The Trump administration has taken that and they say, just do things. This is something that you can do. You are empowered by your position to do this, and it could really be significant. Very happy about that.

Now, Ranking Member Pappas, I want you to understand that this is a bipartisan thing. You had three people talking about this. I am not happy at all with the fact that it is going to be June before partial claims is done. That timeline is too long. You know what Chris' concerns are absolutely valid. We do not want veterans getting booted out of their homes. Right? I want you—I do not know if you can say yes right now, but I want to talk to you later about this. I want to guarantee that you are not going to foreclose on any single veterans if you have the ability to do so until this partial claims gets done. Okay? If that is in your power, I need to know that. Then I want your word if you can do that.

That is really all. Chris, do you want to do a second round? Do you have more questions?

Mr. PAPPAS. I think I am good.

Mr. VAN ORDEN. You guys good? Okay. Well, very well. With that, I am going to yield back because my buddy has got all the questions.

Thank you very much for coming, gentlemen. You are excused. I hope you stick around and listen to the second panel.

Please be seated. We will have you stand up in a sec.

Our second panel, we are going to hear from the following witnesses. Our first witness is Mr. Owen Lee, 2026 chair-elect of the Mortgage Bankers Association (MBA). Our next witness is Mr. Kurt Thompson, executive committee member at the National Association of Realtors (NAR). Our final witness is Ms. Alice—is it, Alice? Alys, that is a very neat name, Cohen, director of Federal Housing Advocacy at National Consumer Law Center (NCLC).

I would like to welcome you very much to the table, and I ask now that you would stand and raise your right hand. Sorry. You are very eager. That is great.

[Witnesses sworn.]

Mr. VAN ORDEN. All right. Thank you very much. Let the record reflect that the witnesses have answered in the affirmative.

Mr. Lee, you are now recognized for 5 minutes to deliver your testimony.

STATEMENT OF OWEN LEE

Mr. LEE. And members of this subcommittee, thank you for the opportunity to testify today on behalf of the Mortgage Bankers Association. My name is Owen Lee. I serve as the MBA's 2026 chair-elect and I am also chief executive officer of Success Mortgage Partners (SMP). I have more than 30 years of experience in residential real estate finance as an independent mortgage banker.

I founded Success Mortgage Partners, headquartered in Plymouth, Michigan, in 2002. Our firm originates mortgages in 43 states and the District of Columbia, closing billions of dollars of loans every year. Today, SMP is a top 100 VA lender. Since 2020, we have closed between 100-and \$220 million loans each year. I am proud that over the last 6 years SMP has helped more than 3,100 veteran families secure the dream of home ownership.

Many of those VA loan closings have been memorable, especially one very close to me. It involved my cousin, retired Sergeant First Class Damien Siwik. Sergeant Siwik is a 22-year Army veteran and recipient of the rarely received Soldier's Medal, one of the highest honors a soldier can receive for an act of valor in a noncombat situation. During his Army service, he completed multiple tours of duty on the Demilitarized Zone (DMZ) in Korea and then Honduras, Egypt, Iraq, and Afghanistan. He retired from the Army nearly 10 years ago.

As a soldier, my cousin never lived in a singular posting for more than 3 years. He made the achievement—this made the achievement of home ownership quite difficult. Sergeant Siwik was also judged 70 percent disabled upon his discharge due to circumstances directly related to his service. It was with immense pride that on January 17th of 2025, I helped my cousin become a homeowner for the first time at age 58.

The MBA is honored to have productive working relationships with the full House Veterans' Affairs Committee and this subcommittee, including your highly professional staff. I want to highlight a few of MBA's recommendations to strengthen and improve the VA Home Loan Program. More details can be found in my written testimony.

I appreciate the full committee passing H.R. 1815, the VA Home Loan Program Reform Act, which last year created a practical and permanent partial claim program, aligning with existing programs across other Federal housing agencies. This law ensures veterans are not left behind during moments of financial stress. MBA commends the VA for their transparent and open drafting table process to implement the new Partial Claim Authority, but would encourage the agency to improve their draft waterfall proposal in the following ways.

A borrower should not have to agree to a monthly payment increase before receiving other home retention options that do not result in a payment increase. It is also important for the policy to explicitly allow servicers the option to offer regular forbearance so a veteran homeowner does not have to commit to a repayment option before their hardship has ended up.

Beyond the partial claims implementation, MBA would also encourage the VA to make certain other programmatic changes. Among a list included in my written statement: to align minimum

property requirements with Fannie Mae and Freddie Mac; to reform the Interest Rate Reduction Refinance Loan (IRRRL) program to improve its effectiveness and assure ensure it reflects today's mortgage market; to modernize the allowable fee schedule structure that VA mortgage servicers can charge to process an assumable loan; and to align the agency's fee documentation requirements with how third-party services are actually billed and documented.

I would be remiss if I did not mention that MBA stands by its traditional position that the use of any revenue generated by VA home loan funding fees should only be used for the benefit of the VA's Home Loan Program itself.

In closing, I want to thank the committee for its time and attention on ways to reduce costs and improve efficiencies with this vital program, ensuring it better serves veteran families as they pursue their slice of the American Dream, and I look forward to answering any questions you may have.

[THE PREPARED STATEMENT OF OWEN LEE APPEARS IN THE APPENDIX]

Mr. VAN ORDEN. Thank you, Mr. Lee. The written statement of Mr. Lee will be entered into the hearing record.

Mr. Thompson, you are now recognized for 5 minutes to deliver your testimony.

STATEMENT OF KURT THOMPSON

Mr. THOMPSON. Thank you, Chairman Van Orden, Ranking Member Pappas, and distinguished members of the subcommittee. My name is Kurt Thompson and I am the broker owner of RE/MAX Liberty in Westminister, Massachusetts, where I have been helping buyers and sellers for over 29 years. I am testifying today on behalf of the more than 1.4 million members of the National Association of Realtors. I am also a veteran. I served for 8 years with the Army Reserve and one of the 157th Air Refueling Wing in New Hampshire's Air National Guard.

The VA Home Loan Program helped me to achieve home ownership, which is why, as a standard practice, I ask every buyer whether they have VA eligibility. I know from my own experience that the no down payment feature can be the difference between owning a home or continuing to rent.

Before I turn to where I think the program can be strengthened, I want to thank this subcommittee for its leadership in passing H.R. 1815. This legislation will help ensure our Nation's veterans utilizing the VA benefit have access to professional representation when making one of the most important decisions of their lives.

That said, even the strongest loan benefit can only do so much when the availability of homes is in such short supply. NAR research estimates that Americans face a shortage of almost 5 million homes in my market. In Massachusetts, most entry level buyers are looking in the 300,000 to 500,000 range and there simply are not enough homes at that price point. The ability for veterans to purchase with no down payment is VA loan program's greatest strength, and it is most meaningful when affordable homes are within reach.

Strengthening the benefit and increasing supply are complementary goals, and both are essential. This is why NAR strongly urges Congress to pass the 21st Century Road to Housing Act, H.R. 6644, and the More Homes on the Market Act, H.R. 1340, which will unlock existing inventory by modernizing the capital gain exemption.

Turning to the program itself, I want to spend most of my time on appraisals because that is where I see the issues most clearly in my day-to-day work. The biggest competitive challenge I see with VA buyers is closing costs leading to appraisal risk. Many of my veteran buyers have limited cash on hand, and closing costs largely cannot be rolled into the VA loan. This means that I often need to negotiate seller concessions. In a hot market like mine, sellers have a certain expectation of the amount of proceeds they will receive and from the sale of their property. To get the seller the number they need and secure the concession my clients need, the offer has to go above the asking price. As a result, the appraisal has to come in at that higher number. If it does not, the seller has to either take less or walk away. When they have another offer on the table without that complication, that is where veterans lose homes.

Another issue I see is that property conditions are generally acceptable for conventional loans are required to be flagged by VA appraisers. These additional requirements can add time and cost or even kill purchases, giving sellers yet another reason to favor conventional or cash offers. NAR recommends Congress direct VA to align its minimum property requirements with Government Sponsored Enterprises (GSE) standards, modernizing appraisal timelines, and expand the appraisal pool.

Beyond appraisals, there is another issue that represents real untapped potential, which is loan assumptions. VA loans are assumable, which in today's high interest rate environment sounds like an incredible feature. A buyer can take on a seller's 2.5 or 3 percent mortgage instead of borrowing at today's rates, which would have significant impact on the monthly payment. However, I cannot think of a single transaction in my career where an assumption is actually closed. The process can take up to 90 days or more, and most buyers cannot bridge the equity gap in cash.

The assumption benefit exists on paper, but in practice it rarely pencils out. NAR recommends VA reevaluate the cap on lender compensation and that Congress explore financing solutions to close the equity gap. Congress should also address veterans losing their entitlement when a nonveteran assumes their loan.

The VA Home Loan Guarantee Program has been one of the most important benefits our Nation offers and I am proud to have benefited from it personally. When it works well, it is a powerful path to achieving the American Dream of home ownership and the kind of wealth-building that can last generations. This program deserves to be the best it can be and NAR stands ready to work with this committee and VA to make that happen.

I thank you for your time and I welcome your questions.

[THE PREPARED STATEMENT OF KURT THOMPSON APPEARS IN THE APPENDIX]

Mr. VAN ORDEN. Thank you, Mr. Thompson. The written statement of Mr. Thompson will be entered into the hearing record.

Ms. Cohen, you are now recognized for 5 minutes to deliver your testimony.

