



MORTGAGE BANKERS ASSOCIATION

April 13, 2023

The Honorable Patty Murray
United States Senate
Chair
Committee on Appropriations:
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
142 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Boozman
United States Senate
Ranking Member
Committee on Appropriations:
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
142 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Carter
U.S. House of Representatives
Chairman
Committee on Appropriations:
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
HT-2 The Capitol
Washington, D.C. 20515

The Honorable Debbie Wasserman
Schultz
U.S. House of Representatives
Ranking Member
Committee on Appropriations:
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
1036 Longworth House Office Building
Washington, D.C. 20515

Dear Chair Murray, Chairman Carter, Ranking Member Boozman, and Ranking Member Wasserman Schultz:

On behalf of the Mortgage Bankers Association (MBA)¹, I am writing to share our views on the Military Construction, Veterans Affairs, and Related Agencies (MILCON-VA) appropriations bill for Fiscal Year (FY) 2024. MBA supports the Veterans Benefits Administration (VBA) FY 2024 request for sufficient resources to ensure that the VA Home Loan Program provides timely loss mitigation assistance to veteran borrowers in need.

Rapidly rising interest rates are a challenge to preserving affordable homeownership in today's market for veteran borrowers facing financial hardship. Traditional loss mitigation solutions, such as a loan modification that allows borrowers to extend their loan term at the market interest rate are ineffective in providing payment relief to borrowers. Action by the VBA is necessary to ensure that veteran borrowers are able to remain in their homes, especially as the VBA's relatively low seriously delinquent rate of 4% may increase with a rise in unemployment.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., 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.

To address this challenge, MBA supports the efforts the VBA has proposed to expand its authority to purchase loans from mortgage servicers and hold them within VA's portfolio in order to offer modification alternatives to borrowers. As part of the VBA's Direct Loan Program, the expectation is that Veteran borrowers may be able to achieve an affordable payment at below-market interest rates after extending a borrower's loan term in a fashion unavailable to private market participants. However, the "Refund Program" is typically a means of last resort. *Using it as proposed will require VA to establish clear eligibility criteria, provide transparency to the industry to adjust operations, and have the capacity to serve veterans.*

Mortgage servicers are the most important conduits of relief for distressed borrowers and the primary means by which they can remain in their homes. To that end, maintaining the COVID-19 flexibilities is critical, including the partial claim. MBA agrees that VBA's new program should remain the last option. VBA must ensure that its standard loss mitigation hierarchy of preferred options allows mortgage servicers to offer all Veteran borrowers who received a loan under the VA Loan Guaranty Program access to durable home retention options.

VBA established two temporary programs to provide payment relief to borrowers during the COVID-19 pandemic. On May 28, 2021, the VA released the COVID-19 Veterans Assistance Partial Claim Program (VAPCP) to allow borrowers that exited a COVID-19 forbearance to resume their regular payment. On July 23, 2021, the VA published the COVID-19 Refund Modification in VA Circular 26-21-13 that provided a loan modification to borrowers that needed payment reduction. As it stands, the VAPCP expired on October 28, 2022, and the COVID-19 Refund Modification is set to expire on July 1, 2023.

With the expiration of the COVID-19 VAPCP and Refund Modification, the VBA loss mitigation program will be unable to provide sustainable alternative solutions to retain homeownership in the best interests of the borrower. Importantly, providing such assistance comes at a considerably lower cost than the claims associated with foreclosure.

Providing delinquent borrowers an opportunity to achieve a favorable outcome in any market condition is imperative. To achieve that objective and preserve the flexibilities deployed by the VBA during the COVID-19 Pandemic, MBA recommends that the committee include the following report language:

Veterans Benefits Administration (Home Loan Guaranty Program)

The Committee commends the efforts of the VBA to preserve affordable homeownership for distressed Veteran borrowers throughout the COVID-19 pandemic. According to the VBA, over 51,000 borrowers faced financial hardship and economic uncertainty because of the National Emergency in 2022. To assist borrowers, the Committee is aware that the VBA established two temporary programs to provide payment relief. On May 28, 2021, the VA released the COVID-19 Veterans Assistance Partial Claim Program (VAPCP) to allow borrowers that exited a COVID-19 forbearance to resume their regular payment. On July 23, 2021, the VA published the COVID-19 Refund Modification in VA Circular 26-21-13 that provided a loan modification to borrowers that needed payment reduction. However, the VAPCP expired on October 28, 2022, and the COVID-19 Refund Modification will expire on July 1, 2023.

The Committee is also aware that additional assistance is needed for future borrowers that will face financial hardship. The Committee strongly encourages the VBA to continue its efforts to provide payment relief to Veterans and encourages the VBA to allocate within the budgeted amounts any necessary funding to continue offering loss mitigation assistance, including partial claims, to Veteran borrowers in a timely manner. The Committee directs VBA to provide

a briefing on these efforts, including proposals for a permanent partial-claims program, no later than 90 days after the enactment of this Act.

MBA appreciates your efforts on this critical housing issue for veterans during a difficult budget environment. Thank you in advance for your consideration of the views expressed within this letter.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Killmer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Bill Killmer
Senior Vice President, Legislative & Political Affairs

cc: All Members, Senate Committee on Appropriations
cc: All Members, House Committee on Appropriations