The original documents are located in Box 18, folder "1974/12/31 HR15912 Veterans Housing Act" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

APPROVED
DEC 31 1974

12/31

ACTION

THE WHITE HOUSE

WASHINGTON

Last Day: December 31

December 28, 1974

Posted on Calendar 12/31/74

To Archives 1/3/75

MEMORANDUM FOR THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 15912
Veterans Housing Act

Attached for your consideration is H.R. 15912, sponsored by Representative Carney and 20 others, which:

-- Increases the maximum VA guaranteed loan amounts on regular and mobile homes and the maximum grant for the specially adapted housing program;

-- makes permanent and expands the VA mobile home loan guaranty program;

-- expands VA's authority to guarantee loans for the purchase of condominium units;

-- repeals the VA farm and business loan programs; and

-- makes a number of technical changes in the VA home loan program.

VA estimates that the cost of the enrolled bill would be $3.3 million in fiscal year 1975 and $6.4 million in fiscal year 1976. Much of the added cost in the first year would be for specially adapted housing grants.

OMB recommends approval and provides additional background information in its enrolled bill report. (Tab A)

Max Friedersdorf and Phil Areeda both recommend approval.

RECOMMENDATION

That you sign H.R. 15912 (Tab B)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 26 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974
Sponsor - Rep. Carney (D) Ohio and 20 others

Last Day for Action

December 31, 1974 - Tuesday

Purpose

Increases the maximum VA guaranteed loan amounts on regular and mobile homes and the maximum grant for the specially adapted housing program; makes permanent and expands the VA mobile home loan guaranty program; expands VA's authority to guarantee loans for the purchase of condominium units; repeals the VA farm and business loan programs; and makes a number of technical changes in the VA home loan program.

Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of Agriculture	Approval (Informally)
Federal Home Loan Bank Board	Approval
Department of Housing and Urban Development	No objection (Informally)
National Credit Union Administration	No objection
Department of the Treasury	No recommendation

Discussion

H.R. 15912 contains a variety of provisions expanding VA's housing assistance programs and making technical changes in the administration of those programs.

As noted in its attached views letter on the enrolled bill, which includes its report on the Senate version (S. 3883), VA favored almost all the provisions of the bill while it was under consideration by the Congress.

Major Provisions of H.R. 15912

Home loan program.--The enrolled bill would increase the maximum loan guaranty amount from $12,500 to $17,500, in recognition of the increase in the prices of homes and the size of loans being processed since 1968, when the present maximum was set. In its report to the Senate Veterans Committee, VA indicated that this increase would not significantly increase the expenses and losses in the program.

H.R. 15912 would also expand the criteria under which VA may restore a veteran's previously-used entitlement to loan guaranty benefits. While the enrolled bill follows for the most part VA's recommendations on this aspect of the program, it does contain an amendment on which VA did not have an opportunity to comment and to which the agency objects. This amendment would restore loan guaranty benefit entitlement to the veteran seller of the home if his or her previously guaranteed loan is assumed by an eligible veteran buyer who consents to the use of his or her entitlement in assuming the loan. VA opposes this provision on the grounds that it primarily benefits the seller rather than the buyer and because it would create administrative problems.

The bill would, in addition, permit currently unsupervised lenders, such as mortgage companies and other consumer credit finance companies, to close on loans automatically, without having to submit them to VA for prior approval. Under existing law, only supervised lenders such as banks and savings and loan institutions have the privilege of automatic processing. The change in H.R. 15912 would, in VA's view, speed loan processing and stimulate greater participation in the VA mobile home loan program.

Other amendments to the home loan program are provided in H.R. 15912, such as (1) permitting veterans to pay discounts on loans under specified circumstances when there is no seller or the seller is legally precluded from paying a discount and (2) expanding VA's authority to suspend a builder, lender, or broker based on disciplinary action taken by HUD. VA supported these amendments.

Mobile homes.--H.R. 15912 would repeal the provision in present law terminating the mobile home program on July 1, 1975, and would amend present law relating to loans to purchase mobile homes and mobile home lots in the following major ways:

-- increase from $10,000 to $12,500 the maximum loan guarantee for single-wide mobile home loans and increase from $17,500 to $20,000 the maximum loan guarantee for a single-wide mobile home with a lot.

-- increase the maximum loan guarantee for a double-wide mobile home from $15,000 to $20,000 and extend the maturity for such a loan from 15 years to 20 years; establish a maximum loan guarantee of $27,500 for a double-wide mobile home with a lot.

-- extend the loan guaranty program for the first time to loans for the purchase of a mobile home lot only.

-- authorize VA to guarantee loans on all used mobile homes which meet VA minimum requirements for construction, design and general acceptability. Under present law, VA-guaranteed loans can be made only on used mobile homes with an outstanding loan guaranteed or insured by VA or another Federal agency.

VA supported these amendments as enabling veterans to finance the purchase of better quality and larger mobile homes with GI loans than is now possible.

Specially adapted housing grants.--The enrolled bill would increase from $17,500 to $25,000 the maximum grant VA could make for specially adapted housing for certain disabled veterans--principally service-disabled quadraplegics, paraplegics, and amputees--in view of the increased cost of specially adapted housing since the present rate was set in 1969.

Condominiums.--Since 1970, VA has had authority to guarantee loans for veterans to purchase one-family condominium units in projects in which HUD has insured at least one loan. The enrolled bill would rewrite this authority to permit VA guarantees on loans to buy one-family condominium units in any new building or a building originally built and sold as a condominium.

VA favors this provision, noting that it would protect the veteran and the VA by avoiding the many difficulties which have occurred in older buildings inadequately repaired and modernized at the time of conversion.

Other provisions.--The enrolled bill contains various other provisions and conforming amendments, most notably

provisions which would (1) repeal the dormant VA farm and business loan programs and (2) enable Federal credit unions to participate more fully in the VA and FHA mobile home mortgage guarantee and insurance programs and in FHA's home improvement loan program.

Most provisions of the bill would become effective upon enactment. The others, which would require the development of new administrative procedures and regulations, would become effective 90 days later.

Budget impact

VA estimates that the cost of the enrolled bill would be $3.3 million in fiscal year 1975 and $6.4 million in fiscal year 1976. Much of the added cost in the first year would be for specially adapted housing grants.

Agency recommendations

VA recommends approval, stating that its problems with the transfer of entitlement section are of relatively small consequence when compared with the many positive and desirable features of the bill.

The other agencies whose views were requested recommend approval or have no objection to approval of the bill.

* * * * * * *

As indicated above, the Administration has generally supported the provisions of H.R. 15912. The VA's home loan guaranty program operates differently from HUD's mortgage insurance programs, so that comparability with FHA's activities does not present a problem, in terms of the new maximums provided in the bill for regular home loans. The new maximums provided for VA's mobile home loan guarantees are the same as those we recently cleared for HUD's mobile home program, which will require comparable change in the appropriate governing statute.

Paul H. Dunn

Acting Director

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

December 27, 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Ash:

In reply to the request of your office, the following report is submitted on the enrolled enactment H.R. 15912, "To amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes."

This Department recommends that the President approve the bill.

The bill makes a number of changes to expand and improve the basic Veterans' Administration housing assistance programs. It would expand the authority of the VA to guarantee loans to veterans purchasing condominiums and would improve and expand the mobile home loan program. It further permits veterans to pay reasonable discounts required by lenders when the loan proceeds are used in connection with providing a farm residence or other dwelling for the veteran. In addition it increases the maximum loan guarantee and authorizes a better method of computing the aggregate amount of the guarantee or insurance available to a veteran.

The bill also repeals the provisions for farm and business loans. Because of the relatively restrictive terms of VA guaranteed farm and business loans and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration of this Department, these VA programs have been virtually dormant.

We believe the provisions of the bill will help to provide adequate housing for veterans, including those residing in rural areas, and therefore recommend approval of this measure.

Sincerely,

J. Phil Campbell

J. Phil Campbell
Acting Secretary

THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

DEC 2 6 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Ms. Mohr

Dear Mr. Rommel:

Subject: H. R. 15912, 93d Congress, Enrolled Enactment

This is in response to your request for the views of this Department on the enrolled enactment of H. R. 15912, an Act "To amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes."

The enrolled enactment, in part, would: restore VA entitlement provided prior VA loan is paid in full and the property disposed of; permit Administrator to guarantee loans by lenders approved by him (would delete requirement that lender be a HUD approved mortgagee); increase the amount of VA guarantee entitlement from $12,500 to $17,500; authorize VA guarantee on individual condominium unit loans without present requirement that HUD had insured at least one loan in the project; increase the maximum loan guarantee for mobile homes from $10,000 to $12,500 (from $15,000 to $20,000 for double-wides); authorize the guarantee of loans for the purchase of used mobile homes which meet VA standards; and increase the maximum grant amount for specially adapted housing for disabled veterans from $17,500 to $25,000.

The Department of Housing and Urban Development has no objection to the approval of this enrolled enactment.

Sincerely,

for Robert R. Elliott

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 845

Date: December 26, 1974 Time: 3:30 p.m.

FOR ACTION: Roger Semerad ok
Max Friedersdorf ok
Bhil Areeda no obj

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 27 Time: noon

SUBJECT:

Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974

ACTION REQUESTED:

____ For Necessary Action

____ Prepare Agenda and Brief

__x__ For Your Comments

__x__ For Your Recommendations

____ Draft Reply

____ Draft Remarks

REMARKS:

Please return to Judy JOhnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 845

Date: December 26, 1974 Time: 3:30 p.m.

FOR ACTION: Roger Semerad
Max Friedersdorf
Phil Areeda

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 27 Time: noon

SUBJECT:

Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974

ACTION REQUESTED:

____ For Necessary Action

____ Prepare Agenda and Brief

__x__ For Your Comments

__x__ For Your Recommendations

____ Draft Reply

____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

I recommend signing of HR 15912

Roger Semerad 12/27/74

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

WASHINGTON

December 27, 1974

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MAX L. FRIEDERSDORF

SUBJECT: Action Memorandum - Log No. 845
Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 845

Date: December 26, 1974 Time: 3:30 p.m.