STATEMENT OF ALYS COHEN

Ms. COHEN. Thank you. Chairman Van Orden, Ranking Member Pappas, and members of the subcommittee, thank you for the opportunity to testify on behalf of the low-income clients of the National Consumer Law Center regarding the VA Home Loan Guarantee Program. I am Alys Cohen, director of Federal Housing Advocacy at NCLC, and the daughter of a proud Air Force veteran. We support the goal of promoting affordability for veteran homeowners and we recognize the key role of the VA Home Loan Program. Today I will address the key tool VA has to make veteran home ownership more affordable, improving its hardship options, and I will discuss several issues relating to VA lending policies, all of which would have limited effect on today's affordability crisis, in great part because those challenges are marketwide.

The most important step the VA can take to promote affordability for veterans is to help them retain their homes when feasible and avoid devastating home loss when they face financial hardships, including those related to their service. These home retention programs keep kids in school, stabilize neighborhoods, prevent home equity loss, and allow veterans to avoid an unforgiving rental market. However, the mortgage relief options available for veteran borrowers remain less favorable than the options available to other borrowers with federally backed mortgages, and a higher share of veteran borrowers are moving to active foreclosure.

The situation for delinquent VA borrowers should improve due to passage of the VA Home Loan Program Reform Act, and we thank members of this committee for your leadership on that legislation. However, the newly authorized partial claim program has not yet begun and VA's draft handbook proposals do not fulfill the promise of the legislation, especially with respect to affordability, primarily because the agency's proposal requires a homeowner to accept up to a 15 percent increase in their monthly payment before accessing the partial claim. Of the roughly 90,000 VA borrowers who are seriously delinquent on their loan today, we estimate that over 30,000 will face a payment increase under this approach, which on average would raise their monthly payment by \$150 per month.

VA includes other options that create more affordable payments, but these are not offered until later in the draft waterfall. We sincerely appreciate the fact that VA placed its proposed waterfall on the drafting table for comment. We are hopeful that VA will make changes as a result of the consistent feedback it has received to change the order of its waterfall to prioritize affordability.

The VA's proposal, while understandably seeking to be sensitive to the need to limit term extensions and total amounts due, is out of step with Fannie Mae, Freddie Mac, and FHA, which only consider payment increases as a last resort, if at all. To promote affordability truly, VA should ensure that veteran borrowers have options that promote affordability first, which will save money for the VA fund, veteran borrowers, and mortgage servicers.

In addition, we urge the VA to adopt measures to hold off foreclosures until the partial claim program becomes widely available. We have suggested full pay forbearance, which would allow servicers to accept monthly payments again for veterans who can resume payments. This would meet the goal that the chairman just expressed about stopping foreclosures until the new program is up and running.

Aside from adjustments to its home retention program, the other steps VA could take will only help affordability around the edges at best or would seek to address issues not within VA's control. The problems of housing supply and overall market affordability are problems for all home buyers and mortgage borrowers.

The VA's appraisal and minimum property standards ensure the soundness of the homes veterans purchase and catch faulty appraisals. Any change should be first examined for fair lending compliance and any needed additional system accountability. Any steps the agency takes on underwriting should avoid changes that could undermine loan performance or unnecessarily narrow program access. VA's unique underwriting guidelines with a focus on the borrower's residual income have led to an impressive track record. Any reductions in closing costs will be limited, if useful, and cannot have a significant impact on market-wide affordability issues. VA should also explore a small dollar mortgage loan pilot in coordination with FHA.

Thank you for the opportunity to testify. We urge VA to stand up the partial claim, with a new waterfall, in a way that protects the fund, limits servicer burden, and stabilizes home ownership.

[THE PREPARED STATEMENT OF ALYS COHEN APPEARS IN THE APPENDIX]

Mr. VAN ORDEN. The gentlelady's time has expired.

The chair now recognizes Ranking Member Pappas for 5 minutes.

Mr. PAPPAS. Thanks.

Mr. VAN ORDEN. Oh, excuse me.

Mr. PAPPAS. Go for it, Mr. Chairman.

Mr. VAN ORDEN. Ma'am, your written statement will be entered into the record.

The chair now really actually recognizes Ranking Member Pappas. Thanks.

Mr. PAPPAS. Well, thanks very much, Mr. Chairman. I appreciate everyone's testimony here today.

Mr. Lee, your team testimony that was submitted to us, you said, "Veterans today, just as in the early 1980's, face one of the most challenging housing affordability environments in decades, marked by elevated interest rates, limited inventory, and rising home prices." I am just wondering for all the witnesses here, you have touched on this, but can you stress what the major headwinds are facing buyers right now, Mr. Lee, if you can start?

Mr. LEE. I think that the largest headwind facing buyers is supply. It is the supply of inventory of homes for sale. The supply of inventories of homes for sale is up in relation to where it has been since COVID, but it has never recovered in terms of there not being enough houses for sale.

Obviously, we have a supply problem. The amount of homes that we used to build in this country—up to the Great Recession has never recovered from after the Great Recession. Anything that can be done in order to bring a greater supply of homes onto the market, building new and/or anything that can be done to get people to put more homes on the market, like the piece of legislation to modernize and step up the capital gains tax deduction for the sale of your primary residence, would help this situation quite a bit.

Mr. PAPPAS. I see our realtors nodding. Anything else you want to add in terms of headwinds?

Mr. THOMPSON. Absolutely. It is definitely inventory supply and shortage. We estimate there is about a 5 million home shortage. That translates to, roughly, if we could increase production by 400,000 units, it would take us easily 12 to 13 years to catch up to demand. That is a big deal. There are provisions around the table. H.R. 1340 is one of those bills that can assist, as is H.R. 6644.

Mr. PAPPAS. Thank you. Ms. Cohen.

Ms. COHEN. Agree about supply. It is obviously a big issue. Prices are also quite high. Having institutional investors involved in the market is also making a home out of reach for a lot of people. It would be a mistake to only look at home buyers and not look at staying in the home. I would just add that once we get people into homes, we need to make sure that they can afford to stay in their homes. Thank you.

Mr. PAPPAS. Well, thanks, Ms. Cohen. I was going to note in your written testimony you referred to that, saying the most affordable home is the one where they currently reside. Actually, Mr. Lee, you said that. Ms. Cohen, you said, "The most important step that VA can take is to promote affordability for veterans and help them avoid unnecessary, devastating home loss when they face financial hardships."

I wanted to just ask about the end of the VASP program. I appreciate the chairman's comments about how we can stave off foreclosure for veterans that are anticipating this partial claims program coming online. Did the end of VASP negatively impact veterans in the VA Home Loan Program, and has it had any impact on the foreclosure rate overall?

Ms. Cohen, I do not know if that is something you want to take.

Ms. COHEN. We work with attorneys around the country who represent veterans and other borrowers with federally backed mortgages. After the VASP program was canceled, there were many homeowners who were facing hardship, who needed a solution that was just out of reach because the new program was not yet online. It has definitely pushed more people to the brink of foreclosure and home loss given that we have not had a program in this gap period.

Mr. PAPPAS. Yes. Mr. Lee, any observations there?

Mr. LEE. No, we just wanted to reiterate our thanks to everybody on this committee on both sides of the aisle for the help in getting the Partial Claims Act passed. We would commend the VA for their drafting table approach because that would promote a better solution faster, even though we would like to see it as soon as possible.

I can promise you that our members and our servicing members are readying themselves to implement it as fast and professionally as possible as soon as we get it.

Mr. PAPPAS. Yes. Mr. Thompson, thanks so much for your service through the New Hampshire Air National Guard. I should have led with that at the top. We appreciate what the Guard does for all Granite Staters. You talked about the disparity that can exist with veteran buyers and some of the challenges that they have with seller concessions and, you know, having to offer above asking price. How do we work to level that playing field?

Mr. THOMPSON. Absolutely. One of the things that came up was increasing the concession from 4 to 6 percent. That would make a huge difference, in my opinion. One of the areas where we can streamline or make things more affordable for our veterans is when we are able to work with the seller to provide a concession toward those closing costs to minimize the amount of cash coming in.

In terms of the minimum property requirements, that is a challenge as well. Many times veteran buyers take themselves out of contention even before they get to the point of offer, knowing that the property may not be in a condition that is going to pass those requirements. As good stewards of our veteran buyers, we do not want to walk them into landmines when resources may be limited. It is very important that we streamline those issues as well.

Mr. PAPPAS. Thank you. My time is up, so I yield back.

Mr. VAN ORDEN. The gentleman yields back.

The chair now recognizes Representative Hamadeh from the great State of Arizona.

Mr. HAMADEH. Thank you, Chairman.

Mr. VAN ORDEN. You are welcome.

Mr. HAMADEH. Mr. Lee, from the lender side of the table, where is the single biggest source of delay or added costs in the VA loan process as compared to conventional or FHA loans?

Mr. LEE. Well, the MBA would like to see a modernization of both the appraisal standards and how appraisers are approved for the process. The MBA does believe that 5 years is too long. We would love to see something much closer to the way the rest of the market operates. A lot of states have adopted a 2-year period. That we think would be sufficient and that would speed along that process.

Also, you know, as we have talked about, a modernization of the minimum property standards to bring it closer to where Fannie Mae and Freddie Mac are with the GSEs would definitely streamline the program.

Mr. HAMADEH. Now VA still relies on manual underwriting, while FHA has moved to the semiautomated systems that can approve a loan in 2 to 7 days compared to the VA's roughly 10. Now, from an industry standpoint, what would automated underwriting do for VA loan competitiveness and for the veterans waiting on approvals?

Mr. LEE. Automated underwriting does speed along the loan process, especially for the loans that are, you know, fit more right away into the box of underwriting where the underwriting is simple, the income is simple, so that would be helpful. We do not think

it is the absolute major choke point of getting a VA loan approved as fast as possible.

