

**STATEMENT OF
MR. PATRICK ZONDERVAN EXECUTIVE DIRECTOR
LOAN GUARANTY SERVICE
VETERANS BENEFITS ADMINISTRATION (VBA)
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
U.S. HOUSE OF REPRESENTATIVES
ON**

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

MARCH 26, 2026

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% 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% on mortgage credit reports, which followed a significant, earlier 50% 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% 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% 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.

Lastly, 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% 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.