FOR ACTION: Roger Semerad
Max Friedersdorf
Phil Areeda

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 27 Time: noon

SUBJECT:

Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974

ACTION REQUESTED:

____ For Necessary Action
____ Prepare Agenda and Brief
__X__ For Your Comments
__X__ For Your Recommendations
____ Draft Reply
____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection
P Areeda

GERALD R. FORD

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
December 20 1974

The Honorable
Roy L. Ash
Director, Office of
Management and Budget
Washington, D. C. 20503

Dear Mr. Ash:

This is in reply to the request of the Assistant Director for Legislative Reference for the Veterans Administration's comments on the enrolled enactment of H. R. 15912, 93d Congress.

This bill, entitled the "Veteran Housing Act of 1974" will amend chapters 21 and 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan and specially adapted housing programs and eliminate the dormant farm and business loan provisions of chapter 37.

The enrolled enactment contains provisions which: (1) revise the criteria under which the Administrator may restore a veteran's entitlement to loan guaranty benefits; (2) allow any lender which meets standards to be set by the Administrator to process loans for automatic guaranty; (3) expand VA's authority to guarantee loans for the purchase of condominium units; (4) permit veterans to pay discounts under certain defined circumstances when there is no seller or the seller is legally precluded from paying such a discount; (5) delete the present requirement for double occupancy certifications for loans closed on an automatic basis; (6) expand VA's authority to reciprocally suspend parties suspended by HUD; (7) increase the maximum guaranty on home loans from $12,500 to $17,500; (8) provide for VA loans on double-wide mobile homes; (9) increase the maximum guaranteed loan amounts on

single-wide mobile homes from $10,000 to $12,500 and to $20,000 for the purchase of a single-wide mobile home with a lot; (10) establish maximum guaranteed loan amounts of $20,000 for double-wide mobile homes and $27,500 for a double-wide unit with a lot; (11) permit the guarantee of a loan up to $7,500 to purchase a lot on which to place a mobile home already owned by a veteran; (12) expand VA's authority to guarantee loans for the purchase of used mobile homes; (13) extend indefinitely the life of the mobile home loan program which is presently scheduled to terminate June 30, 1975; (14) increase the maximum grant for specially adapted housing from $17,500 to $25,000; (15) repeal the farm and business loan programs; (16) extend the coverage of the insured loan program to post-Korean veterans; (17) permit lenders to make guaranteed home loans for a term of up to 30 years and 32 days in lieu of the present maximum term of 30 years.

As will be noted in our report on S. 3883, a copy of which is attached, we have previously favored all but three of the above provisions. These are the result of Senate amendments made subsequent to our report. They would expand VA's authority to guarantee loans for the purchase of used mobile homes, permit lenders to make guaranteed home loans for a term of up to 30 years and 32 days, and permit the Administrator to restore a veteran's entitlement to loan guaranty benefits where an immediate veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of his entitlement.

Section 1819 of title 38 presently restricts VA guaranteed loans on used mobile homes to those units on which there is an outstanding loan which was made, guaranteed, or insured by the VA or another Federal agency. There would appear to be no valid reason for not extending this authority to all used mobile homes which meet the standards prescribed by the Administrator. Adequate safeguards would

need to be promulgated in the form of regulations or administrative directives to field stations to protect the interest of veterans, lenders, and the VA to insure that such units meet the standards prescribed by the Administrator for new mobile homes at the time of manufacture, that the loan amount does not exceed the reasonable value of the units as determined by the Administrator, and that the loans would be on reasonable terms and conditions.

With these safeguards, we believe this provision, which is to be found in section 5(4) of the bill, would help insure a wider selection of suitable low-cost housing to veterans unable to afford the cost of a new mobile home. This amendment could also help veterans dispose of their mobile homes acquired with VA financing which has since been paid off and assist lenders and the VA to dispose of units which have been repossessed.

Section 1803(d)(1) of title 38 provides that the maturity of home loans made under section 1810 shall not exceed 30 years. The amendment contained in the enrolled bill will extend this maturity period to 30 years and 32 days.

When a loan is closed in the middle of a month, it is customary for the first payment to become due on the first day of the second month following the month in which the loan is closed. Thus, if a loan were closed on October 23, 1974, the first payment would be due December 1, 1974. In this case, the final payment would be due November 1, 2004, or 9 days beyond the statutory maximum. This precludes lenders from writing loans for an even 360 payments. This proposal would eliminate an irritant to lenders and investors and has our favor. We anticipate no additional cost to the VA as a result of this proposal.

The third amendment is the provision permitting the Administrator to restore a veteran's loan guaranty entitlement when the property is sold to an immediate veteran transferee who has agreed to assume the loan, and

has consented to having his/her entitlement charged with the amount of entitlement originally charged against the veteran-seller.

This amendment, which is contained in section 2(a)(3) of the bill, was added by the Senate Committee, without VA having had any opportunity to express its views thereon. Had we been asked to comment on the proposal we would have opposed it.

First, agreeing to have one's entitlement substituted does not give any benefit to the veteran-purchaser. Since any purchaser, veteran or otherwise, can assume a GI loan if agreeable to the seller, no advantage accrues to the veteran-assumptor in using his entitlement.

Historically, VA's concern has been to assist veterans to acquire homes. This provision has as its primary purpose, assistance to a veteran-seller who has already received his GI loan benefit.

Second, administering this section will create a number of problems for VA. Since the original lender, or holder, is not involved, there is no party, other than VA, to insure that all requirements of the law are met, e.g., reasonable value, credit underwriting and acceptability of title. In our view, a disproportionate number of VA manhours will have to be spent processing these transactions, primarily to assist a seller of a home.

Our objection to this single provision, notwithstanding the problems with this transfer of entitlement section, are of relatively small consequence when compared with the many positive and desirable features of the bill.

Our report on S. 3883 discussed in detail the provisions for double-wide mobile home loans and loans for the purchase of a lot on which to place a mobile home. It should be noted that the enrolled bill provides for several loan maximums which are higher than the amounts in the bill

at the time of our report. The loan maximum for a double-wide mobile home has been increased from $15,000 to $20,000 and the maximum loan amount for double-wide mobile homes and the purchase of a lot on which to place such a home has been increased from $22,500 to $27,500. These increases in the maximum loan amount would recognize the recent escalation in prices and allow veterans to have a broader selection of the larger, more expensive mobile homes. We favor this proposal.

Section 3 of the bill has been rewritten to restrict VA guaranteed loans to purchase a condominium unit to units which are in a new building or a building originally built and sold as a condominium. This provision would preclude loans on units contained in buildings converted to condominium use and thus avoid the many difficulties which have occurred in older buildings which have been inadequately repaired and modernized at the time of conversion. Since this new provision will have the effect of protecting both the VA and veterans, we favor it.

Section 6 of the enrolled enactment amends the Federal Credit Union Act (12 U.S.C. 1757) to permit loans to be made in accordance with section 2(b) of the National Housing Act and section 1819 of title 38, United States Code. To the extent that this provision will serve to stimulate greater lender participation in the VA mobile home program and thus make more funds available to veterans seeking guaranteed loans we favor it. But, since this amendment is primarily of interest to the National Credit Union Administration, we defer to the views of that agency.

It is estimated that the total first-year cost of the enrolled enactment would be $3,300,000 and the total five-year cost would be $37,382,800 A more detailed cost estimate by fiscal year and by program is appended.

For the foregoing reasons, I recommend that the President approve H. R. 15912.

Sincerely,

RICHARD L. ROUDEBUSH
Administrator

Enclosure

ESTIMATED COSTS OF THE ENROLLED ENACTMENT OF H.R. 15912
FOR FISCAL YEARS 1975 THROUGH 1979

	General Operating Expense	Expenses and Losses	Total
A. Restoration of Entitlement			
FY 1975	(-)$ 280,000	$ 47,000	(-)$ 233,000
FY 1976	(-) 301,000	179,000	(-) 122,000
FY 1977	(-) 308,000	348,000	(+) 40,000
FY 1978	(-) 315,000	515,000	(+) 200,000
FY 1979	(-) 322,000	702,000	(+) 380,000
TOTAL	(-)$1,526,000	$1,791,000	(+)$ 265,000
B. Automatic Processing			
FY 1975	(-)$ 305,400	$ 270,000	(-)$ 35,400
FY 1976	(-) 326,700	270,000	(-) 56,700
FY 1977	(-) 332,800	270,000	(-) 62,800
FY 1978	(-) 339,800	270,000	(-) 69,800
FY 1979	(-) 345,700	270,000	(-) 75,700
TOTAL	(-)$1,650,400	$1,350,000	(-)$ 300,400
C. $17,500 Guaranty			
FY 1975	0	$ --	$ 0
FY 1976	0	10,000	10,000
FY 1977	0	50,000	50,000
FY 1978	0	125,000	125,000
FY 1979	0	180,000	180,000
TOTAL	0	$ 365,000	$ 365,000
D. Condominiums			
FY 1975	$ 544,200	0	$ 544,200
FY 1976	549,600	0	549,600
FY 1977	555,100	0	555,100
FY 1978	560,700	0	560,700
FY 1979	566,300	0	566,300
TOTAL	$2,775,900	0	$2,775,900

	General Operating Expense	Expenses and Losses	Total
E. Mobile Home Loans (increase in loan amounts and elimination of 1975 termination date)			
FY 1975	$ 100,000	$ 616,000	$ 716,000
FY 1976	535,000	706,000	1,241,000
FY 1977	581,000	1,027,000	1,608,000
FY 1978	642,000	2,025,000	2,667,000
FY 1979	698,000	2,860,000	3,558,000
TOTAL	$2,556,000	$ 7,236,000	$ 9,790,000
F. Increase Specially Adapted Housing Grants to $25,000			
FY 1975	0	$ 1,790,200	$ 1,790,200
FY 1976	0	4,875,000	4,134,100
FY 1977	0	4,689,000	4,689,000
FY 1978	0	4,590,000	4,590,000
FY 1979	0	4,314,000	4,314,000
TOTAL	0	$20,258,200	$19,517,300
G. Loans on Used Mobile Homes			
FY 1975	$ 218,000	$ 220,000	$ 438,000
FY 1976	241,000	318,000	559,000
FY 1977	271,000	631,000	902,000
FY 1978	299,000	893,000	1,192,000
FY 1979	329,000	1,105,000	1,434,000
TOTAL	$1,358,000	$ 3,167,000	$ 4,525,000
H. Substitution of Entitlement			
FY 1975	$ 80,000	0	$ 80,000
FY 1976	85,000	0	85,000
FY 1977	89,000	0	89,000
FY 1978	93,000	0	93,000
FY 1979	98,000	0	98,000
TOTAL	$ 445,000	0	$ 445,000

Total Estimated Cost

First Year	$ 3,300,000
Second Year	6,400,000
Third Year	7,870,300
Fourth Year	9,357,900
Fifth Year	10,454,600
FIVE-YEAR TOTAL	$37,382,800

Copy

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

SEP 25 1974

The Honorable
Vance Hartke
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in reply to your request for a report on S. 3883, 93d Congress.