Mr. HAMADEH. Right. If it could speed it up by maybe 8 to 3 days compared to FHA, that would make a big difference.

Mr. LEE. It would make a difference and it would reduce the stigma that sometimes on a VA loan for the fact that it might be harder or take longer to get to the closing table. Sure.

Mr. HAMADEH. I am all about just making it simple. You know, if FHA is doing something, I do not see why VA is taking a longer time. They are both Federal programs.

Now, Mr. Thompson, I hear from veterans in Phoenix, Peoria, Surprise, Glendale, that there is a real stigma against VA loans in competitive housing markets. Listing agents falsely claim that VA loans take longer to close or have a higher denial rate when the data shows it is just the opposite. VA loans actually have the lowest denial rate of any loan type. Now, from your experience in the field, how pervasive is this stigma and what can be done to educate the real estate community?

Mr. THOMPSON. I think that it is a timeline issue. So many times when you are looking at a transaction, the appraisal comes in at a certain point after home inspections, purchase, and sales. When that is coming in, there is a potential for a property to have a risk exposure on those elements within the minimum property requirements, which require either a seller to take action and repair them, the consumer to take action or repair them, or the transaction could become terminal. There is an added risk over, say, a conventional or a cash purchase. Unfortunately, in the market, that can cause some challenges.

Now, I can tell you, I had a client just a year and a half ago, they accepted the VA loan over a higher cash offer. There are still sellers out there that value the good work of our servicemen and women, and we will do the right thing, but we cannot rely on that. We need to try to streamline those programs to minimize friction for our veterans.

Mr. HAMADEH. Yes, that is great. There are so many brave, patriotic Americans that are willing to support our servicemembers as well.

Mr. THOMPSON. Absolutely.

Mr. HAMADEH. I want to thank you all, and I yield back, Mr. Chairman.

Mr. VAN ORDEN. The gentleman yields.

I now recognize myself for 5 minutes.

Mr. Lee, you said something really interesting I thought was kind of—so right now, when we look at this waterfall, the VA is intending on making servicemembers who are having issues making their mortgage, the partial claim mandatory, out of the gate. Is that correct?

Mr. LEE. I do not believe that is correct, but we would like to see some changes in the waterfall.

Mr. VAN ORDEN. Yes, we need to—I mean, we have the copy of it and all that stuff, but we need to—me and Chris got to sit down and look at this collectively and our staffs to make sure we agree with it. With Chevron deference, that finding, if it does not comport to our intent, then that rule will not stand. As opposed to having

to undo something, I would prefer to make sure that we nail it, right, so let us, if it is cool with you, let us talk about that later to get, I mean, to really get down to brass tacks on this so we do not have to undo something that the administration does.

Ma'am, Ms. Cohen, I want you to know that we were not, like, blowing you off. We are discussing the points that you were bringing up to make sure that we can have a really good discussion at the time. I appreciate you doing that stuff. There are some things that we do need to address about VASP and the reason that it went away is that the previous administration wrote what would have been an \$18 billion check without congressional authorization. My concern is, and I stated this earlier, the two best programs that the U.S. Government has ever developed or the Veterans Home Loan Guarantee Program and the GI Bill. For someone to administratively decide that they can magically create an \$18 billion problem set without talking to us about it, directly contravenes the will of Congress.

We do not want to see any veteran removed from their home ever. I do not want to see that happen. We have to make sure that we maintain the integrity of the program. Every single person in the future that wants to buy a home or is currently on Active Duty has the availability to use this program. That is the intent. That is why we did the partial claim thing, to align it with other Federal lending programs. I know that because we wrote it.

There is one other thing.

Ms. COHEN. Mr. Chairman, may I respond?

Mr. VAN ORDEN. Yes, sure, go ahead.

Ms. COHEN. First of all, my father went to college on the GI Bill and he bought the house I grew up in with VA benefits.

Mr. VAN ORDEN. Right. You know what I am talking about.

Ms. COHEN. I agree with you about that.

Mr. VAN ORDEN. Yes.

Ms. COHEN. Second, I think the question right now is what can we do now before the partial claim is stood up so that people do not lose their homes between now and then.

Mr. VAN ORDEN. Yes.

Ms. COHEN. You raised that issue yourself. We are suggesting something called full pay forbearance. People who can resume their payments, who will be able to qualify for the new system, should not be further behind because they did not have their payments accepted. We are suggesting that as a stopgap measure. It will stop them from falling further behind and prevent avoidable foreclosures.

Mr. VAN ORDEN. Can you explain, thank you for that, can you explain the having to accept a 15 percent increase in their mortgage?

Ms. COHEN. The way the proposal works from VA, and it is my understanding that they have heard similar feedback and they are looking at it closely, is that the top options before you get to the payment, that would stay the same, or the partial claim, is that if you can qualify for a 30-year mortgage with an up to 15 percent payment increase, then you do not get to the next option and then you stay at that higher payment. I believe the goal of that was to

not extend people's terms or total amounts due. What it gives people is an unaffordable payment that will lead to foreclosure.

Mr. VAN ORDEN. Okay. That is exactly why we need to really get into the weeds. Really, a hearing like this is not really the setting for that. That is sitting down and looking at these things in detail and preempting any issues that we may have ahead of time.

Well, with that, I do not have any more questions. I want to thank you very much for coming today, and I appreciate your work. I know that your heart is exactly where ours is. That is making sure that every single man and woman that serves our Nation in uniform has the ability to live the American Dream, and that is home ownership.

Oh, you know what? My time is expired. Do you mind if I just ask one more thing? Hey, how much money are you into building a home before you even break ground?

Mr. THOMPSON. I am not qualified to ask that because it—answer that because it varies by location and the red tape of getting it through the local municipality.

Mr. VAN ORDEN. Boop.

Mr. THOMPSON. There are a lot of things we can work on that together to streamline, and look forward to doing so.

Mr. VAN ORDEN. You nailed it, Mr. Thompson. It is somewhere around \$100,000.

Mr. LEE. Yes, we have been in a lot of meetings where I have heard between 70-and 95,000 or higher, depending upon where you are.

Mr. VAN ORDEN. You are buying a \$200,000 home for \$300,000 because there is a whole bunch of people that got 6 bosses and want you to fill out 400 pieces of paperwork, right?

Mr. LEE. Yes, sir.

Mr. VAN ORDEN. That is what we need to change. That is where your affordability comes in. Getting rid of these damn bureaucrats and paperwork and just do things. All right.

Listen, God bless you guys. Thank you so much for coming. I appreciate it.

Mr. LEE. Thank you, Mr. Chairman.

Mr. VAN ORDEN. I ask unanimous that all members may have 5 legislative days to revise and extend their remarks, including extraneous material. Without objection.

[Whereupon, at 4:39 p.m., the subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENTS OF WITNESSES

Prepared Statement of Patrick Zondervan

Chairman Van Orden, Ranking Member Pappas, and other Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs' Home Loan program. Joining me is Mr. Terry Rouch, Assistant Director for Loan Policy and Valuation, VBA.

VA's home loan program enables private lenders to offer eligible Veterans and service members loans that are guaranteed by the Department, in many cases eliminating the need for a down payment and mortgage insurance and making home ownership much more affordable.

Since the program's creation in 1944, VA has guaranteed more than 29 million home loans totaling over \$4 trillion dollars.

This success is directly tied to VA's efforts to keep home loans affordable for Veterans. For example, VA limits the types and amounts of fees that lenders can charge, meaning Veterans can devote more resources to paying down interest and building equity. VA also strives to promote lower interest rates and administer the program so Veterans can take full advantage of up to 100 percent financing with no private mortgage insurance and a \$0 down payment. VA continues to work to improve its Home Loan program to address market and affordability concerns.

Reducing High Closing Costs

VA-guaranteed loans are made by private lenders and are subject to prevailing market conditions. Aside from ensuring that statutory loan fees required under 38 U.S.C. § 3729 are paid, VA does not set the financial terms or impose any specific closing costs on Veterans.

VA does prescribe limitations, however, to protect Veterans from predatory lending and unreasonable or unnecessary costs. First, VA allows a Veteran to pay the actual costs for third-party services that are generally necessary for a home loan origination but only if they are reasonable and customary. These items include appraisals, recording fees, taxes, assessments, credit reports, hazard insurance, flood zone determinations, surveys, and title work.

Since VA cannot dictate third-party prices, a Veteran's cost can vary widely based on locality and market trends. For example, a national credit bureau recently announced a price increase of 3 percent on mortgage credit reports, which followed a significant, earlier 50 percent price rise. VA has no authority to limit a credit bureau's fees. If lenders have to pay the difference, they will find a way to pass those costs along (for example, through a higher interest rate).

Second, unlike some other loan programs, VA limits the amount lenders can charge for processing and underwriting fees. VA has capped that amount at 1 percent of the loan amount. This restriction helps ensure that lenders can properly evaluate the loan from a credit and business perspective without subjecting the Veteran to predatory finance charges.

Another way VA helps borrowers is by allowing unlimited seller contributions for closing costs. VA also permits seller concessions of up to 4 percent of the reasonable value for items like prepayment of the buyer's property taxes and insurance and paying off consumer debts. VA also spurs lower closing costs by allowing for the use of Attorney Opinion Letters as an alternative to obtaining a title insurance policy. This change allows for additional cost savings in localities where such letters are more affordable than title policies.

