



MORTGAGE BANKERS ASSOCIATION

May 8, 2019

The Honorable Mark Takano
Chairman
Committee on Veterans' Affairs
U.S. House of Representatives
B234 Longworth House Office Building
Washington, DC 20515

The Honorable Phil Roe
Ranking Member
Committee on Veterans' Affairs
U.S. House of Representatives
3460 O'Neill House Office Building
Washington, DC 20024

Dear Chairman Takano and Ranking Member Roe:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our views regarding the Amendment in the Nature of a Substitute to H.R. 299, the *Blue Water Navy Vietnam Veterans Act of 2019*, as offered by Chairman Takano and scheduled for consideration during a markup by the Committee on Veterans' Affairs today.

MBA applauds the Committee's efforts to ensure adequate medical care for veterans who may have been exposed to dangerous chemicals in the course of their service. Our primary comments regarding the legislation relate to section 6(b) of the draft, which revises the fees charged to veterans in connection with the Department of Veterans Affairs (VA) Home Loans program.

For many veterans, and particularly veterans who are first-time homebuyers, the VA Home Loans program offers the ability to access affordable mortgage credit options with no required down payment or mortgage insurance. These loans often serve as a critical first step toward long-term savings and financial stability for veterans and their families.

In order for VA to provide the guarantees that allow lenders to offer these loans to veterans, VA collects a "funding fee" that is typically rolled into the veteran's loan balance at the time of origination. Section 6(b) of the legislation would increase these fees for a number of borrowers. For example, active duty veterans would face a 15-basis point increase in their VA funding fees for purchase loans beginning next year. Both active duty veterans and reservists would face a steeper 30-basis point increase in their VA funding fees for refinance loans, as well. These figures translate into increased costs for veterans over the life of their mortgage loans, thereby making homeownership less affordable and diluting this important earned benefit.

While supporting the underlying, health care treatment-related purposes of the Chairman's draft, MBA has traditionally opposed any efforts that would set the precedent of raising the cost of homeownership for veterans in order to pay for non-housing-related expenditures. The fees charged to veterans should reflect the credit risk associated with the VA guaranty, and any fee increases that are unrelated to this risk unduly restrict access to credit.

With respect to other housing-related provisions in the legislation, MBA supports the revisions to section 6(a), which would increase the maximum guaranty by VA for higher-balance loans made to veterans with full entitlement. This adjustment is warranted, as it will promote access to credit for veterans living in higher-cost areas of the country. MBA particularly supports the technical corrections made to prior versions of the legislation, amending language that would have made it

very difficult for many veterans to obtain affordable financing for the purchase of second homes. Such purchases are common for veterans who must relocate due to a permanent change of station.

MBA also supports the removal of provisions in the legislation that would have charged VA funding fees to veterans with service-connected disabilities rated as less than total if such veterans obtained loans in excess of the applicable conforming loan limits. These provisions, contained in prior versions of the legislation, inappropriately tied veterans' exemptions due to their disability status to the size of their loans. MBA believes veterans with similar service-connected disabilities should be treated equally, regardless of the value of their home or the size of the loan they obtain.

Section 7 allows VA-approved appraisers to conduct appraisals solely on the basis of information gathered and provided by a third party. Given recent problems pertaining to appraiser shortages and corresponding impacts on borrowers – such as delayed closings, forced extensions of interest rate locks, and losses of earnest money deposits – MBA supports this effort to allow appraisers to make use of improved technology that facilitates large-scale data collection by industry vendors. MBA recommends, however, that the legislation *require* VA to issue guidance prior to prescribing regulations to implement this change. Such guidance should include details regarding the standards that must be met in terms of the collection of property information by third parties, which would minimize market confusion prior to the issuance of VA regulations.

Thank you for your consideration of our views on this important subject. We look forward to our continued work together to ensure that veterans maintain access to affordable, sustainable homeownership opportunities throughout the country.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Killmer", with a long horizontal flourish extending to the right.

Bill Killmer
Senior Vice President, Legislative and Political Affairs

cc: All Members: Committee on Veterans' Affairs