The purpose of the bill is to amend chapter 37 of title 38, United States Code, to improve the following basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans.

Subsection (a) of section 2 of the bill would amend subsection 1802(b) of title 38, United States Code, which provides for restoration of loan entitlement. Under this new section the Administrator could restore a veteran's loan guaranty entitlement if two requirements are met. First, the property which secured a prior VA assisted loan must have either been disposed of by the veteran for any reason, or destroyed by fire or other natural hazard. Second, the prior loan must have been paid-in-full, or the Administrator must have been released from liability under the guaranty, or, if the prior loan was foreclosed and VA paid a claim, the veteran must repay in full any loss suffered by VA on such loan. The Administrator may, however, waive either or both of these conditions in appropriate cases.

The law presently provides, with respect to a veteran, that the Veterans Administration may restore entitlement previously used to obtain a guaranteed, insured, or direct loan if the property is taken, through condemnation or otherwise, by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of for some compelling reason devoid of fault on the part of the veteran. With respect to a serviceman, the Veterans Administration is required to restore entitlement used to purchase a home which the serviceman has disposed of because of a transfer by the service department, provided the loan is paid in full. In the administration of the statutory authority, VA regulations have always required that the Government's liability on a veteran's loan must have been extinguished, which requires for all practical purposes that the loan must have been paid in full. The amendment regarding restoration only upon payment in full, in effect, codifies the regulatory practice.

The removal of "compelling reasons devoid of fault" would eliminate a statutory requirement that is susceptible to varying interpretations and, hence, uneven application throughout the system of VA field stations. Furthermore, determinations of the validity of the reasons for disposal of properties by veterans entail a substantial expenditure of resources on the part of VA staff.

The bill would tend to desirably increase the availability of loan benefits to veterans, but would not affect their availability to servicemen. As to veterans, the impact would be largely confined to those who have used substantially all of their $12,500 entitlement for the purchase of a home and who did not have a "compelling reason" for disposing of their homes. Many desire or find a need for a different or larger house for personal reasons. If the prior loans of these veterans have been paid off, they would be granted new entitlement in full for the purchase of another home. This extended availability of GI loan financing for such veterans will not substantially escalate the Government's exposure to loss. The waiver authority proposed to be granted to the Administrator would be

exercised only in unusual situations such as where the property is substantially damaged or destroyed by a natural disaster.

Subsection (b) of section 2 of the bill would amend present subsection 1802(d) by deleting clause (3) thereof, which has become obsolete since the Department of Housing and Urban Development program for certified agents has been inoperative for years. In lieu thereof, a new clause (3) would be inserted to authorize the Administrator to permit any lender to process GI loans for both conventionally built and mobile homes on an automatic guaranty basis pursuant to standards established by the Administrator.

The automatic loan procedure facilitates the closing of a loan, which is then reported to VA for guaranty, as opposed to the lender submitting a loan application, with supporting documents, to the VA, which then issues to the lender a commitment to guarantee the loan when closed. Under the automatic procedure, the flow of the transaction, from application to a lender for a loan to actual closing, can be greatly expedited, thus resulting in better service to the veteran-buyer. Under existing law, however, only supervised lenders (e.g., banks, savings and loan associations, and insurance companies) have the privilege of automatic processing. All other lenders must submit loans to VA for prior approval.

Consumer credit and finance companies which are non-supervised lenders have not been participating to any great extent in the VA mobile home loan program. Many such lenders have been reluctant to process loans on a prior approval basis, which entails more time to obtain commitments from VA than the time required for completing loans on a conventional basis. It is believed this provision will serve to stimulate greater participation in the mobile home loan program.

Under this subsection of the bill, VA would also be authorized to approve qualifying, non-supervised

lenders to process loans for automatic guarantees for veterans to finance conventionally built homes. Mortgage companies originate about two-thirds of the loans which VA guarantees on conventionally built homes. Some mortgage companies have consistently demonstrated the capability and expertise necessary for originating loans of satisfactory quality. Considering the fact that loans processed automatically entail substantially less workload demands on VA, it is shortsighted to deny qualified mortgage companies the opportunity to process loans in this manner. There is ample reason to expect as satisfactory performance from reliable mortgage companies originating large volumes of loans as from some supervised lenders which are relatively inactive in the program and, hence, unfamiliar with GI loan requirements.

Subsection (c) of section 2 of the bill would amend section 1803(c) of title 38 to permit veterans to pay discounts when they obtain loans to:

(a) Refinance delinquent indebtedness (pursuant to section 1810(a)(5) of title 38);

(b) Repair or improve a dwelling the veteran already owns;

(c) Construct a dwelling on land the veteran already owns;

(d) Purchase property from a party the Administrator determines to be unable to pay such a discount.

Veterans are not permitted to pay discounts, since, if they were to do so, they might be paying an interest rate in excess of the permitted maximum. An exception to this rule is refinancing loans made pursuant to section 1810(a)(5) of title 38, since that section now specifically permits discounts to be paid by veterans. Section 3(1) of the bill deletes the discount provision

relating to refinancing loans from section 1810(a)(5) of title 38 in favor of placing it into the proposed subsection 1803(c)(3), which will include all four situations where the veteran will be permitted to pay discounts.

As a general rule, veterans may not pay discounts since to do so would result in payment of interest in excess of the maximum rate authorized by law. Thus, the only party available to pay discounts is the seller. The proposed amendment to permit veterans to pay discounts in certain specified instances is in recognition of the fact that in the enumerated instances there is no builder or seller involved (or the seller is a party who is legally barred from paying a discount, e.g., a trustee in bankruptcy). Hence, either the veteran must pay the discount or he will not be able to obtain the loan he seeks.

Section 1810(a)(5) which authorizes the Administrator to guarantee refinancing loans recognizes this fact and permits the veteran to pay a discount when required by a lender. (VA, by regulation, requires that the discount not be in excess of that determined by VA to be "reasonable.") Section 3(i) of S. 3883 merely moves this provision from section 1810(a)(5) of title 38 to section 1803(c) of title 38.

Item (b), which refers to a loan to repair or improve a dwelling is included to cover the type of case wherein a veteran owns a home obtained with a GI loan, desires to improve or repair the dwelling, and the holder of the GI loan is willing to make the loan provided it is paid a discount. It could also include a case where a veteran owns his home free and clear and a lender is willing to make him a GI loan to repair or improve his home provided a discount is paid. Since no builder or seller is involved, the veteran ordinarily is unable to obtain the loan since he is not permitted to pay a discount. The incidence of such cases is very small.

Item (c), which refers to a loan to construct a dwelling on land the veteran already owns, is concerned with a situation which occurs only infrequently. In a typical case,

the veteran owns his lot and acts as his own contractor in building his home, usually doing part of the work himself and perhaps hiring subcontractors for such things as plumbing or electrical work. He has a lender willing to make a GI loan when the house is completed but the lender requires payment of a discount. Unless the veteran legally is permitted to pay the discount required, he is unable to obtain his GI loan. We do not construe this provision in any way to constitute a device to permit builders to pass the payment of discounts on to veteran purchasers.

Lastly, item (d) concerns itself with the relatively rare case where the seller of an existing property is legally prohibited from paying discounts, e.g., a trustee in bankruptcy. Where a veteran desires to purchase such a home and is willing to pay the discount required by the lender, we believe he should not be denied GI financing.

In summary, we recommend adoption of the proposed amendment to section 1803(c) of title 38.

Subsection (d) of section 2 of the bill would amend section 1804(c) of title 38 to require only one occupancy certification, made at the time of the loan closing, on loans processed on an automatic basis. This section of title 38 currently requires veterans to certify, both at the time they apply for the loans and at the time the loans are closed, that they intend to occupy the properties securing the loans as their homes.

In the case of loans submitted to VA on a prior approval basis, compliance with this statute is no problem as the VA forms for loan guaranty applications and the VA loan closing reports contain the necessary certifications. On loans processed for automatic guaranty, VA does not receive the paperwork from the lender until after closing. The loan applications are made on the form used by lenders for all their loans and do not contain the special VA occupancy certification.

The VA has distributed to automatic lenders VA Form 26-1820a which contains the occupancy certification. This form is supposed to be executed by veterans when they apply for loans. However, it is too often overlooked, especially with changes in lender personnel, and often when submitted it bears the same date as the loan closing. The administrative problem of getting lenders to have veterans sign this form at the appropriate time increases regional office workload with little apparent success.

In view of the administrative problems caused by this requirement on automatically processed loans, we consider this amendment appropriate.

Subsection (e) of section 2 of the bill would amend subsections 1804(b) and (d) of title 38 to remove the requirement that, when VA suspends a builder, lender or broker based upon disciplinary action taken by the Secretary of Housing and Urban Development, the HUD sanction must have been taken under section 512 of the National Housing Act. Under this same section of the National Housing Act, HUD can suspend a builder or lender when VA has suspended a party under section 1804(b) or (d). This amendment would have the effect of permitting VA to refuse to do business with any party suspended by HUD, regardless of whether HUD's debarment is based on section 512 of the National Housing Act or some other authority in the Act.