Modernization of VA's Underwriting System

Most credit underwriting efforts for VA-guaranteed loans are performed by private lenders rather than the Department itself. Lenders are required to apply VA's underwriting standards and guidelines when approving a loan. VA allows lenders to utilize Automated Underwriting Systems (AUS), such as Fannie Mae's Desktop Underwriter or Freddie Mac's Loan Prospector systems, to assist in the assessment of credit risk and the evaluation of the acceptability of the loan. VA does not require

the use of an AUS and encourages lenders to holistically review loan applications and make VA-guaranteed loans available to Veterans based on a positive review of their individual credit profile.

WebLGY is VA's web-based application system that helps facilitate the origination of VA-guaranteed home loans. WebLGY helps Veterans obtain a Certificate of Eligibility (COE), initiates appraisal orders, and processes Loan Guaranty Certificate requests. WebLGY connects with other external technology systems and applications, such as our automated appraisal management service, which analyzes thousands of business rules to ensure compliance with appraisal policies and quality.

VA has made upgrades and continues to work on development of new functionality within our systems. For example, the Guaranty Remittance Application Programming Interface (API) will enable lenders to streamline part of their post-closing operations by avoiding the need to manually input data to obtain the VA Loan Guaranty Certificate. VA began development and released the first series of enhancements to WebLGY in 2023 and continues to make incremental strides toward full implementation of VA's end-to-end API technology solution.

In 2023, VA launched ServiceNow, a cloud-based customer service management portal used by VA partners, such as lenders, servicers, appraisers, and Veterans, who can interact with VA Loan Guaranty 24 hours a day, 7 days a week by submitting support tickets to receive answers to general loan questions, check loan status, or other issues.

Other systems updates include the launch of our Program Participant Management system. This new, automated self-service tool released last year allows lenders to manage profiles, submit annual renewal requests, and staff registration. This month, VA launched an enhancement to VA's Mobile App to allow Veterans to view their COE from their mobile phones. In the first week, VA reports that more than 35,000 downloads of COEs were completed by using the mobile app.

Last, the Veterans Affairs Loan Electronic Reporting Interface or VALERI, our loan servicing and administration system, is undergoing updates to accommodate the new Partial Claim program launching in the upcoming months.

Competing in Tight Markets

VA home loan demand remains strong in tight markets offering limits to the cost lenders charge Veterans at closing, as well as no down payment options and no private mortgage insurance. Veterans continue to use their home loan benefit amid increasing affordability strains experienced by buyers in today's housing market. VA purchase loan volume is up 4 percent year over year.

VA notes that other factors may impact a Veteran's ability to become homeowners, as affordability extends beyond interest rates and the price of purchasing a home. The total cost of homeownership goes beyond the first payment and includes factors such as increases in property taxes, homeowners' association fees, insurance costs, and unexpected home repairs, or job-loss that impacts affordability.

Improving the Appraisal Process and Minimum Property Requirements

VA appreciates past feedback from Congress and strives to ensure our appraisal process is efficient and timely during the lifecycle of the appraisal order. VA closely monitors the quality, timeliness, and cost of these appraisal reports to serve the interests of Veterans, lenders, servicers, and VA. As of February 2026, average VA appraisal timeliness across the country is about 7 business days. Currently, VA is in the process of updating its appraisal fees in many areas of the country to ensure VA appraisal assignments remain competitive in the marketplace.

Over the years, sellers and real estate agents have developed misperceptions about how VA appraisals work. While some issues were factual many years ago, and caused delays to the home buying process, many do not exist today.

A common misperception is that a VA appraisal is a home inspection and that any identified minimum property requirements (MPR) issues would derail the homebuying process. To the contrary, the VA home loan appraisal is an objective, expert opinion on fair market value and is one of the most important tools in helping VA determine whether the Government and taxpayers should assume the risk of guaranteeing a portion of a Veteran's loan. The appraisal also helps identify major deficiencies concerning safe, sound, and sanitary conditions.

However, VA agrees the appraisal is not a substitute for a home inspection and is committed to improving the appraisal process to help lessen the burden on Veterans. VA is developing several actions to reduce and simplify the MPRs outlined in VA regulations, handbook policies, and procedures. For example, VA recently updated the VA Lender's Handbook, chapter 12, with the removal of several MPRs, to streamline the appraisal process, while continuing work toward finalizing these changes. VA is also in the process of enhancing digital capabilities to better track

the appraisal order from notification to acceptance, with improved analytics and communications.

Conclusion

VA will continue to serve the Nation's Veterans through the VA Home Loan program, which is centered around the unique needs of Veteran borrowers. Mr. Chairman, we will continue to provide Veterans with a safe and viable loan guaranty option, but more education is needed to dispel longstanding myths about the program and Veteran borrowers. Thank you for your continued support of our programs and for this opportunity to speak today.

This concludes my testimony, and I welcome any questions that you or other Members of the Subcommittee may have.

Prepared Statement of Owen Lee

Chairman Van Orden, Ranking Member Pappas, and members of this Subcommittee, thank you for the opportunity to testify today on behalf of the Mortgage Bankers Association (MBA).¹ My name is Owen Lee, and I serve as MBA's 2026 Chair-Elect and Chief Executive Officer of Success Mortgage Partners (SMP). I have more than 30 years of experience in residential real estate finance as an independent mortgage banker (IMB).

I founded Success Mortgage Partners, headquartered in Plymouth, Michigan, in 2002. The firm is licensed to originate mortgages in 43 states and the District of Columbia. SMP closes billions of dollars in mortgage loans every year. Over the course of my career, the firm has closed thousands of VA loans, averaging between \$100 million and \$220 million in closings each year since 2020. Indeed, I am proud that over the last 6 years SMP has helped over 3,100 veteran families secure the dream of homeownership.

Our firm is honored to be among the top 100 lenders – including banks, credit unions, and IMBs – in VA loan volume, originating and closing loans for those who have served our country. I am committed to making sure this benefit is available for veterans and service members for generations to come.

Many of those loan closings have been memorable. For me personally, none more so than one that took place last November that involved my first cousin, retired Sgt. First Class Damien Siwik. Sgt. Siwik is a 22-year Army veteran and a recipient of the rarely received Soldier's Medal, one of the highest honors a soldier can receive for an act of valor in a non-combat situation. During his Army service, he completed multiple tours of duty on the DMZ in Korea, as well as tours in Honduras, Egypt, Iraq, and Afghanistan. He retired from the Army almost 5 years ago.

As a soldier, my cousin never lived in a singular posting for more than 3 years. This made the achievement of homeownership quite difficult. Sgt. Siwik was also judged 70 percent disabled after his discharge due to circumstances directly related to his service. So it was with immense pride that on January 17, 2025, I helped my first cousin become a homeowner for the first time at age 58.

Background

MBA has enjoyed a long and productive relationship with the full Committee. We appreciated the opportunity to have fielded witnesses at the request of this Subcommittee five times since 2022 in support of needed policy changes to help strengthen the VA Home Loan Program. MBA appreciates the responsibility of serving as a leading voice for our veteran homeowners – and the lenders who work to provide affordable mortgage credit to them.

MBA has also enjoyed a strong relationship with our partners at the VA Loan Guaranty Service. The VA Home Loan Program is (by design) among the most af-

¹The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the Nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

fordable and accessible mortgage programs given its unique “no downpayment” feature and limited upfront closing costs. These benefits have driven significant program growth in recent years with rapidly expanding loan volume for those who qualify for this benefit.²

In my statement today, I will emphasize the need for several programmatic improvements designed to support VA’s core mission of promoting sustainable homeownership for veterans, along with ensuring its capacity is able to meet rising demand. MBA looks forward to working with this Subcommittee, the full Committee, and the VA to achieve these goals and help modernize the Home Loan program.

Options to Improve Program Elements and Lower Costs for Veteran Families

Partial Claim Implementation

For many veterans, the most affordable home is the one where they currently reside. In March of this year, VA published two draft policies to update its loss mitigation “waterfall” and implement its partial claim program. MBA applauds the VA’s use of the so-called “drafting table” approach to solicit stakeholder feedback on these two important policy changes that will help provide more options for distressed VA borrowers to stay in their homes.

Together, those two policy changes will provide VA borrowers experiencing financial hardships with more options to retain their homes under a range of interest rate environments. However, aspects of this draft waterfall can still be improved. For example, a borrower should not have to agree to a monthly payment increase before receiving other home retention options that do not result in a payment increase. It is also important for the policy to explicitly allow servicers the option to offer regular forbearance, so a veteran homeowner does not have to commit to a repayment option before his/her hardship has ended.³

Servicers understand the importance of getting these changes implemented as soon as possible. They know there are borrowers who could be helped by partial claims today, and that is why our association pushed so aggressively for the legislation granting VA authority to administer partial claims to be enacted as soon as possible.⁴ MBA applauds both the majority and minority Members of the Committee – and your staffs – on your work with the MBA and its VA Home Loan Program working group members on this important issue for our Nation’s heroes.

While MBA and its members want the needed policies finalized quickly, there are critical changes the VA should make to those draft policies to make them more effective.⁵ We must balance a sense of urgency against the importance of allowing enough time to ensure a smooth rollout and prevent situations where borrowers might receive confusing communications about the timing and content of the options available to them. MBA looks forward to continuing to work with the VA to ensure that veterans are offered the best possible options to retain their homes.

Funding Fee Offsets

MBA has consistently advocated for preserving the use of the VA funding fee to pay for home loan guaranty benefits only. Consequently, MBA’s concerns regarding the funding offsets within H.R. 6047, the *Sharri Briley and Eric Edmundson Veterans Benefits Expansion Act of 2025*, are consistent with our association’s traditional position regarding the VA funding fee.

