September 21, 2020

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

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

The Honorable Jerry Moran
Chairman
Committee on Veterans' Affairs
U.S. Senate
412 Russell Senate Building

The Honorable Jon Tester
Ranking Member
Committee on Veterans' Affairs
U.S. Senate
412 Russell Senate Building

Dear Chairman Takano, Ranking Member Roe, Chairman Moran, and Ranking Member Tester:

The Mortgage Bankers Association (MBA)[1] and the National Association of REALTORS® (NAR),[2] whose members serve consumers through all aspects of the homebuying process, write today to express our concern with indications that Congress is considering legislation to increase fees associated with homeownership benefits for servicemembers, veterans, and surviving spouses. While our organizations appreciate all you are doing to support our nation's veterans, we must oppose increasing housing fees on those same deserving veterans to pay for new benefits.

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 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 over 2,100 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] The National Association of REALTORS® is America's largest trade association, representing 1.4 million members, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. Our membership is composed of residential and commercial brokers, salespeople, property managers, appraisers, counselors, and others engaged in the real estate industry. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®. The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics. For more information, visit NAR's website: nar.realtor

More specifically, we are aware of the potential for legislation that would increase funding fees associated with Interest Rate Reduction Refinance Loans (IRRRLs) guaranteed by the U.S. Department of Veterans Affairs (VA). As you know, these funding fees are paid by veterans – either upfront or through the financing of their loans. An increase in funding fees translates directly into higher costs for veterans seeking to purchase a home or, in this case, refinance their mortgage.

MBA and NAR have consistently registered our opposition to legislation that increases VA home loan funding fees to offset the costs associated with non-housing-related expenditures. Although this proposed legislation would use the fee increase to fund job training and education programs that both organizations support, we believe the use of the VA home loan program for this purpose is inappropriate, particularly in the midst of a pandemic and a widespread economic downturn. This is exactly the time at which veterans should be encouraged to use streamlined refinancing options, such as IRRRLs, to lower their monthly mortgage payments. These savings are particularly important for those veterans who have suffered temporary job losses or reductions in income.

Indeed, actions to increase VA funding fees would run counter to other public sector efforts to mitigate the economic impact of the pandemic. The Federal Reserve has taken extraordinary actions, for example, to lower mortgage interest rates as a means of providing economic stimulus. Other federal agencies – including VA – have put in place numerous temporary measures to reduce person-to-person contact in the mortgage financing process to ensure that consumers can access historically low mortgage interest rates. These efforts appropriately recognize the role that mortgage refinancing can play in assisting struggling consumers.

IRRRLs have proven to be a lifeline for many veterans in recent months. Since the onset of the pandemic, over 329,000 veterans have used IRRRLs to refinance into lower payments, making their loans more affordable and sustainable.[3] These payment reductions not only are in the best interest of veterans, but by reducing the likelihood of default, they improve the health of the VA home loan program and protect taxpayers. If Congress raises IRRRL funding fees, these important benefits could be placed out of reach for some veterans who have yet to refinance. An increase in the IRRRL funding fee from 50 basis points to 85 basis points, as has been contemplated, would increase the funding fee paid by veterans by more than $1,000 on an average loan size of $301,322.[4]

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[3] VA Lender Loan Volume Reports, FY 2020 Q2 and Q3 Lender Loan Volume. Available at: https://www.benefits.va.gov/HOMELOANS/Lender_Statistics.asp.

[4] Average loan size reported in FY 2020 Q3 at: https://www.benefits.va.gov/HOMELOANS/documents/docs/2020_3qtr_lender_loan_volume.xlsx. Difference in cost to veterans represents a $2,561 fee assuming an 85-basis-point funding fee on a $301,322 loan and a $1,507 fee assuming a 50-basis-point funding fee on a $301,322 loan.

Perhaps more concerning than the costs associated with this particular funding fee increase are the cumulative costs associated with the series of funding fee increases that Congress has implemented in recent years. These funding fee increases are not correlated with the risks associated with the VA home loan program, putting the funding fee schedule into greater misalignment with the risk profile of veteran borrowers. The continued use of VA funding fees as a means to pay for expenditures unrelated to housing severely threatens the VA home loan program – perhaps not because of any individual funding fee increase, but rather through a "death by a thousand hikes."

Finally, the use of VA funding fees to pay for non-housing-related expenditures represents a highly problematic practice – requiring veterans to subsidize what should be earned benefits. Expenditures in areas such as job training, education, and healthcare for veterans are worthwhile and laudable. The costs of these additional benefits, however, should not fall on the backs of those veterans seeking to become homeowners or those veteran homeowners seeking to lower their monthly mortgage payments. Simply put, legislation that transfers funds from one set of veterans to another set of veterans is not an expansion of benefits.

MBA and NAR instead urge your respective committees to ensure that VA funding fees are set at levels commensurate with the risks associated with VA-guaranteed home lending, and to conduct oversight and analysis of past funding fee increases rather than levying further increases.

We appreciate your respective committees' continued work with regard to supporting our veterans and look forward to working with you to explore legislative opportunities to broaden access to sustainable homeownership for our heroes. In the midst of a global pandemic, this goal is more important than ever.

Sincerely,

Mortgage Bankers Association
National Association of REALTORS®