The Veterans Administration has often been placed in the embarrassing position of having to do business with a firm after it has been debarred by HUD for serious misconduct, because the Secretary of HUD has imposed a sanction against the party under authority other than section 512 of the National Housing Act. In these cases, VA often does not have sufficient evidence of its own which involves GI loans to prove similar misconduct in VA cases. We therefore recommend that this amendment be accepted.

Currently, subsections 1804(b) and (d) permit the Administrator to suspend parties from participation in the Loan Guaranty Program for various actions deemed to be contrary to the interests of veterans or of the United States. It also permits the Administrator to suspend any party against whom a similar sanction is imposed by HUD under section 512 of the National Housing Act. HUD, however, has authority to suspend program participants under more than one statute, and often invokes an authority other than section 512 in taking disciplinary action. This often places VA in the embarrassing position of having to continue to do business with a firm after it has been debarred by HUD for serious misconduct.

Section 3 of the bill amends section 1810 of title 38, United States Code, in three ways. The first change is technical in nature. Section 3(1) deletes the discount provisions relating to refinancing loans from section 1810(a)(5) of title 38 in favor of placing it into the proposed subsection 1803(c)(3).

Section 3(2) of the bill would amend subsection 1810(c) of title 38 to increase the maximum loan guarantee amount from $12,500 to $17,500.

With the increases that have occurred in the prices in homes since May 7, 1968, the effective date of Public Law 90-301, which raised the maximum guaranty from $7,500 to $12,500, the present $12,500 guarantee does not afford an adequate safeguard for lenders on the larger loans that are now being processed. In fiscal year 1974, the average GI loan was $25,100; the maximum $12,500 guarantee, therefore, provided only 49.8 percent coverage. As the loan amount increases, the percentage that is guaranteed decreases. The average loan amount has been increasing each year. With continued increases in the size of the loans guaranteed, it is desirable to increase the maximum guarantee amount in order to maintain the 60 percent ratio indicated in section 1803 of title 38. Unless the maximum guarantee is increased, we believe that lenders will abandon GI loans in growing numbers. An increase in the maximum guarantee will not significantly increase the expenses and losses in the program. We, therefore, consider the proposed increase in the maximum guaranty appropriate.

Section 3(3) of the bill would amend subsection 1810(d) of title 38 to eliminate the provision which restricts the VA guarantee of condominium loans to those projects where the Secretary of Housing and Urban Development has insured at least one loan under section 234 of the National Housing Act. Because of the limited number of condominiums processed under section 234, veteran purchasers have been limited to a relatively narrow selection of units and have been precluded from using their loan benefits to finance condominium units from the total available market. Elimination of the requirement that one loan must be insured under section 234 would make one-family residential condominium properties generally available for VA guaranteed loan purposes and would be a desirable improvement.

Section 4 of the bill would amend subsection 1811(d)(2)(A) of title 38 which relates to direct loans, by changing the ratio for determining the amount of guarantee entitlement used when a direct loan is made to a veteran. The amendment would not change the maximum direct loan amount, but would provide for a lesser charge against entitlement for a comparable loan. This is a perfecting change, consistent with the increase in the maximum guarantee.

Section 5 of the bill would amend section 1819 of title 38, relating to mobile home loans. This section indefinitely extends the life of VA's mobile home loan guaranty program. Separate provisions are also made in this section for maximum loan limitation for double-wide mobile homes, as contrasted with single-wide mobile homes. The maximum loan for single-wide mobile home loans would be increased from $10,000 to $12,500 and new loan maximums and maturities would be established for double-wide mobile home loans. Further, the bill would provide authority, for the first time, to guarantee a loan for the purpose of acquiring a lot and making necessary site preparations upon which to place a mobile home unit already owned by a veteran.

Section 1819(c) of title 38 provides that the VA mobile home program will end July 1, 1975. Section 5(10) of the bill repeals this termination provision. In recent years,

mobile homes have represented a substantial share of all single family dwelling units available for purchase, and approximately 80 percent of all new homes sold for under $20,000. This program, therefore, is extremely important in providing lower income veterans with suitable housing.

The present $10,000 maximum loan amount is inadequate to finance better quality and the larger (14-foot to 16-foot wide) mobile homes. The proposed increase to $12,500 would alleviate this problem. Double-wide mobile homes also have found a more receptive market, but are even costlier, requiring maximum loans up to $15,000, and 15-year terms, as proposed.

These changes would permit veterans to finance the purchase of better quality and larger mobile homes with GI loans than is now possible. The present statutory maximum of $10,000 for mobile homes largely relegates the VA program to a level serving only the most modestly priced segment of the market. At present, any veteran who desires to buy a large single-wide or a double-wide mobile home would find it necessary to put up so much downpayment under the GI loan program that he is, in effect, deprived of the benefits of a VA guaranteed loan.

There are veterans who purchased mobile homes prior to the time authority was granted for VA to guarantee mobile home loans and others who have purchased, or will purchase, mobile homes without using VA loans to finance their homes. The guarantee of loans to purchase lots for mobile homes, usually at a cost significantly below that of renting sites, would grant to such veterans the same benefits presently available to veterans who finance their mobile homes with VA assistance. As a practical matter, the proposal, if enacted, is not likely to result in any significant volume of loans, because lenders generally will not be interested in such financing due to the small loan amounts that would be involved. Nonetheless, as the law now provides, the financing of just a

mobile home site is precluded even if the veteran could make such arrangements with a lender. To the extent that such financing can be secured, we believe it would be desirable to have the authority to guarantee such purchases.

We propose one technical change. Section 5(1) of the bill calls for inserting the phrase "or the mobile home lot guaranty benefit, or both," in certain places in title 38. We believe the word "loan" should be placed between "lot" and "guaranty" in this insertion, since VA would be guaranteeing a loan for the purchase of a lot, not guaranteeing the lot itself.

Section 6(a) of the bill would amend title 38 by deleting sections 1812, 1813, 1814, and 1822. Neither the farm loan program (section 1812) nor the business loan program (section 1813) affords a viable benefit to veterans. Due to the relatively restrictive terms of a VA guaranteed farm or business loan, and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration, lenders have not been making such loans. For example, in 1951, VA guaranteed 42,000 business loans. Since that time, the volume has dwindled to negligible proportions, and in fiscal year 1974 only two business loans were guaranteed. The peak year for guaranteed farm loans was 1947, when 20,000 were guaranteed. In the interval, there has been a steady sharp decline year after year through fiscal year 1974, when only eight farm loans were guaranteed.

The refinancing authority in title 38 in section 1810(a)(5), obviates the need for the similar provision in section 1814(a)(1). The deletions of sections 1812 and 1813, as proposed, will render section 1814(a)(2) meaningless. The remaining provision, section 1814(a)(3), which permits the guarantee of loans to pay delinquent taxes or assessments, does not afford a viable benefit since lenders are not willing to make such loans under the VA program. In this connection, it may be noted that taxes and assessments are liens on dwellings and, therefore, can be refinanced under section 1810(a)(5) of title 38.

Section 1810(b)(5) now limits the VA loan to the reasonable value of the property as determined by the Administrator. In effect, it now permits the veteran to pay a sales price in excess of such value. Formerly, a loan could not be guaranteed or insured when the sales price was in excess of the reasonable value thereof as determined by VA. Section 1822(a) was, therefore, amended by Public Law 90-301 to eliminate loans guaranteed under section 1810. With the proposed deletion of sections 1812 and 1813, as provided in this bill, section 1822 will become meaningless and should be deleted.

Sections 6(b) and 7 of the bill contain technical amendments to sections 1803(a)(1), 1803(b), 1803(d), 1815(b), 1818(a), and 1818(c), and the table of sections at the beginning of chapter 37 of title 38, required by the deletions of sections 1812, 1813, 1814, and 1822.

The deletion of the reference to section 1815 in sections 1818(a) and 1818(c) found in subsections (6) and (7) of section 7 of the bill would permit post-Korean veterans to obtain insured home loans which are now available only to World War II and Korean conflict veterans. Very few lenders, however, now have their loans insured rather than guaranteed. However, there is no valid reason for maintaining the existing unwarranted distinction between classes of veterans.

Section 8 of the bill would amend section 802 of title 38 to increase from $17,500 to $25,000 the maximum grant VA could make, pursuant to chapter 21 of this title, to certain disabled veterans to assist them in acquiring suitable housing units specially adapted to the nature of their disabilities.

The specially adapted housing grant is limited to 50 percent of the total cost of the house. Veterans may use their VA guaranteed or direct loan entitlement or obtain conventional financing to obtain the remainder of the money necessary to purchase or construct their homes.

The grant for specially adapted housing was set at $10,000 by Public Law 702 (80th Congress) in 1948. It was increased to $12,500 in 1969 (P.L. 91-22) and to the present $17,500 in 1972 (P.L. 92-341). In FY 1972, the average total cost to a veteran for a new, specially adapted house was $38,744. This cost rose to $45,155 for FY 1973 and $48,510 in FY 1974. In July 1974, the last month for which such data is available, this average was $53,500. We anticipate these costs will continue to increase. We, therefore, believe the proposed increase is warranted.

Section 9 of the bill provides that sections 2(b) (authorizing the Administrator to permit any lender to process loans for automatic guaranty) and 3(3) (relating to condominium loans) shall become effective 90 days after the bill's enactment. Since carrying out these two sections will require special administrative preparations, the delayed effective date is appropriate. This section further provides that the remainder of the bill should become effective on enactment.

The estimated total first-year cost of the bill, if enacted, would be $5,810,800, and the total 5-year cost would be $35,581,500. The annual cost for the first 5 years for each of the elements of the bill is reflected in an attachment to this report.

