

February, 6 2024

The Honorable John E. Bell III  
Executive Director, Loan Guaranty Service  
Department of Veterans Affairs (VA)  
810 Vermont Avenue NW  
Washington, DC 20420

Dear Director Bell:

On behalf of the more than 1.5 million members of the National Association of REALTORS® (NAR), we thank you for your efforts to review and modernize the VA's minimum property requirements. REALTORS® welcome the opportunity to comment on the VA's advance notice of proposed rulemaking (ANPR) on [Minimum Property Requirements for VA-Guaranteed and Direct Loans \(AS02\)](#). Our Nation's veterans deserve the opportunity to compete in today's housing market with a lending and valuation process that does not put them at disadvantage, while maintaining the nation's commitment to supporting them with safe housing.

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,000 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

Homeownership is a central part of the American dream, and a modern inspection and valuation process is important for achieving that. Attaining high quality minimum safety standards for veteran's properties, while ensuring inspection standards that are not onerous relative to other lending standards, is an important step in modernizing the VA's appraisal program.

### **Protecting Active Duty and Veteran Homebuyers**

The mortgage guarantee from the VA is an important benefit for America's active-duty personnel and veterans. Likewise, NAR shares the important ideal of protecting the nation's active-duty personnel and veterans during the home purchase process and beyond. Consequently, NAR believes that ensuring that home bought by those using the VA program should be habitable and safe. However, the current minimum property requirements (MPRs) extend beyond those principles and set standards that do not align with other lending programs. As a result of this misalignment, homebuyers or agents may perceive the program as more onerous and as an unnecessary threat to the successful completion of a transaction, thus avoiding buyers using VA financing. This problem puts the buyer using VA home financing at a competitive disadvantage to programs with a more streamline review process. The VA program must evolve to guarantee the best of both safety and competitiveness for the homebuyers it serves.

## Recommendations on the Proposed Rule

REALTORS® believe that those using the VA program, sellers, agents, and the broader market would greatly benefit from a market-wide standard for minimum property standards. Setting the VA's MPRs equal to the Enterprises' standards is an important step in that direction.

In response to the questions in the VA's ANPR, NAR has the following recommendations:

Question (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)?*

- A) As noted above, while the MPRs are an important vehicle for protecting those using VA financing, they can also put those some buyers at a disadvantage, costing them time and money. The perception that the MPRs make VA financing more onerous and likely to fall through can cause sellers to shy away from purchase offers from prospective buyers using VA financing or those who veterans and active-duty personnel who might use it. This competitive disadvantage can cost VA buyers time, money, and the home of their dreams.

Question (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) [8]?*

- A) REALTORS® believe that it is important to develop a market uniform set of minimum standards for safety. A uniform standard between the GSEs, private sector and public sector, would improve safety and eliminate this disadvantage for any buyer. Adoption of the property for VA's property condition ratings outlined in Fannie Mae's Selling Guide or Freddie Mac's Single-Family Seller/Service Guide would be an important step in that direction.

Question (2)(b) *If VA were to guarantee or make loans only on properties with a condition rating of C1, C2, C3, or C4, either based on the initial appraisal or following repairs, what would be the advantages and/or disadvantages for a borrower? For VA and taxpayers? For lenders and servicers?*

- A) Harmonizing the standard with the GSEs would greatly improve the competitive standpoint of those using the VA's guarantee program. Likewise, providing a delineation above the C5 rating would provide the borrower and the VA program with certainty of a base level of protection for the buyer.

Question (3)(a) *Please describe any needs of groups of veterans who might be underserved due to the current MPRs and how the VA home loan program could address those needs?*

- A) During the recent refinance boom, anecdotes of appraiser shortages were widespread. Harmonizing this facet of the VA's appraisal program may expand the pool of appraisers willing to apply for the program. Thus, an expansion of appraisers on the board would help to alleviate shortages, not only during periods of broad market stress, but in rural or under served areas where VA appraisers are in short supply.

Question 4(b) *What type(s) of changes related to MPRs would encourage more lenders*

and broker/agent entities to increase their participation in the VA home loan program?

- A) As noted above in response to question (1)(a), the perception that the VA's MPRs is more onerous, can put the deal in jeopardy, and may push costs on the seller not required by other programs, puts the buyer at a competitive disadvantage. Anecdotes abound of consumers, lenders, and agents who have the facts wrong. Harmonizing the program eliminates this misperception or any bona fide issues.

### **Additional topics**

As the VA considers aligning MPRs to mirror the GSEs, it is equally as important for the Department to engage the real estate industry and educate professionals on the changing policies. Misconceptions about MPRs have the potential to turn transactions sideways; should the VA make positive changes that ensure consistency with the market, NAR commits to working with the Department to educate the REALTOR® community on the shifting policy landscape.

NAR also has general concerns about the utilization of appraisers for functions more commonly performed by an inspector. Furthermore, as the innovation at the Enterprises has opened the door to property data collection by those other than licensed appraisers, the VA's participants might be best served by shifting more of these duties back to a licensed inspector. **Conclusions**

NAR once again thanks you for your efforts to review the VA's appraisal program and to implement modernization where feasible. Harmonizing the VA's MPRs with the Enterprises categorical nomenclature is an important step to improve the competitive position of those using the VA's loan guarantee program. Furthermore, it is an important step in creating an industry-wide standard. If you have any questions or comments, please feel free to reach out to Ken Fears, NAR's Director of Conventional Finance and Valuation, at [KFears@NAR.REALTOR](mailto:KFears@NAR.REALTOR), or Jeremy Green, NAR's Federal Housing Policy Representative at [JGreen@Nar.Realtor](mailto:JGreen@Nar.Realtor).

Sincerely,



Kevin Sears  
2024 President, National Association of REALTORS®