



MORTGAGE BANKERS ASSOCIATION



**NATIONAL
ASSOCIATION OF
REALTORS®**

January 11, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi and Leader McCarthy:

The Mortgage Bankers Association (MBA) and the National Association of REALTORS® (NAR), whose members serve consumers through all aspects of the homebuying process, write today to express our views on H.R. 1836, the *Guard and Reserve GI Bill Parity Act of 2021*, which is scheduled to be considered by the full U.S. House of Representatives this week.

Collectively, our members play pivotal roles in the homebuying process and are concerned that Congress is considering legislation to increase fees paid by servicemembers, veterans, and surviving spouses to access their homeownership benefits. While our organizations appreciate all you are doing to support our nation's veterans, including the thousands of men and women in the National Guard, we must oppose efforts to increase the cost of housing for those same deserving veterans to pay for unrelated benefits.

Specifically, H.R. 1836 would increase funding fees associated with purchase loans and loans to refinance existing mortgages, including 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, more often, through the financing of their loans. An increase in funding fees translates directly into higher costs for all veterans seeking to purchase a home or refinance their mortgage.

Our organizations 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 H.R. 1836 would use the fee increases to fund valuable educational assistance programs, we believe the use of the VA home loan program for this purpose is inappropriate.

Rapidly rising home values throughout the country, while beneficial to the finances of existing homeowners, threaten to push homeownership out of reach for a new generation of consumers. This dynamic underscores the importance of the VA home loan program – notably, the ability of most veterans to obtain financing without a required down payment. For many veterans, VA home loans represent their only opportunity to achieve sustainable homeownership. Further increases to the fees they must pay will eliminate this option for some of these veterans.

For existing veteran homeowners, interest rates that remain quite low by historical standards present refinancing options that can result in lower monthly payments – often by a substantial amount. These savings are particularly important for those veterans who have suffered temporary job losses or reductions in income due to the pandemic. 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. By piling additional fees onto veterans seeking to refinance, Congress would be blunting the very stimulus that other parts of the federal government are attempting to promote.

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 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, H.R. 1836 transfers funds from one set of veterans to another set of veterans and should not be considered an expansion of benefits but rather a reprioritizing of them.

We urge Congress 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 the House's continued work to support our veterans and look forward to working with you to explore legislative opportunities to broaden access to sustainable homeownership for our heroes.

Thank you in advance for your consideration of the views expressed within this letter. We stand ready to work with all Members of the House to ensure a robust real estate finance market that is accessible and affordable – especially to those servicemembers that sacrificed so much for our nation.

Sincerely,

Mortgage Bankers Association
National Association of REALTORS®

cc: The Honorable Mark Takano
The Honorable Mike Bost
The Honorable Mike Levin
The Honorable Barry Moore
The Honorable Maxine Waters
The Honorable Patrick McHenry
All Members, U.S. House of Representatives