In view of the foregoing, the Veterans Administration favors the enactment of S. 3883.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD L. ROUDEBUSH
Acting Administrator

ESTIMATED COSTS OF S. 3883
FOR FISCAL YEARS 1975 THROUGH 1979

A. Restoration of Entitlement

	General Operating Expense	Expenses and Losses	Total
FY 1975	(-)$ 280,000	$ 47,000	(-)$233,000
FY 1976	(-) 301,000	179,000	(-) 122,000
FY 1977	(-) 308,000	348,000	(+) 40,000
FY 1978	(-) 315,000	515,000	(+) 200,000
FY 1979	(-) 322,000	702,000	(+) 380,000
TOTAL	(-)$1,526,000	$1,791,000	(+)$265,000

B. Automatic Processing

FY 1975	(-)$ 305,400	$ 270,000	(-)$ 35,400
FY 1976	(-) 326,700	270,000	(-) 56,700
FY 1977	(-) 332,800	270,000	(-) 62,800
FY 1978	(-) 339,800	270,000	(-) 69,800
FY 1979	(-) 345,700	270,000	(-) 75,700
TOTAL	(-)$1,650,400	$1,350,000	(-)$300,400

C. $17,500 Guaranty

FY 1975	0	--	0
FY 1976	0	$ 10,000	$ 10,000
FY 1977	0	50,000	50,000
FY 1978	0	125,000	125,000
FY 1979	0	180,000	180,000
TOTAL	0	$365,000	$365,000

D. Condominiums

FY 1975	$ 544,200	0	$ 544,200
FY 1976	549,600	0	549,600
FY 1977	555,100	0	555,100
FY 1978	560,700	0	560,700
FY 1979	566,300	0	566,300
TOTAL	$2,775,900	0	$2,775,900

	General Operating Expense	Expenses and Losses	Total
E. Mobile Home Loans Loans (increase in loan amounts and elimination of 1975 termination date)			
FY 1975	$ 100,000	$ 560,000	$ 660,000
FY 1976	535,000	642,000	1,177,000
FY 1977	581,000	934,000	1,515,000
FY 1978	642,000	1,841,000	2,483,000
FY 1979	698,000	2,600,000	3,298,000
TOTAL	$2,556,000	$6,577,000	$9,133,000
F. Increase SAH Grants to $25,000			
FY 1975	0	$ 4,875,000	$ 4,875,000
FY 1976	0	4,875,000	4,875,000
FY 1977	0	4,689,000	4,689,000
FY 1978	0	4,590,000	4,590,000
FY 1979	0	4,314,000	4,314,000
TOTAL	0	$23,343,000	$23,343,000

Total Estimated Cost

First Year	$ 5,810,800
Second Year	6,432,900
Third Year	6,786,300
Fourth Year	7,888,900
Fifth Year	8,662,600
FIVE-YEAR TOTAL	$35,581,500

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

320 FIRST STREET N.W.

FEDERAL HOME LOAN BANK SYSTEM
FEDERAL HOME LOAN MORTGAGE CORPORATION
FEDERAL SAVINGS & LOAN INSURANCE CORPORATION

OFFICE OF
GENERAL COUNSEL

December 23, 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Mrs. Garziglia

Dear Mr. Rommel:

This is in response to your request of December 19, 1974 for the views and recommendations of the Bank Board regarding enrolled bill H.R. 15912, the "Veterans Housing Act of 1974".

It is our understanding that this bill is intended to improve certain provisions of the Veterans Administration's loan guarantee programs, to make adjustments in these programs in light of the recently enacted Housing and Community Development Act of 1974, to generally expand the ability of veterans to obtain loans under these programs, and to make other amendments of a technical nature. As such, the Bank Board supports Presidential approval of H.R. 15912.

Sincerely,

Charles E. Allen

Charles E. Allen
General Counsel

NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/JLS:vhw
December 20, 1974

Mr. W. H. Rommel
Assistant Director
for Legislative Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Rommel:

This will acknowledge your request of December 19, 1974, for our views and recommendations on enrolled bill H.R. 15912.

We have no objections to the subject enrolled bill.

Sincerely yours,

John L. Ostby

JOHN L. OSTBY
General Counsel

THE GENERAL COUNSEL OF THE TREASURY

WASHINGTON, D.C. 20220

DEC 24 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 15912, "To amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes."

The enrolled enactment would authorize the Administrator of the Veterans Administration to restore entitlement to guaranteed, insured, or direct loans provided any prior GI loan has been paid in full and the property has been disposed of by the veteran; permit any lender to process GI loans on an automatic guarantee basis; increase the maximum loan guarantee from $12,500 to $17,500; authorize GI loans to acquire individual condominimum units without the prerequisite of HUD insurance on at least one loan in the project; increase the maximum amounts and maturities of guaranteed loans for mobile homes; provide authority to guarantee loans for acquiring a mobile home lot and making necessary site preparations; increase the maximum amount of the grant payable for specially adapted housing from $17,500 to $25,000; and delete present authority to guarantee loans for the purchase of farms and farm equipment, business property, and to refinance delinquent indebtedness.

In reports to the House Committee on Veterans' Affairs the Veterans Administration recommended enactment of H.R. 9578, a similar bill, if it was amended as they suggested. The enrolled enactment contains these amendments.

The Department has no recommendation to make with respect to the enrolled enactment.

Sincerely yours,

General Counsel

To Warren Hendricks
12-26-74
1:00 p.m.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 26 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 15912 - Veterans Housing Act of 1974
Sponsor - Rep. Carney (D) Ohio and 20 others

Last Day for Action

December 31, 1974 - Tuesday

Purpose

Increases the maximum VA guaranteed loan amounts on regular and mobile homes and the maximum grant for the specially adapted housing program; makes permanent and expands the VA mobile home loan guaranty program; expands VA's authority to guarantee loans for the purchase of condominium units; repeals the VA farm and business loan programs; and makes a number of technical changes in the VA home loan program.

Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of Agriculture	Approval (Informally)
Federal Home Loan Bank Board	Approval
Department of Housing and Urban Development	No objection (Informally)
National Credit Union Administration	No objection
Department of the Treasury	No recommendation

Discussion

H.R. 15912 contains a variety of provisions expanding VA's housing assistance programs and making technical changes in the administration of those programs.

As noted in its attached views letter on the enrolled bill, which includes its report on the Senate version (S. 3883), VA favored almost all the provisions of the bill while it was under consideration by the Congress.

93D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 93-1232

THE VETERANS' HOUSING ACT OF 1974

JULY 29, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. TEAGUE, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 15912]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 15912) to amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans' home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes, having considered the same, report favorably thereon, by unanimous voice vote, with amendments, and recommend that the bill, as amended, do pass.

The amendments are as follow:

Page 7, after line 22, add a new paragraph (12) as follows:

"(12) Paragraph (1) of subsection (c) is amended by deleting in the first sentence the clause:

"or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency,".

and inserting in lieu thereof the following:

"or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,".

Page 9, after line 4, add the following new section:

"SEC. 10. The provisions of this Act shall become effective the first day of the first calendar month following the date of enactment, except that sections 2(b) and 3(b) shall become effective ninety days after the date of enactment of this Act."

EXPLANATION OF THE BILL

The bill is designed to accomplish the following major objectives:

1. It would permit the Administrator to restore a veteran's entitlement to a guaranteed, insured or direct loan provided a prior GI loan has been paid in full and the property has been disposed of by the veteran. The law presently provides that the VA may restore entitle-

ment previously used if the property is taken, through condemnation or otherwise, by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of for some compelling reason devoid of fault on the part of the veteran. That portion of the amendment regarding restoration only upon payment in full in effect codifies the regulatory practice. The removal of "compelling reasons devoid of fault" would eliminate a statutory requirement that is susceptible to varying interpretations and hence, uneven application throughout the system of VA field stations. Furthermore, determinations of the validity of the reasons for the disposal of properties by veterans entail a substantial expenditure of resources on the part of VA staff.

This provision would tend to increase the availability of loan benefits to veterans rather than servicemen. The impact would be largely confined to those who have used substantially all of their $12,500 entitlement for the purchase of a home and who did not have a "compelling reason" for disposing of their homes.

The amendment will continue the discretionary authority in the Administrator to waive either or both of the mandatory conditions prerequisite to such restoration in certain deserving situations.

2. It would authorize the Administrator to permit any lender to process GI conventional home or mobile home loans on an automatic guaranty basis pursuant to standards established by the Administrator. At the present time, only supervised lenders (e.g., banks, savings and loan associations and insurance companies) are authorized to automatically guarantee VA loans. Because of this limitation, consumer credit and finance companies which are nonsupervised, have been precluded from such automatic guarantee status. The bill would permit the Administrator to establish standards which, if met by any lender, would enable that lender to process loans to be automatically guaranteed by the VA without the necessity of obtaining prior approval. This will greatly speed the loan obtaining process for veterans. The Committee also believes this provision will serve to stimulate greater participation in the mobile home loan program.

3. It increases the maximum loan guarantee from $12,500 to $15,000. From June 22, 1944 to September 1, 1951, the maximum loan guarantee was $4,000. From September 1, 1951 to May 7, 1968, it was $7,500. On May 7, 1968 the maximum guarantee was raised to $12,500. With rapid increases that have occurred in the prices of homes since 1968, the present guarantee does not afford a reasonable opportunity for the veteran and his family to purchase a home unless he is able to make a substantial downpayment. If the veteran is to continue to obtain loans with no downpayment or very low down payment in today's housing market, the maximum guarantee must be increased.

According to the Veterans Administration an increase in the maximum guarantee will not significantly increase the expenses and losses in the home loan program.

4. It would authorize the making of loans to acquire individual condominium units without the present prerequisite that the Department of Housing and Urban Development has issued insurance on at least one loan in the project. Due to the limited number of condominiums processed under section 234 of the National Housing Act,

veteran purchasers have been limited to a relatively narrow selection of units and have been precluded from using their loan benefits to finance condominum units from the total available market. This has severely limited the availability of VA financing for veterans badly in need of shelter. The Committee recognizes that living styles have changed considerably during the past few years and one of the outgrowths of these changes has been the use of condominiums as well as mobile homes. Housing experts have cited a number of reasons for the rapid growth of condominiums and it would appear that the trend is not a temporary one.