Indeed, as far back as 1982, MBA expressed concerns regarding the “*proposed one-half percentage point ‘user-fee’ for VA-guaranteed loans...[as] this fee could impose an additional financial burden upon veterans who wish to become homeowners at a time when record high interest rates already make this goal a difficult one.*”

MBA further opined at the time “*that if Congress chooses to impose a [funding] fee...these funds should be paid directly to the VA and targeted for use by the VA*

²The number of active loans within VA’s guaranty program has increased from 1.5 million loans in 2012 to nearly 4 million loans in 2025, as noted in the related August 2025 press release here and January 2012 press release here. VA accounted for approximately 11 percent of total originations, according to 2024 HMDA data (Data as of June 26th, 2025. Visit www.ffiec.gov/hmda for details on data exemptions and disclosures).

³Regular forbearance generally involves short-term agreements designed to pause payments to provide temporary relief for unexpected expenses or hardships (e.g., job loss), without commitment to a specific path for repayment. Under a special forbearance, the borrower and servicer agree to temporarily pause payments, but the borrower must commit ahead of time to either pay the full amount owed in one lump sum or use a repayment plan. This commitment can be difficult if a borrower does not know how long the hardship will last, such as the case of a borrower who lost their job and does not know when they will find new employment.

⁴Public Law 119–31, or H.R. 1815, the *VA Home Loan Program Reform Act of 2025*

⁵See MBA Comments: VA Draft of Partial Claim and Loss Mitigation Waterfall Changes here.

*in the administration of the program...[as] MBA is most concerned that there will be no effort to match the user-fee paid by the veterans to the service provided and the expenses incurred under the VA home loan guaranty program.”*⁶

Our veterans today—just as in the early 1980’s—face one of the most challenging housing affordability environments in decades, marked by elevated interest rates, limited inventory (in many markets), and rising home prices. Increasing mandatory fees on VA loans would disproportionately harm veteran households with modest incomes – many of whom rely on the VA program precisely because it offers lower upfront costs and no down payment requirement.

Therefore, MBA fully supports the intent of the amendment in the nature of a substitute (ANS) to H.R. 6047 – to provide improved disability and dependency benefits for veterans and their survivors. However, the bill effectively funds those worthy benefit expansions by burdening other veteran homebuyers through higher mortgage fees. Homeownership is a foundational component of long-term financial stability – and it should not continue to be treated as a primary source of revenue to enable policy changes outside of the Home Loan program.

As indicated prior to the markup of the legislation, MBA respectfully asks that this Subcommittee (and the full Committee) work to revise Section 3 to remove or substantially modify the proposed fee increases and extensions. MBA thanks the bipartisan leadership of the entire Committee for the open and collaborative dialog on this legislation to date – and would welcome the opportunity to continue working on solutions that preserve affordable access to the Home Loan Program.

Appropriations / VA Staffing / Technology

Technology modernization and adequate staffing resources are essential to the timely development and implementation of policies that directly benefit veterans. Currently, limited staffing creates bottlenecks that slow the rollout of important policy updates, guidance, and program enhancements. While VA has demonstrated a strong willingness to engage with stakeholders and advance meaningful reforms, resource constraints can delay execution and limit the agency’s ability to respond quickly to evolving market conditions. Providing sufficient staffing support would help ensure that key initiatives, such as updates to loss mitigation tools, appraisal policies, and origination frameworks, are implemented efficiently and consistently.

At the same time, investment in modernization of the VA’s existing IT systems is equally important. As the mortgage industry continues to evolve, the VA must be equipped with modern systems that can support updated policies, streamline processes, and improve communication with lenders and servicers. Without adequate technology investments, even well-designed policy changes can face operational challenges in execution. Enhancing the VA’s technology infrastructure would help the agency keep pace with industry standards, reduce manual processes, and support more effective program delivery.

MBA encourages this authorizing Subcommittee – and full Committee – to work with appropriators to support the necessary funding for the VA Home Loan Program to modernize its technology platform and deploy sufficient staff to meet the demands of its growing portfolio and the veterans the agency serves.

Appraisal Standard Reforms – Minimum Property Requirements

We also encourage the VA to implement several reforms designed to improve the program’s competitiveness in a way that reflects today’s housing market and practices. A notable example is the agency’s appraisal standards. In 2023, the VA published an Advance Notice of Proposed Rulemaking on Minimum Property Requirements (MPR) in accordance with Public Law 117–308,⁷ which directed VA to consider updates to its appraisal and property standards framework.

MBA urges the VA to publish program guidance that aligns its property condition framework with the housing Government-Sponsored Enterprises (Fannie Mae and Freddie Mac) by replacing the current MPR structure with the Uniform Appraisal Dataset property condition ratings.

Under this approach, appraisers would evaluate properties using the standardized scale (C1 through C6), with clear expectations tied to each rating.⁸ This structure would preserve appropriate safety-and-soundness safeguards while creating a clear-

⁶ U.S. Congress, House Committee on Veterans’ Affairs, Subcommittee on Housing and Memorial Affairs, VA Home Loan Guaranty Program, hearing, 97th Cong., 2d sess., March 23, 1982, p. 108

⁷ H.R. 7735—*Improving Access to the VA Home Loan Benefit Act of 2022*

⁸ Minimum Property Requirements for VA-Guaranteed and Direct Loans (Docket: 2023–27068)

er, more consistent, and operationally practical standard for lenders, appraisers, and borrowers.

To be more descriptive, updating the framework improves housing affordability and VA Home Loan Program competitiveness by reducing unnecessary repair conditions that can delay closings, increase costs, and discourage sellers from accepting VA offers. It also expands the pool of available appraisers by eliminating the need to navigate a separate, highly specialized VA property-standard framework, thereby increasing consistency and efficiency in the appraisal process. Both considerations will prove to be crucial should interest rates decrease.

MBA looks forward to the opportunity to partner with the VA on a potential draft policy that updates its MPR guidance and collaborate with our real estate industry partners to improve VA's appraisal standards as market dynamics change.

VA Proposed Revision to IRRRLs

MBA also encourages the VA to implement targeted reforms to the Interest Rate Reduction Refinance Loan (IRRRL) program to improve its effectiveness and ensure it reflects today's mortgage market and operational realities, particularly with respect to recoupment calculations, net tangible benefit standards, seasoning requirements, and comparison disclosure processes. As the VA continues to implement statutory changes under the *Economic Growth, Regulatory Relief, and Consumer Protection Act* and the *Protecting Affordable Mortgages for Veterans Act*, it is important that program requirements align with how lenders originate and refinance loans in practice.

MBA urges the VA to take the next step and refine its policies to provide greater clarity, consistency, and operational flexibility.⁹ This includes aligning recoupment calculations to avoid borrower confusion, providing flexibility where a clear borrower benefit exists, and addressing requirements that rely on data lenders often cannot reasonably access, such as certain loan-level details needed for seasoning and disclosure calculations. These improvements would better align program requirements with real-world lending practices while maintaining appropriate consumer protections.

Modernizing these elements of the IRRRL framework will improve affordability and access for veterans by preserving the program's streamlined nature, reducing compliance uncertainty, and minimizing unnecessary operational burdens that can limit lender participation. Ensuring the program remains efficient and accessible will be especially important as interest rates change and more veterans look to refinance into more sustainable loan terms.

Additional Policy Suggestions

While updating the MPR framework is a critical step, it should be part of a broader effort to modernize the VA Home Loan program. Several additional policies by which actions from the VA can meaningfully improve affordability, streamline operations, and enhance the Home Loan Program's competitiveness in today's market are highlighted below:

- The VA should update its allowable fees servicers can charge to process assumable loans. Assumable loans create a unique opportunity for both veteran homeowners looking to sell their homes with a lower interest rate and those veteran home buyers who seek to obtain a home with a lower monthly payment. However, fees to process an assumption have only been nominally increased over the last three decades, resulting in lenders now losing money when they process an assumption because of the amount of meticulous underwriting needed to facilitate them. MBA encourages the VA to increase the amount of these allowable fees to facilitate more of these assumable loans – and encourage both the Congress and the agency to explore ways to cover the higher down payment needed to purchase a home with an assumable loan.¹⁰
- The VA should update its fee documentation requirements to better align with how third-party services are billed and documented. Current expectations around borrower-level invoices do not reflect common industry practices, in which many vendors issue aggregated or bulk invoices. This creates operational challenges and inconsistent audit outcomes. Providing clear guidance on acceptable alternative documentation, like the approach adopted by FHA, reduces un-

⁹ Loan Guaranty: Revisions to VA-Guaranteed or Insured Interest Rate Reduction Refinancing Loans

¹⁰ See MBA's Request for Increase of the Allowable Fee for Assumptions advocating for VA (and FHA) to increase their assumption fee up to \$3,500 per assumption and set the allowable fee to be indexed periodically to inflation.

certainty, limits unnecessary post-closing findings and refunds, and also improves consistency across lenders and reviewers.¹¹

- As a general matter, the VA should update its Lenders Handbook to incorporate and consolidate the numerous outstanding circulars issued in recent years, which have created a fragmented and sometimes inconsistent policy framework. Relying on standalone circulars makes it difficult for lenders and servicers to identify current requirements, increasing the risk of misinterpretation, compliance challenges, and inconsistent loan reviews. A comprehensive update would improve clarity, promote uniform application of VA policies, and reduce operational uncertainty across the industry. Ultimately, a modernized and fully integrated Handbook would enhance program efficiency, strengthen oversight, and better support lenders serving veteran borrowers.

Conclusion

Once again, MBA appreciates this opportunity to comment on the many complex components of the important VA Home Loan Program benefit offered to our Nation's heroes. Our association and its members look forward to working with this Subcommittee, the full Committee, the VA, and the full administration to serve as a resource while these important discussions continue.

