



February 9, 2024

Mr. John Bell, III
Executive Director
Loan Guaranty Service
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, D.C. 20402

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

Dear Executive Director Bell,

The Mortgage Bankers Association (MBA)¹ appreciates the opportunity to provide comments in response to the Department of Veterans Affairs (VA) Advance Notice of Proposed Rule Making (ANPR) concerning the need for improvements to VA's minimum property requirements (MPRs) for the VA-guaranteed and direct loans as required by the Improving Access to the VA Home Loan Benefit Act of 2022. The VA Home Loan Guaranty Program is one of the most significant benefits servicemembers and veterans receive in return for their sacrifice, and making this program more accessible and operationally efficient is a critical step towards delivering much-needed housing to our nation's heroes. At a time when inventory remains historically low and the average purchase price for a new home has reached \$492,300², it is imperative to ensure that the VA Home Loan Guaranty program remains competitive and viable for veterans or service members.

Unfortunately, based on feedback received from our members, home sellers frequently choose to sell to buyers with conventional financing rather than to service members or veterans utilizing their earned benefits through the VA Home Loan Program. This preference is, in part, attributed

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 300,000 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 2,200 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.

² U.S. Census Bureau and U.S. Department of Housing and Urban Development, Average Sales Price of Houses Sold for the United States [ASPUS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/ASPUS>, February 9, 2024.

to the challenges associated with meeting the VA's MPRs, putting veterans and servicemembers at a disadvantage in an already competitive homebuying environment. As a solution, MBA suggests that the VA align its MPRs with those of Fannie Mae and Freddie Mac (The GSEs).

VA ANPR Questions for Comments

(1)(a) What are the advantages and/or disadvantages of VA MPRs noted in the above table as compared with similar requirements found in other Federal housing programs and conventional sources of financing (e.g., property condition requirements)?

MBA suggests that the VA establish clear and standardized guidelines concerning safe, sound, and sanitary requirements. VA appraisers should follow fundamental safety, structural, and soundness principles while identifying potential hazards, with their appraisals contingent on making the necessary repairs. Instances have been reported by our members where VA appraisers required the installation or repair of baseboards to meet VA MPRs. These small repairs have a minimal, if any, impact on the safety and soundness of the property and set a higher standard for sellers to meet than when selling to conventional borrowers.

MBA proposes that the VA align with the GSEs by taking a holistic approach to property condition rather than focusing on specific property requirements. VA appraisers can continue adhering to essential safety, structural, and soundness principles, pinpointing potential hazards and making their assessments contingent on essential repairs. However, items unrelated to safety and structure should be open to negotiation between the Veteran and the seller, without being obligatory to comply with MPRs. Additionally, aligning with GSE appraisal requirements, widely used in the industry, would expand the pool of appraisers capable of conducting VA appraisals.

(2)(a) Should VA replace the above noted VA MPRs with the Property Condition Ratings outlined in Fannie Mae's *Selling Guide* or Freddie Mac's *Single-Family Seller/Service Guide*, and included in the Uniform Appraisal Dataset (UAD)

MBA supports the VA replacing its current MPR standards with the Uniform Appraisal Dataset (UAD) property condition ratings utilized by the GSEs. The GSE UAD property condition ratings provide appraisers with a more comprehensive and holistic approach, eliminating the need for adherence to unique standards dictated by the VA Home Loan Guaranty Program – standards that our members have identified as making VA offers less appealing to sellers than offers with conventional financing. Along with its adoption of the GSE UAD property condition ratings, VA should adopt requirements specific to the existing GSEs' acceptable condition rating scale. When the current condition of the property would fall into a rating of either a C5 or a C6, the VA should require the appraiser to itemize the repairs/remediation needed to bring the property condition up to a minimum C4 rating.

By implementing the GSE UAD Property Condition Ratings and broadening the condition rating scale, the VA can enhance the accuracy and consistency of property valuations. This transition not only streamlines the appraisal process but also aligns the VA with prevailing industry practices, thereby also expanding the pool of qualified appraisers by eliminating the need for specialized VA training.

(5)(a) As an interested stakeholder, in your opinion, are waivers of certain MPRs necessary in the VA home loan buying process? If so, please explain.

Should the VA not align to the GSEs, then in instances where lenders are facilitating VA to VA rate and term refinances, MBA recommends VA waive its requirement that the property meet the VA MPR because VA is not taking on any additional collateral risk. In such cases, displaying the original Loan-to-Value (LTV) in WebLGY can facilitate a quick comparison.

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Again, MBA appreciates the opportunity to provide feedback to the VA in response to its ANPR. We strongly encourage the VA to solicit industry feedback upon the release of revisions to its MPRs. We firmly believe that aligning with conventional appraisal standards will significantly enhance the efficiency of the VA Home Loan Guaranty Program and assist servicemembers and veterans in achieving homeownership. If you have any questions or wish to discuss these issues further, please contact Darnell Peterson, Senior Policy Advisor, at (202) 557-2922 or dpeterson@mba.org.

Sincerely,



Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association