5. The bill would increase the maximum loan guarantee for mobile homes from 30 percent to 50 percent, bringing it more in line with the guarantee for conventional home loans. Separate provisions are made in the bill for maximum loan limitation for double-wide mobile homes, as contrasted with single-wide mobile homes. The maxiumum loan for single-wide mobile home loans would be increased from $10,000 to $12,500 and establish a new loan maximum of $15,000 for double-wide mobile home units. The present statutory maximum of $10,000 for mobile homes largely relegates the VA program to a level serving only the most modestly priced segment of the market. At present, any veteran who desires to buy a large single-wide or a double-wide mobile home would find it necessary to put up so much downpayment under the GI loan program that he is, in effect, deprived of the benefits of a VA guaranteed loan.

6. The bill would also provide authority, for the first time, to guarantee a loan for the purpose of acquiring a lot and making necessary site preparations upon which to place a mobile home unit already owned by a veteran.

7. Under present law, no loans may be made for the purchase of mobile homes after July 1, 1975. The bill would delete section 1819(o) of chapter 37, Title 38, that prohibits the Administrator from making loans to purchase mobile homes and mobile home lots on and after July 1, 1975. When the Veterans' Housing Act of 1970 was under consideration, the Congress recognized that many young veterans do not have the resources with which to pay rapidly escalating prices for conventionally built homes. The Act, therefore, authorized VA to guarantee loans on mobile homes in order "to make available lower cost housing to low and lower-income veterans, especially those who have been recently discharged . . ." According to the Veterans Administration, the total number of mobile homes guaranteed to date number 14,624. This represents only a small proportion of the total loans guaranteed; however, it appears that veterans obtaining VA mobile home loans are, for the most part, those for whom the program was intended. The VA reports that the average veteran obtaining a mobile home loan in calendar year 1973 had a monthly income of $523 and assets of $580, compared to $739 average monthly income and $2,375 average assets for veterans receiving VA loans for conventionally built homes. In addition, mobile home buyers were younger, as demonstrated by the fact that 40% were 26 years old or less, compared to 20% of conventional home purchasers in the same age group. More than three-fourths of the veterans obtaining mobile home loans were Vietnam Era veterans.

With a view toward developing a larger volume of mobile home loans and encouraging more widespread participation of dealers and lenders, the Veterans Administration has instituted several programs that are discussed later on in this report. Experience by VA in the mobile home loan program shows that the program is meeting the needs of those for whom it was intended and the Committee is now recommending that the program be extended on a permanent basis.

8. The bill would increase the maximum amount of the grant payable for specially adapted housing for disabled veterans from $17,500 to $20,000. The grant was set at $10,000 by Public Law 702 (80th Congress) in 1948. It was increased to $12,500 in 1969 (Public Law 91–22), and again increased to the present maximum of $17,500 in 1972 (Public Law 92–341). According to the Veterans Administration, in fiscal year 1971 the average total cost to a veteran for a new, specially adapted house was $35,990. This cost rose to $38,744 for fiscal year 1972 and to $45,155 for fiscal year 1973. It is anticipated that the average cost for fiscal year 1974 will be even higher ($48,107 is a tentative estimate).

SECTION-BY-SECTION ANALYSIS OF THE BILL

Section 1. This captions the Act as the "Veterans' Housing Act of 1974."

Section 2. Amends section 1802(b) to permit the Administrator to restore a veteran's entitlement to a guaranteed, insured or direct loan provided a prior GI loan has been paid in full and the property has been disposed of by the veteran. The Administrator will continue to have authority to restore a veteran's entitlement when circumstances warrant even though these conditions can not be met. Also amended is section 1802(d) to authorize automatic guaranty of loans made by a lender other than a supervised lender provided such lender has prior approval by the Administrator. The provision for automatic guaranty of loans by mortgagees designated by the Secretary of Housing and Urban Development as certified agents is deleted as that program is no longer in effect.

Section 3. Amends section 1810(c) to increase the maximum dollar amount of guaranty from $12,500 to $15,000. It also amends section 1810(d) to delete the requirement that the Secretary of Housing and Urban Development must have issued evidence of insurance on at least one loan for the purchase of a one-family unit in a condominium project before the Administrator may make a loan to a veteran to purchase a unit in the project.

Section 4. Is a technical amendment to further implement the increase in the guaranty from $12,500 to $15,000. This is accomplished by amending section 1811(d)(2)(A) to delete $12,500 each place where it appears and insert $15,000 to correspond to the amendment to section 1810(c).

Section 5. Amends section 1819 to provide for loans to purchase lots on which to place mobile home units already owned by veterans. It also amends the section to increase the maximum permissible loan amount for a single wide mobile home to $12,500 and to provide a separate maximum of $15,000 for double wide units. The present 12 year loan maturity is retained but the loan maturity for

double wide units is established at 15 years. Further, the guaranty on mobile homes is increased from 30 percent to 50 percent. It also deletes section 1819(o) that prohibits the Administrator from making loans to purchase mobile homes and mobile home lots on and after July 1, 1975. Finally, the provision for guaranteeing a loan on the purchase of a used mobile home is liberalized in that it will no longer be required that such a used mobile home must have been the security for a prior guaranteed loan. In administering this provision it is the intention of the Committee that the Administrator provide adequate safeguards and criteria with respect to the value, quality and condition of used mobile homes on which loan applications are made.

Section 6. Amends chapter 37 by deleting sections 1812, "Purchase of farms and farm equipment", 1813, "Purchase of business property", 1814, "Loans to refinance delinquent indebtedness", and 1822, "Recovery of damages".

Section 7. Contains technical amendments to sections 1803(a)(1), 1803(b), 1803(d), 1815(b), 1818(a), and 1818(c) required by the deletion of sections 1812, 1813, 1814, and 1822. The deletion of the reference to section 1815 in section 1818(a) and 1818(c) will give veterans who served after January 31, 1955, benefit rights under the "insured loan program" comparable to those enjoyed by veterans of prior conflicts so that all veterans would enjoy like benefits under the "guaranteed load program", the "direct loan program", and the "insured loan program".

Section 8. Amends chapter 21, section 802, to increase the maximum amount of the grant payable for specially adapted housing for certain severely disabled veterans from $17,500 to $20,000.

Section 9. Amends the table of sections at the beginning of chapter 37 to reflect the deletion of sections 1812, 1813, 1814, and 1822.

Section 10. This section represents a Committee amendment dealing with effective dates for the various provisions of the bill. The bill generally would be effective the date of enactment; however, it was recently brought to the attention of the Committee that two of the provisions should have a reasonable deferred effective date in order to afford the VA adequate time to appropriately implement the provisions. These provisions deal with the extension of the automatic loan provision to non-supervised lenders and, secondly, the provision that would shift the burden of initial review of condominium projects upon the VA. Implementation of this provision will entail the preparation of detailed plans, procedures and forms for reviews of not only the physical plan or structure, but also the legal documents relating to the condominium project, cost of maintaining the common property, and assuring that any management agreements to be entered into are fair to all concerned. Accordingly, with regard to these two provisions the Committee concluded that a 90 day deferred effective date would not be unreasonable.

ESTIMATES OF COST

The Committee has determined that the estimated total first-year cost of the bill, if enacted would be $2,467,800 and the total first five-year cost would be $20,235,000. A detailed breakdown of these costs follows.

ESTIMATED COSTS OF H.R. 15912 FOR FISCAL YEARS 1975 THROUGH 1979

	General operating expense	Expenses and losses	Total
A. Reinstatement:			
Fiscal year—			
1975	−$280,000	$47,000	−$233,000
1976	−301,000	179,000	−122,000
1977	−308,000	348,000	+40,000
1978	−315,000	515,000	+200,000
1979	−322,000	702,000	+380,000
Total	−1,526,000	1,791,000	+265,000
B. Automatic processing:			
Fiscal year—			
1975	−305,400	270,000	−35,400
1976	−326,700	270,000	−56,700
1977	−332,800	270,000	−62,800
1978	−339,800	270,000	−69,800
1979	−345,700	270,000	−75,700
Total	−1,650,400	1,350,000	−300,400
C. $15,000 guaranty:			
Fiscal year—			
1975	0		0
1976	0	5,000	5,000
1977	0	25,000	25,000
1978	0	62,500	62,500
1979	0	90,000	90,000
Total	0	182,500	182,500
D. Condominiums:			
Fiscal year—			
1975	544,200	0	544,200
1976	549,600	0	549,600
1976	555,100	0	555,100
1978	560,700	0	560,700
1979	566,300	0	566,300
Total	2,775,900	0	2,775,900
E. Mobile home loans (increases in loan amounts, increase in percent of guaranty and elimination of 1975 termination date):			
Fiscal year—			
1975	100,000	467,000	567,000
1976	535,000	696,000	1,231,000
1977	581,000	1,001,000	1,582,000
1978	642,000	1,994,000	2,636,000
1979	698,000	2,817,000	3,515,000
Total	2,556,000	6,975,000	9,531,000
F. Increase SAH grants to $20,000:			
Fiscal year—			
1975	0	1,625,000	1,625,000
1976	0	1,625,000	1,625,000
1977	0	1,563,000	1,563,000
1978	0	1,530,000	1,530,000
1979	0	1,438,000	1,438,000
Total	0	7,781,000	7,781,000
Total estimated cost:			
1st year			2,467,800
2d year			3,231,900
3d year			3,702,300
4th year			4,919,400
5th year			5,913,600
5-year total			20,235,000

AGENCY REPORTS

There follow the Veterans Administration report on the predecessor bill (H.R. 9578) and the statement of Edward A. Echols, Director, Loan Guaranty Service, Veterans Administration, when he appeared before the Subcommittee on Housing during hearings on May 23, 1974. This statement contains very helpful information as to the current status of the various VA veterans' housing programs.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., April 18, 1974.

Hon. WM. JENNINGS BRYAN DORN,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 9578, 93d Congress.

The purpose of the bill is to amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes.

Subsection (a) of section 2 of the bill would amend subsection 1802(b) of title 38, United States Code, which provides for restoration of loan entitlement, first, by removing the requirement for a determination that the veteran has disposed of property financed with guaranteed, insured, or direct loans for "compelling reasons devoid of fault" on his part, and second, by incorporating into the statute the regulatory requirement that the veteran's previous GI loan has been paid in full or the Administrator has been released from liability as to the loan.