I look forward to answering any questions you may have.

Prepared Statement of Kurt Thompson

Introduction

Chairman Van Orden, Ranking Member Pappas, and distinguished Members of the Subcommittee, my name is Kurt Thompson. I am the Broker/Owner of RE/MAX Liberty in Westminister, Massachusetts, where I have been helping buyers and sellers for over 29 years. I am a Certified Residential Specialist, a past President of the Massachusetts Association of REALTORS®, and the 2012 Massachusetts REALTOR® of the Year. I am also a veteran. I served my country for 8 years, in the Army Reserve and later with the 157th Air Refueling Wing at Pease Air National Guard Base in New Hampshire. I am proud of that service, and I am proud to say that the VA home loan program helped me achieve homeownership. That experience gave me a personal appreciation for what this benefit means, and it is part of why I work hard to make sure my veteran clients know about the program and can access it.

Today I am testifying on behalf of more than 1.4 million members of the National Association of REALTORS® (NAR), representing every zip code in the United States, who thank you for the opportunity to present NAR's views on improving and modernizing the VA Home Loan Guaranty program. NAR is America's largest trade association, and our members engage in all aspects of the residential and commercial real estate industries, with agents and brokers in every congressional district in the country.

NAR members work with veteran and active-duty homebuyers in every corner of this country, and we go above and beyond to serve them well. For example, NAR offers the Military Relocation Professional certification, which trains REALTORS® to understand the unique needs of current and former servicemembers and their families, guide them through the relocation process, help them make informed decisions about whether to rent or purchase a home, and explain the basics of VA financing. For a veteran coming home after years of deployment or active service, the housing market they return to can look completely different from the one they left. Having a knowledgeable REALTOR® in their corner can make the difference between getting into a home and losing the property. Someone who understands the VA loan program, knows how to structure an offer competitively, and can connect them with a lender who knows the program inside and out—that is what veteran buyers need. That is the standard of service NAR members strive to provide, and it is why we care so deeply about making sure the VA program itself works as well as it should.

Part of my standard practice when working with any buyer is to ask whether they have VA eligibility, because if they do, that benefit is almost always their best financing option. The no-down-payment feature alone can be the difference between homeownership and continued renting for a veteran who is living paycheck to pay-

¹¹ VA Invoice and Fee Itemization Requirement

check. When it works well, the VA loan program does not just put a veteran in a home, it helps them stabilize their housing costs and build multigenerational wealth. Helping a veteran reach that milestone is one of the most meaningful things I do in this job.

The VA home loan program has the potential to be even stronger than it is today, and this Subcommittee has the opportunity to make that happen. That is what I am here to discuss.

VA Home Loan Reform Act (H.R. 1815)

Before turning to opportunities for improving veteran access to sustainable homeownership, NAR wants to express sincere gratitude to this Subcommittee for its leadership on one of the most important veterans housing reforms in recent memory: the passage of the VA Home Loan Reform Act (H.R. 1815).

For years, veterans using VA-guaranteed home loans were the only homebuyers in America explicitly prohibited from directly compensating their real estate agent. As market practices shifted following the NAR settlement and sellers have become less willing to cover buyer agent fees, this put veterans in an increasingly difficult position: use their hard-earned VA benefit and risk going without professional representation or forgo the benefit altogether to level the playing field with other buyers.

NAR worked with both this Subcommittee and the Department of Veterans Affairs to address this. The VA took the first step by temporarily suspending the prohibition in 2024, providing immediate relief. But veterans needed a permanent solution, and H.R. 1815 delivered that. Passed unanimously and signed into law, the Act requires the VA to develop a lasting strategy to ensure veterans are not disadvantaged when seeking real estate representation. It also establishes a new partial claims program to help veterans who are struggling to keep up with their mortgage payments, ensuring the program supports veterans long after the closing table. NAR has been engaged with VA on implementation and looks forward to continuing that work as the agency develops its permanent solution. We thank this Subcommittee for its leadership in getting H.R. 1815 across the finish line.

The Broader Context: America's Housing Affordability Crisis

To understand the value of the VA program, it helps to first look at the housing market veterans are entering. Even the strongest loan benefit can only do so much when available homes are in such short supply.

America faces a shortage of approximately 4.7 million homes. There were more homes available in 1995 than there are today, despite 75 million more Americans. Fourteen years of severe underbuilding following the Great Recession left a massive shortfall that we're still nowhere close to closing. The scarcity of affordable home inventory significantly blocks homeownership, and this issue disproportionately impacts first-time homebuyers. Many of my first-time homebuyers have effectively paused their home search due to affordability issues. First-time buyers now represent just 21 percent of all purchases, down from a historical norm of around 40 percent. The typical first-time buyer today is 40 years old, waiting more than a decade longer than their parents did to buy a home. A 10-year delay in buying means losing more than \$150,000 in potential equity growth.

For veterans, this hits especially hard. The VA loan program's greatest strength, enabling veterans to purchase homes with no down payment, matters most when there are affordable homes to buy. When inventory is scarce and prices are elevated, even the best financing can only do so much.

Solving this requires action on multiple fronts. In the short term, we need to unlock existing inventory. One of the biggest barriers is outdated Federal tax policy. The capital gains exclusion for home sales has not been updated in 27 years, and homeowners who have seen significant appreciation are effectively penalized for selling, which keeps homes off the market. NAR supports updating this exclusion through legislation like the **More Homes on the Market Act (H.R. 1340)** as one meaningful step to free up inventory. Improving VA loan assumability, which I will address shortly, is another tool that could help veteran buyers access existing inventory at mortgage rates lower than what is currently available.

In the longer term, we need to build more homes, particularly the smaller, more affordable starter homes that first-time buyers need. In my market in Massachusetts, most entry-level buyers are looking in the \$300,000 to \$500,000 range. Getting more homes built at that price point would make a real difference for veterans and first-time buyers alike, and there is legislation before Congress right now that would help do exactly that.

The Senate recently passed the **21st Century Road to Housing Act (H.R. 6644)**, and NAR encourages the House to consider the bill and work toward its

timely passage. The bill confronts barriers to housing at all levels of government—giving communities new tools and resources to plan and build for growth, streamlining Federal processes that delay construction, modernizing Federal housing programs to meet the needs of today, and improving financing options for manufactured and rural housing. Critically for this hearing, it also takes steps to improve access to credit for homebuyers and ensures veterans can take full advantage of their VA home loan benefits.

Veterans deserve a housing market with enough supply to make homeownership genuinely attainable, and this bill is an important step toward that goal. NAR remains deeply engaged on housing supply and affordability issues across Congress and will continue working with lawmakers to advance new ideas and solutions that make homeownership more attainable for all Americans, including those who have served our country.

The improvements to the VA program I will outline today are meaningful and necessary. Still, the program can only reach its full potential when paired with a broader effort to expand affordable housing opportunities for veterans. Strengthening the benefit and increasing supply are complementary goals, and both are essential.

Appraisals and Minimum Property Requirements: Where Veterans Lose Deals

When it comes to the VA program itself, I want to spend most of my time on appraisals, because this is where I see the problem most clearly in my day-to-day work.

The biggest competitive challenge I see for VA buyers is closing costs leading to appraisal risk. Many of my veteran buyers have limited cash on hand, and other than the VA funding fee, closing costs cannot be rolled into a VA loan. This means I often need to negotiate seller concessions to reduce their out-of-pocket expenses at closing. In hot real estate markets like my own, many sellers are not willing to simply reduce their asking price to cover those costs. They want to net what they were expecting. So, to get the seller their number and secure the concession my client needs, the offer price has to go above asking. The appraisal then has to come in at that higher number, which may be higher than market value. If it does not, the home seller has to either take less than they wanted or walk away. When that seller has another offer on the table without that complication, they have to ask themselves whether it is worth the risk. That is where veterans lose properties.

That said, I have seen sellers accept VA offers over cash offers at the same price because they wanted to do right by a veteran. Those moments are genuinely moving, and they are a reminder of how much this country values the people who serve it. But I cannot count on that happening in every transaction.

Another issue that can arise is that VA appraisers are required to flag property conditions that other loan programs would simply pass over. When that happens, the seller may be asked to make repairs before the loan can close, adding time and cost to the transaction and giving sellers yet another reason to favor a conventional offer. In some cases, the only path forward is to order a second appraisal, which means more time and more money out of pocket for a buyer who often does not have a lot of either. NAR recommends that Congress direct the VA to bring its Minimum Property Requirements in line with the standards used by Fannie Mae and Freddie Mac. Greater alignment would reduce those misconceptions and make VA-financed offers more competitive. It would also expand the pool of appraisers willing to work within the program and reduce friction throughout the transaction, all while maintaining the protections that veterans using the program deserve.

Appraisal wait times are also a problem, and they are made worse by a shortage of VA appraisers, particularly in rural markets. In competitive markets, long delays can kill deals. Buyers lose rate locks, sellers get frustrated and move on, and the veteran is back to square one. NAR recommends that this Subcommittee examine how the appraisal process can be modernized to reduce wait times without sacrificing the quality and independence that protect both the borrower and the program, including 21st Century ROAD to Housing Act's call to widen the pool of appraisers allowed to perform appraisals for the VA. Ensuring that appraisers are compensated appropriately—for instance, indexing fees with inflation, allowing for surge fees, and expanding mileage reimbursement—could also grow the pool of appraisers in high-demand and rural areas. Any changes should be deliberate and evidence-based, but there is real opportunity here to do better for veterans. More broadly, NAR encourages Congress to ensure that VA has the staffing, technology, and resources necessary to administer the home loan program effectively and serve veterans in a timely manner.