The law presently provides, with respect to a veteran, that the Veterans' Administration may restore entitlement previously used to obtain a guaranteed, insured, or direct loan if the property is taken, through condemnation or otherwise, by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of *for some compelling reason devoid of fault on the part of the veteran*, and with respect to a serviceman, the Veterans' Administration is required to restore entitlement used to purchase a home which the serviceman must dispose of because of a transfer by the service department, provided the loan is paid in full. In the administration of the statutory authority, VA regulations have always required that the Government's liability on a veteran's loan must have been extinguished, which requires for all practical purposes that the loan must have been paid in full. The amendment regarding restoration only upon payment in full, in effect, codifies the regulatory practice.

The removal of "compelling reasons devoid of fault" would eliminate a statutory requirement that is susceptible to varying interpretations and, hence, uneven application throughout the system of VA field stations. Furthermore, determinations of the validity of the reasons for the disposal of properties by veterans entail a substantial expenditure of resources on the part of VA staff.

The bill would tend to desirably increase the availability of loan benefits to veterans, but would not affect their availability to servicemen. As to veterans, the impact would be largely confined to those who have used substantially all of their $12,500 entitlement for the purchase of a home and who did not have a "compelling reason" for disposing of their homes. Many desire or find a need for a different or larger house for personal reasons. If the prior loans of these veterans have been paid off, they would be granted new entitlement in full for the purchase of another home. And, this extended availability of GI loan financing for such veterans will not substantially escalate the Government's exposure to loss.

We note, this proposed amendment to subsection 1802(b) requires that both of the two conditions be satisfied before the Administrator may restore entitlement; first, that the property has been disposed of by the veteran, or has been destroyed by fire or other natural hazard, and second, that the loan has been repaid in full or the Administrator has been released from liability, or, if the Administrator has suffered a loss, such loss has been paid in full. Heretofore, under the current law the Administrator has had authority to exercise a measure of discretion and has authorized waiver of the repayment in full requirements in certain circumstances. For example, waivers have been granted where the property was disposed of because of having been substantially damaged by flood, landslide, subsidence, or other unusual circumstance, or the builder is unable to correct construction defects upon the veteran's request therefor and purchases the property from the veteran but is unable to pay off the VA guaranteed loan in connection with such purchase. By making these revised conditions mandatory, the amendment would remove such discretion and preclude restoration of entitlement in a number of deserving situations. We believe that occasions will continue to arise when it would be appropriate for the Administrator to restore a veteran's entitlement even though the above conditions cannot be met. Accordingly, we recommend that subsection 2(a) of the bill be amended by adding a new subparagraph (3) as follows:

> (3) Notwithstanding the foregoing, the Administrator may, in any case involving circumstances he deems appropriate, waive either or both of the above-named requirements.

Subsection (b) of section 2 of the bill would amend present subsection 1802(d) by deleting clause (3) thereof, which has become obsolete since the Department of Housing and Urban Development program for certified agents has been inoperative for years. In lieu thereof, a new clause (3) would be inserted to authorize the Administrator to permit any lender to process GI conventional home or mobile home loans on an automatic guaranty basis pursuant to standards established by the Administrator.

The automatic loan procedure facilitates the closing of a loan, which is then reported to the VA for guaranty, as opposed to the lender submitting a loan application, with supporting documents, to the VA, which then issues to the lender a commitment to guarantee the loan when closed. Under the automatic procedure, the flow of the transaction, from application to a lender for a loan to actual closing, can be greatly expedited, thus resulting in better service to the veteran-buyer. Under existing law, however, only supervised lenders (e.g., banks, savings and loan associations, and insurance companies) have the privilege of automatic processing. All other lenders must submit loans to VA for prior approval.

Consumer credit and finance companies which are non-supervised lenders have not been participating to any great extent in the VA mobile home loan program. Many such lenders have been reluctant to process loans on a prior approval basis, which entails more time to obtain commitments from VA than the time required for completing loans on a conventional basis. It is believed this provision will serve to stimulate greater participation in the mobile home loan program.

Under this subsection of the bill, VA would also be authorized to approve qualifying non-supervised lenders to process loans for automatic guarantees for veterans to finance conventionally built homes. Mortgage companies originate about two-thirds of the loans which VA guarantees on conventionally built homes. Some mortgage companies have consistently demonstrated the capability and expertise necessary for originating loans of satisfactory quality. Considering the fact that loans processed automatically entail substantially less workload demands on VA, it is shortsighted to deny qualified mortgage companies the opportunity to process loans in this manner. There is ample reason to expect as satisfactory performance from reliable mortgage companies originating large volumes of loans as from some supervised lenders which are relatively inactive in the program and, hence, unfamiliar wth GI loan requirements.

Subsection (a) of section 3 of the bill would amend subsection 1810(c) of title 38 to increase the maximum loan guarantee amount from $12,500 to $15,000.

With the increases that have occurred in the prices of homes since May 7, 1968, the effective date of Public Law 90–301, which raised the maximum guarantee from $7,500 to $12,500, the present $12,500 guarantee does not afford an adequate safeguard for lenders on the larger loans that are now being processed. In fiscal year 1973, the average GI loan was $23,450; the maximum $12,500 guarantee, therefore, provided only 53.3-percent coverage. As the loan amount increases, the percentage that is guaranteed decreases. The average loan amount has been increasing in the area of 5 to 7 percent each year. With continued increases in the size of loans guaranteed, it is desirable to increase the maximum guarantee amount in order to maintain the 60-percent ratio indicated in section 1803 of chapter 37. Unless the maximum guarantee is increased, we believe that lenders will abandon GI loans in growing numbers. An increase in the maximum guarantee will not significantly increase the expenses and losses in the program.

Subsection (b) of section 3 of the bill would amend subsection 1810(d) of title 38 to eliminate the provision which restricts the VA guarantee of condominium loans to those projects where the Secretary of Housing and Urban Development has insured at least one loan under section 234 of the National Housing Act. Because of the limited number of condominiums processed under section 234, veteran purchasers have been limited to a relatively narrow selection of units and have been precluded from using their loan benefits to finance condominium units from the total available market. Elimination of the requirement that one loan must be insured under section 234 would make one-family residential condominium properties generally available for VA guaranteed loan purposes and would be a desirable improvement.

Section 4 of the bill would amend subsection 1811(d)(2)(A) of title 38, United States Code, which relates to direct loans, by changing the ratio for determining the amount of guarantee entitlement used when a direct loan is made to a veteran. The amendment would not change the maximum direct loan amount, but would provide for a lesser charge against entitlement for a comparable loan. This is a perfecting change, consistent with the increase in the maximum guarantee from $12,500 to $15,000 under section 3 of the bill.

Section 5 of the bill would amend section 1819 of title 38 relating to mobile home loans. The maximum guarantee would be increased

from 30 to 50 percent of the loan. Separate provisions are made in the bill or maximum loan limitation for double-wide mobile homes, as contrasted with single-wide mobile homes. The maximum loan for single-wide mobile home loans would be increased from $10,000 to $12,500 and new loan maximums and maturities would be established for double-wide mobile home loans. Further, the bill would provide authority, for the first time, to guarantee a loan for the purpose of acquiring a lot and making necessary site preparations upon which to place a mobile home unit already owned by a veteran.

The present $10,000 maximum loan amount is inadequate to finance better quality and larger (14-foot to 16-foot wide) mobile homes. The proposed increase to $12,500 would alleviate this problem. Double-wide mobile homes also have found a more receptive market, but are even costlier, requiring maximum loans up to $15,000, and 15-year terms, as proposed.

These changes would permit veterans to finance the purchase of better quality and larger mobile homes with GI loans than is now possible. The present statutory maximum of $10,000 for mobile homes largely relegates the VA program to a level serving only the most modestly priced segment of the market. At present, any veteran who desires to buy a large single-wide or a double-wide mobile home would find it necessary to put up so much downpayment under the GI loan program that he is, in effect, deprived of the benefits of a VA guaranteed loan.

There are veterans who purchased mobile homes prior to the time authority was granted for VA to guarantee mobile home loans and others who have purchased, or will purchase, mobile homes without using VA loans to finance their homes. The guarantee of loans to purchase lots for mobile homes, usually at a cost significantly below that of renting sites, would grant to such veterans the same benefits presently available to veterans who finance their mobile homes with VA assistance. As a practical matter, the proposal, if enacted, is not likely to result in any significant volume of loans, because lenders generally will not be interested in such financing due to the small loan amounts that would be involved. Nonetheless, as the law now provides, the financing of just a mobile home site is precluded even if the veteran could make such arrangements with a lender. To the extent that such financing can be secured, we believe it would be desirable to have the authority to guarantee such purchases.

As mentioned, section 5 of the bill also would provide for a change in paragraph (3) of subsection (c) of section 1819 to increase the maximum guarantee on mobile home loans from 30 percent to 50 percent. The guarantee of a loan by VA serves as a substitute for the safeguard afforded lenders by the substantial downpayments made by borrowers incident to obtaining conventional loans. In other words, the 30-percent guarantee by VA stands in the place of a 30-percent downpayment and, if the guarantee were to be increased to 50 percent, such action would afford lenders and holders with a security equivalent to that which would be derived from 50 percent downpayments. There has been no indication that in the financing of mobile homes lenders generally are demanding 30 percent downpayments, much less 50 percent. On the other hand, some lenders appear to believe that a guarantee larger than 30 percent is desirable, presumably in the belief that an increase would improve the security of investments in VA guaranteed mobile home loans currently yielding 12 percent. An examination

of most of the guarantee claims paid to date, however, demonstrates that in the vast majority of cases the present 30-percent guarantee has adequately insulated the holders of the loans against loss. In view of the foregoing, there appears to be no need for an increase in the maximum guarantee.

Section 6 of the bill would amend the structural defects provisions of section 1827, title 38, United States Code, by including existing dwelling units where owners request assistance within 2 years from date their loans were made, guaranteed, or insured. Under the present law, the responsibility of the VA for the correction of major defects is applicable only to new homes which have been subject to required VA or FHA compliance inspections during the course of construction.