Loan Assumptions: A Benefit That Has Yet to Deliver on Its Promise

VA loans are assumable, which in today's high interest rate environment sounds like an incredible feature. A buyer who takes on a seller's 2.5 or 3 percent mortgage instead of taking out a new loan at today's rates would save significantly on their monthly payment. I have had consumers ask me about this. Some of my veteran clients know their loan is assumable and want to know if it is a marketing advantage when they sell.

My honest answer is that I cannot think of a single transaction in my career where an assumption has actually closed. The process takes too long, sometimes 90 days or more, and most buyers cannot bridge the gap between the existing loan balance and the purchase price without a substantial cash down payment. For buyers who have that kind of money, a conventional loan is often just as easy. The assumption benefit exists on paper, but in practice it rarely pencils out.

I think there is real potential here that is going untapped, and NAR would welcome the Subcommittee's interest in finding ways to make assumptions more workable. Streamlining the process and shortening timelines would be a start. Part of the reason assumptions rarely get done is that lenders are not adequately compensated for facilitating them, so they have little incentive to prioritize the process. NAR recommends that the VA reevaluate its caps on lender compensation for facilitating mortgage assumptions. There are also ideas worth exploring around financing solutions that could help buyers close the equity gap, so that assumptions are not limited to the rare buyer who can cover the difference in cash. Congress should also address the fact that veterans currently lose their VA entitlement when their loan is assumed by a non-veteran, which can leave them without a benefit they earned through their service.

Conclusion

The VA Home Loan Guaranty program has been one of the most important benefits our Nation offers to those who serve for over 80 years, and I am proud to have benefited from it personally. When it works well, it is a powerful path to homeownership and the kind of wealth-building that can last generations. I have seen that in my own life, and I have seen it in the lives of the veterans I have had the privilege of working with over nearly three decades in this business. This program deserves to be the best it can be, and NAR stands ready to work with this Subcommittee and the Department of Veterans Affairs to make that happen.

Thank you for the opportunity to testify. I welcome your questions.

Prepared Statement of Alys Cohen

Chairman Van Orden, Ranking Member Pappas, and Members of the Subcommittee, thank you for the opportunity to testify on behalf of the low-income clients of the National Consumer Law Center (NCLC)¹ regarding the VA Home Loan Guaranty Program.

We support the goal of promoting affordability for Veteran homeowners, and we recognize the key role the VA Home Loan Program plays in providing housing stability for the Veterans who have earned their home loan benefit through service and sacrifice. Throughout the country, Veterans and their families are struggling to keep up with increasing housing costs both for owning or renting a home.

The most important step the VA can take to promote affordability for Veterans is to help them avoid unnecessary and devastating home loss when they face financial hardships, including those hardships related to their service. To accomplish this, the Department of Veterans Affairs (VA) should ensure that systems are in place to help Veterans retain their homes when feasible. These "home retention" programs keep kids in school, stabilize neighborhoods, prevent home equity loss, and allow Veterans to avoid an unforgiving rental market that in many parts of the country does not provide affordable alternatives to people who lose their homes. Research shows that helping borrowers facing financial hardship cure their delinquent payments and reduce monthly payments when necessary helps avoid defaulting

¹Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

again and saves the taxpayers tens of thousands of dollars in foreclosure-related claims.²

There is significant work for the VA in this area **because the mortgage relief options available for Veteran borrowers remain less favorable than the options available to other borrowers with federally backed mortgages.** As a result, a higher share of VA seriously delinquent loans are moving to active foreclosure compared to Fannie Mae and Freddie Mac (GSE) and Federal Housing Administration (FHA) loans. As of the end of 2025, about 35 percent of seriously delinquent VA loans were in active foreclosure, compared to 30 percent for the GSEs and 25 percent for FHA.³

It is a bedrock principle of Federal housing policy that borrowers who are facing financial hardship should have access to workout options to bring their loans current and avoid foreclosure where possible. Home retention policies provide stability for homeowners by giving them a path to recovery after financial hardships. These policies do not guarantee that all borrowers who fall behind can avoid foreclosure, but they help prevent avoidable losses. They also help Federal investors, like the VA, avoid losses from unnecessary foreclosures, which supports the health of the program and reduces the cost to taxpayers. According to a recent analysis, the average home disposition “results in a loss to the guarantor of about \$72,000,” and well-designed loss mitigation options significantly reduce those losses.⁴

Research on loan modification performance provides compelling evidence that catching up arrearages while keeping payments the same for borrowers who faced temporary hardship, and providing targeted payment relief for borrowers whose hardships were permanent, are the most cost-effective means for providing assistance that reduces redefault rates. Unsurprisingly, options that increase the monthly payment make loss mitigation less effective for both groups and lead to significantly more redefaults and foreclosures.⁵

Following the below discussion of needed changes to VA’s home retention program, we address the fact that VA has limited ability to affect the broader supply and affordability issues in the national housing market. VA borrowers operate within the broader national housing landscape and changes to the VA program would have limited impact. Moreover, VA’s origination rules have yielded better loan performance than FHA’s and changes should be considered with that in mind and with an eye toward continued fair lending compliance.

1. The new VA mortgage relief options should prioritize affordability.

The situation for delinquent VA borrowers should improve due to the passage of the VA Home Loan Program Reform Act (H.R. 1815), and we thank members of this Committee for your leadership on that legislation. However, the new “Partial Claim” program authorized in the legislation has not been implemented yet and VA’s draft handbook proposals do not fulfill the promise of the legislation, especially with respect to affordability.

According to the VA draft waterfall plan, after mortgage servicers consider repayment plans (which allow for relatively quick repayment of the delinquent amounts in addition to making the regular monthly payments), they must then move to an evaluation of permanent loan modification options.⁶ It is reasonable for VA to consider loan modifications early in the process because, in some situations, modifications may provide payment relief to borrowers while also avoiding the use of Partial Claim funds, which are limited under the statute.

Yet, in the list of permanent modification options, before a borrower can access a payment-stabilizing Partial Claim VA’s proposal requires a homeowner to accept up to a 15 percent increase in their monthly payment as part of a 30-year loan modification, despite the fact that they are very likely delinquent because they have experienced a financial hardship.⁷ Of the roughly 90,000 VA borrowers who are seri-

²See Home Retention Programs Save the GSEs and FHA Billions by Avoiding the High Cost of Preventable Dispositions (Housing Policy Council July 2025).

³See ICE Mortgage Monitor (Dec. 2025) at 6.

⁴See Home Retention Programs Save the GSEs and FHA Billions by Avoiding the High Cost of Preventable Dispositions (Housing Policy Council July 2025).

⁵See Quantifying the Savings from FHA’s Home Retention Programs (Housing Policy Council Sept. 2025).

⁶See Draft VA Manual M26-4 Chapter 5 Loss Mitigation at Steps 4-8 (posted March 4, 2026).

⁷See *id.* at Step 6. Before the 30-year Modification, the servicer will consider the Traditional Modification, and the borrower will only receive it if it reduces the payment and they are otherwise eligible. If it increases the payment, the servicer will move to the 30-year modification, which, unlike the Traditional Modification, is automatically offered as long as it doesn’t increase

ously delinquent on their loan today, we estimate that over 30,000 will face a payment increase if the program proceeds as drafted.⁸ VA has other options that create more affordable payments – a 40-year modification and the payment-stabilizing Partial Claim – but these options are not offered until later in the draft waterfall. As a consequence, the draft proposal makes less-than-effective use of the Partial Claim, which keeps monthly payments at the pre-hardship level by placing the past due amount at the end of the loan term so the borrower can resume their regular monthly payments.

We sincerely appreciate the fact that VA placed its proposed waterfall on the drafting table for comment by stakeholders. We are hopeful that VA will make changes as a result of the consistent feedback it received to change the order of its waterfall to prioritize affordability by offering solutions that increase the borrower's monthly payment only as a last resort. However, if the waterfall proceeds without change, it would add a significant financial burden on Veteran borrowers who have already experienced financial hardships and are behind on their mortgage as a result. For example, the 30,000 seriously delinquent VA borrowers who would get a payment-increasing 30-year modification under VA's proposed program would see their monthly payment rise by an average of \$150 per month (9 percent), which is \$1,800 per year.⁹ Many if not most of these borrowers who are trying to regain their financial footing are unlikely to find the higher payment affordable.

The waterfall, if unchanged, also would unnecessarily raise costs for the taxpayer because payment-increasing modifications are much more likely to lead to foreclosure than payment-stabilizing or payment-decreasing modifications. The VA's proposed ordering of hardship assistance solutions, while understandably seeking to be sensitive to the effect of term extensions and total amounts due, is out of step with Fannie Mae, Freddie Mac, and FHA, which only consider payment increases as a last resort, if at all. To truly promote affordability, VA should ensure that Veteran borrowers have options that promote affordability first, which will save money for the VA Loan Guaranty Fund, Veteran borrowers, and mortgage servicers. In sum, a borrower's monthly payment is the most important aspect of maintaining an affordable mortgage, so loss mitigation should be designed to reduce or keep payments level when possible.

Thus, VA should direct servicers to implement modifications instead of Partial Claims early in the evaluation process or "waterfall" only where the modification results in an equal or lower payment. If the 30-year modification does not achieve this result, VA should direct the servicer to try the 40-year modification. If even this modification does not result in a level payment, then the servicer should evaluate the borrower for a Partial Claim, which restores the borrower's pre-hardship payment by moving the arrears to the end of the loan without modifying its terms. Based on the research described above, a Partial Claim is significantly more likely to be successful than the payment-increase modification. Another reason to avoid modifications that result in a payment increase is the irreversibility of that action—once the loan's payment is increased through a payment-increase modification, a subsequent Partial Claim will only maintain that higher payment and cannot bring the homeowner back to their original payment.

2. VA should provide a current alternative to foreclosure for those who can make payments and are waiting for the new home retention options.

One change is urgently needed. We urge the VA to adopt measures to hold off foreclosures until the Partial Claim program becomes widely available. We have suggested **full pay forbearance** as one reasonable means of relief. Under a full pay forbearance plan, the servicer would agree to start accepting monthly payments again for Veterans who have financially recovered and can resume making their monthly payments. The servicer would then agree to hold off on foreclosure. This would work well for Veterans who would qualify for a Partial Claim once the program is released. It would prevent the past due amounts from growing, get the borrower back in the habit of making payments, and reduce the amount of Partial Claim VA would ultimately have to pay. In addition, servicers would no longer be

the borrower's monthly payment by more than 15 percent. We proposed eliminating the Traditional Modification in our comments because it introduces complexity and is not necessary.

⁸Estimates based on Ginnie Mae Loan Performance Data provided by Recursion and ICE McDash, and analyzed by Center for Responsible Lending. Note that such analysis is based on calculations from privately available data because VA does not publish loan performance data as FHA does.

⁹Estimates based on Ginnie Mae Loan Performance Data provided by Recursion and analyzed by Center for Responsible Lending.

required to fund advances of delinquent principal and interest to Ginnie Mae or tax and insurance payments. Both the VA Loan Guaranty Fund and mortgage servicers would be spared the cost of claims related to unnecessary losses.

3. VA should make additional changes to the loss mitigation program.

a. Make standard forbearance available.

Further, we suggest that VA follow industry standards (including for most other government-backed mortgage programs such as the GSEs and FHA) and offer borrowers the opportunity to request forbearance, which provides a temporary pause on payments when there is a hardship. Borrowers should be specifically permitted to request, during each default, a forbearance of monthly payments up to a maximum of 12 months of delinquency. VA's draft waterfall, which does not allow for servicers to offer forbearance before evaluating for home disposition options, does not take into account that hardships may take time to resolve.¹⁰ Importantly, borrowers are encouraged to call their servicers early, but if they do so when they lose their job, they are going to be directed to home disposition options, even though the hardship may be temporary and the person may be eligible for loss mitigation in a few months, avoiding a loss to the VA program as well.

Research shows that reperformance rates are much better when borrowers contact their servicer early and stay in constant communication with their servicer rather than delaying contact and trying to deal with it themselves financially.¹¹ Without this addition of forbearance, VA borrowers will have substantially worse loss mitigation options compared to GSE and FHA borrowers.

b. Explicitly direct servicers to establish payment plans when the Partial Claim becomes due.

When the Partial Claim becomes due at the end of the borrower's loan, a balloon payment will be triggered. The VA should include in its handbook material addressing its expectations "when the guaranteed loan matures" and a balloon payment is required for borrowers who pay until maturity.¹² We recommend that VA add an expectation that servicers establish a reasonable payment plan for borrowers unable to repay the Partial Claim balloon payment in a lump sum on loan maturity. It would be tragic for borrowers to lose their homes due to an inability to repay the Partial Claim balloon payment all at once, when they faithfully repaid their VA-guaranteed mortgage for decades.

4. Finalize the positive aspects of the current proposal.

We appreciate that VA has taken steps to implement the Partial Claim program, and its use of the drafting table and its willingness to accept comments. VA's proposal included a number of positive developments that should be included in the final handbook language, including streamlining loss mitigation and not charging interest on the Partial Claim. We urge VA to also take additional steps to make their Partial Claim and loan modification programs more affordable for Veterans and effective for the VA Loan Guaranty Fund.

5. While some changes to VA lending programs can be made, they should preserve VA loan performance and are unlikely to serve as a major cure for the affordability crisis.

Aside from adjustments to its home retention program, the other steps VA could take, including those associated with origination costs, will only help around the edges at best or would seek to address issues that are not within VA's control. The problems of housing supply and overall market affordability are problems for all homebuyers and mortgage borrowers. For example, the particular issue of institutional investors using their significant financial advantages to purchase single family homes harms all families, including Veterans, who rely on mortgages and cannot compete with investor resources. The current Administration has recognized that this is a market-wide problem, and Veterans share the housing market with other borrowers. Addressing these dynamics is outside of VA's control and requires a whole-market set of solutions.

With respect to VA's appraisal and Minimum Property Standards, these perform important functions of ensuring the soundness of the homes Veterans purchase and catching faulty appraisals. We participated in VA's public comment process in 2024

¹⁰ See Draft VA Manual M26-4 Chapter 5 Loss Mitigation at Step 2(b) (posted March 4, 2026).

¹¹ See Alexei Alexandrov, Laurie Goodman & Ted Tozer, Urban Institute, Normalizing Forbearance (July 2022).

¹² See Draft VA Manual M26-4 Chapter 22 Loss Mitigation at 22.04 (posted March 4, 2026).

discussing how to improve the appraisal and minimum property standards.¹³ We have urged VA, in any revision to its appraisal standards, to implement controls against appraiser bias consistent with fair lending laws.

Regarding the VA loan origination process, any steps the agency takes to alter its underwriting should take into account that VA loans perform very well, and the agency should avoid changes that could undermine this loan performance or would unnecessarily narrow access to the program. In particular, it is worth noting that VA's unique underwriting guidelines, with a focus on the borrower's residual income, have led to an impressive track record of performance. Because the agency has enjoyed significant success with its underwriting process, and better loan performance than FHA,¹⁴ the agency should be cautious of changes to its underwriting process. Moreover, any reductions in closing costs will be limited and cannot have a significant impact on market-wide affordability issues.

6. VA should do a small-dollar mortgage pilot.

One constructive step the VA should explore is a small-dollar mortgage loan pilot in coordination with FHA. There is not sufficient mortgage financing available for borrowers who are seeking to buy relatively less expensive homes. There is a particular dearth of lending for mortgages with balances under \$150,000. This lack of lending limits the ability of people with modest incomes to buy modest-priced houses and instead pushes them into a challenging rental market.

Some have blamed the Federal Truth in Lending Act (TILA) rules that were developed in the aftermath of the financial crisis, and that test for high-cost mortgages and limit how loan originators are paid, as causes for the lack of small dollar mortgage lending. As indicated in our issue brief, *Myths and Facts About Ways to Increase Small-Dollar Mortgage Lending*,¹⁵ that is simply not the case. Because the thresholds for rules adjust depending on the size of the loan, they are sufficiently flexible to accommodate small mortgages and the CFPB already has the ability to do an evidence-based adjustment as needed.

However, we do recognize that economic forces are limiting the availability of small dollar credit, and this directly impacts affordability. In order to better understand the state of this market and explore solutions, VA, along with FHA, should engage in a pilot program to better understand how to improve the situation. This pilot could include exploring different approaches to compensating loan originators, including salaries and minimum payments (even where a loan may be small enough to otherwise yield a smaller payment).

7. Conclusion

We appreciate VA's efforts to date to stand up the Partial Claim program, and urge VA leadership to focus squarely on the task before them – rolling out an affordable Partial Claim and loss mitigation waterfall. The agency should take steps to improve home retention programs in a manner that protects the VA Loan Guaranty Fund, eliminates unnecessary burdens on loan servicers, and ultimately stabilizes homeownership for Veterans who earned the home loan benefit through service and sacrifice.

Thank you for the opportunity to testify. We look forward to working with you and the VA to shape systems that will improve affordability for Veteran borrowers.

¹³See Comments to the VA Regarding Loan Guaranty: Minimum Property Requirements for VA-Guaranteed and Direct Loans (Feb. 2024).

¹⁴See Ginnie Mae, Report on VA Liquidity at 12–13 (Nov. 10, 2022); Congressional Budget Office, The Role of the Department of Veterans Affairs in the Single-Family Mortgage Market (Sept. 2021); Laurie Goodman, Ellen Seidman & Jun Zhu, Urban Institute, VA Loans Outperform FHA Loans. Why? And What Can We Learn? (July 2014).

¹⁵See *Myths and Facts About Ways to Increase Small Dollar Mortgage Lending*, National Consumer Law Center (Aug. 2024).

STATEMENTS FOR THE RECORD

Prepared Statement of Auction.com



One Mauchly, Irvine CA 92618

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;



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- 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.



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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.



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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

Prepared Statement of National Association of Mortgage Brokers

NAMB and the mortgage professionals we represent are proud to serve America's veterans, and we fully support the Committee's commitment to expanding benefits for disabled veterans and Gold Star families. We submit this statement to offer a constructive path forward that achieves the goals of H.R. 6047 without imposing new financial burdens on the very veterans this legislation seeks to honor.

As currently drafted, H.R. 6047 funds expanded benefits through VA loan funding fees—a mechanism that would affect an estimated 1.88 million disabled veterans with ratings below 70 percent, representing a potential financial impact of approximately \$24.3 billion. NAMB urges the Committee to consider an alternative approach that delivers equal or greater benefit at no new Federal cost.

Specifically, NAMB recommends amending H.R. 6047 to allow eligible surviving spouses to continue receiving the deceased veteran's 100 percent service-connected disability compensation rate in lieu of the reduced Dependency and Indemnity Compensation (DIC) structure. Because this compensation has already been authorized and appropriated by Congress prior to the veteran's death, this solution would meaningfully increase support for surviving families—effectively doubling the proposed \$10,000 annual increase—while preserving VA Home Loan benefits and incurring no net increase in Federal expenditure. NAMB welcomes the opportunity to work with the Committee to refine this approach and stands ready to provide additional data in support of this recommendation.