The present liability with respect to new construction, is limited and mitigated by a series of inspections during construction by qualified staff or fee personnel to insure quality construction in compliance with previously submitted plans and specifications conforming to prescribed minimum property standards. Further, each veteran purchaser must be furnished with a 1-year warranty from the builder, in accordance with section 1804(a) of title 38. Such warranty gives the purchaser a direct remedy against the builder-seller should major structural deficiencies develop. If the builder fails to honor the warranty, the VA can apply sanctions against the builder in accordance with section 1804(b) of title 38, and be subrogated to any legal rights the borrower may have.

These safeguards would not apply to existing properties which are appraised for the purpose of establishing their market values for determination of the maximum loans that the VA can guarantee or insure. On a completed building, defects can seldom be readily detected where the "bone" structure is covered from view. While the appraiser does report any readily observable conditions which affect the safety, durability, and sanitation of the dwelling, as well as obvious structural deficiencies, latent defects more often than not cannot be detected or predicted by an appraiser unless he indulges in sheer speculation. In order to safeguard against losses, the VA would have to consider requiring sellers or purchasers to stand the delay and expense of examinations by qualified building inspectors or technicians, to include plumbing, heating, electrical, and roofing items. Warranties backed by surety bonds or cash escrows from sellers would also be desirable, but many sellers would be unwilling or lack the resources to agree thereto. Consequently, the opportunities to purchase existing properties would be much less available to veterans.

Section 6 would be a substantial departure from the fact that appraisals on existing properties are intended only to establish values for loan purposes. Enactment of the section would have the effect of adding a new concept of insurance against major defects. We are opposed to such an extension.

Section 7 of the bill would amend chapter 37 of title 38, United States Code, by deleting sections 1812, 1813, 1814, and 1822.

Neither the farm loan program nor the business loan program affords a viable benefit to veterans. Due to the relatively restrictive terms of a VA guaranteed farm or business loan, and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration, lenders have not been making such loans. For example, in 1951, VA guaranteed 42,000 business loans under section 1813. Since that time, the volume has

dwindled to negligible proportions, and in fiscal year 1973 only three business loans were guranteed. The peak year for guaranteed farm loans was 1947, when 20,000 were guaranteed. In the interval, there has been a steady sharp decline year after year through fiscal year 1973, when only seven farm loans were guaranteed.

The refinancing authority in title 38, United States Code, section 1810(a)(5), obviates the need for the similar provision in section 1814(a)(1). The deletions of sections 1812 and 1813, as proposed, will render section 1814(a)(2) meaningless. The remaining provision, section 1814(a)(3), which permits the guarantee of loans to pay delinquent taxes or assessments, does not afford a viable benefit since lenders are not willing to make such loans under the VA program. In this connection, it may be noted that taxes and assessments are liens on dwellings and therefore, can be refinanced under 38 United States Code 1810(a)(5).

Section 1810(b)(5) now limits the VA loan to the reasonable value of the property as determined by the Administrator. In effect, it now permits the veteran to pay a sales price in excess of such value. Formerly, a loan could not be guaranteed or insured when the sales price in excess of the reasonable value thereof as determinedby VA. Section 1822(a) was, therefore, amended by Public Law 90–301 to eliminate loans guaranteed under section 1810. With the proposed deletion of sections 1812 and 1813, as provided in this bill, section 1822 will become meaningless and should be deleted.

Section 8 of the bill contains technical amendments to sections 1803(a)(1), 1803(b), 1803(d), 1815(b), 1818(a), and 1818(c) required by the deletions of sections 1812, 1813, 1814, and 1822.

The deletion of the reference to section 1815 in sections 1818(a) and 1818(c) found in subsections (f) and (g) of section 8, would permit post-Korean veterans to obtain insured home loans which are now available only to World War II and Korean conflict veterans. Very few lenders now have their loans insured rather than guaranteed. Further, there is no reason for maintaining the existing unwarranted distinction between classes of veterans.

The estimated total first-year cost of the bill, if enacted, would be $817,300, and the total 5-year cost would be $6,069,400. The annual cost for the first 5 years for each of the major elements of the bill is reflected in an attachment to this report.

With the exception of the provision of section 5 of the bill, which increases the guarantee on mobile home loans from 30 to 50 percent, and the exception to the provision of section 6, which provides for correction of structural defects in existing dwellings, and with the inclusion of the proposed amendment to subsection 2(a), to grant discretionary waiver authority, the Veterans' Administration favors enactment of H.R. 9578.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

R. Roudebush,
Deputy Administrator
(In the absence of
Donald E. Johnson, Administrator)

Enclosure.

ESTIMATED COSTS OF H.R. 9578 FOR FISCAL YEARS 1975 THROUGH 1979

[Note: Committee has adopted updated costs—see p. 5, infra.]

	General operating expense	Expenses and losses	Total
A. Reinstatement:			
1975	−$280,000	$47,000	−$233,000
1976	−301,000	179,000	−122,000
1977	−308,000	348,000	+40,000
1978	−315,000	515,000	+200,000
1979	−322,000	702,000	−380,000
Total	−1,526,000	1,791,000	+265,000
B. Automatic processing:			
1975	−305,400	270,000	
1976	−326,700	270,000	
1977	−322,800	270,000	
1978	−339,800	270,000	
1979	−345,700	270,000	
Total	−1,650,400	1,350,000	
C. $15,000 guaranty:			
1975			
1976		5,000	
1977		25,000	
1978		62,500	
1979		90,000	
Total		182,500	
D. Condominiums:			
1975	544,200		
1976	549,600		
1977	555,100		
1978	560,700		
1979	566,300		
Total	2,775,900		
E. Mobile home loans:[1]			
1975	100,000	359,000	
1976		604,000	
1977		613,000	
1978		621,000	
1979		388,500	
Total	100,000	2,585,500	
F. Structural defects:			
1975		82,500	
1976		84,000	
1977		91,000	
1978		98,000	
1979		105,000	
Total		460,500	
Total 5-year estimated cost			6,069,400

[1] Increases in loan amounts.

Statement of Edward A. Echols, Director, Loan Guaranty Service, Veterans' Administration

Mr. Chairman and Members of the Subcommittee, it is a pleasure to appear before you today to review the progress which has been made by the Veterans Administration in the administration of the home loan program and to present our views on H.R. 9578 which would make certain changes in the program.

During calendar year 1973, VA guaranteed 321,533 loans to veterans. This was the highest calendar year total in 17 years, except for 1972, when 375,492 loans were guaranteed by VA. The cumulative number of loans guaranteed by VA increased to 8,657,851 on December 31, 1973, for an aggregate principal amount of $102.3 billion. All but 12 of

the loans guaranteed in calendar year 1973, and nearly 97% of the cumulative total have been home loans, including both loans on conventionally built homes and mobile homes.

Through the first quarter of calendar year 1974, the volume of new loans guaranteed added up to 68,000—or 20.5% below the total in the comparable period of calendar year 1973. Although there was such a decline in the January-March period of this year, VA guaranteed more loans to finance home purchase or construction during the first quarter of this year than in the same quarter in all the other years in the period 1957–1971.

Calendar year 1974 so far has brought a period of mortgage credit stringency, the energy problem and other factors that have caused the decline in VA home loan activity. The demand for housing credit remains strong, however. This, in part, reflects the continued impact of the Veterans' Housing Act of 1970, which included the removal of delimiting dates applicable to the eligibility of veterans and provided for the blanket reinstatement of all expired, unused entitlement of World War II and Korean Conflict veterans. Presently, there are 27 million veterans in civil life who could be eligible for VA guaranteed home loans. The number of living veterans is increasing, and World War II and Korean Conflict veterans now constitute less than 65% of the total veteran population. Demographically, the program has the prospect of high levels of activity for at least the next ten years.

The recent decline in housing starts will not have as great an impact on VA loan activity as might be expected, since only about 28% of the loans currently being guaranteed by VA are for newly constructed homes.

Despite the sharp rise in prices of homes, nearly 75% of veteran homebuyers continue to obtain no-downpayment loans. The average purchase price of homes obtained with no-downpayment loans in calendar year 1973, however, was only $23,071, compared to an average purchase price of $28,069 for homes purchased with downpayment loans. Taken in the aggregate—both downpayment and no-downpayment loans together—the average purchase price in calendar year 1973 was $24,423. That average is divisible into $27,289 for new construction and $23,319 for existing, previously occupied homes.

When the Veterans' Housing Act of 1970 was under consideration, the Congress recognized that many young veterans do not have the resources with which to pay rapidly escalating prices for coventionally built homes. The Act, therefore, authorized VA to guarantee loans on mobile homes, which nationwide, account for 80% of the new homes sold for under $20,000, in order "to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged. . . ."

The total number of mobile homes guaranteed to date, numbering 14,624, represents only a small proportion of the total loans guaranteed. However, it apears that veterans obtaining VA mobile home loans are, for the most part, those for whom the program was intended. For example, the average veteran obtaining a mobile home loan in calendar year 1973 had a monthly income of $523 and assets of $580, compared to $739 average monthly income and $2,375 average

assets for veterans receiving VA loans for conventionally built homes. In addition, mobile home buyers were younger, as demonstrated by the fact that 40% were 26 years old or less, compared to 20% of conventional home purchasers in the same group. More than three-fourths of the veterans obtaining mobile home loans are Vietnam Era veterans.

With the view toward developing a larger volume of mobile home loans and encouraging more widespread participation of dealers and lenders, VA field stations have been authorized to approve supervised lenders for automatic processing of mobile home loans, with instructions not to impose any arbitrary requirements upon designation of lenders as automatic mobile home lenders. Field stations also have been instructed to increase promotional efforts in respect to mobile homes by conducting seminars for lenders, dealers and manufacturers, making presentations at meetings of appropriate trade organizations, visiting with lenders, dealers and manufacturers to encourage their participation in the program, and disseminating information about the program to the public through all available media.

The VA direct loan program, which assists veterans living in rural areas, small cities and towns where VA guaranteed loans are not available generally from private lenders, has provided loans to more than 319,000 veterans, in an aggregate amount of $3.1 billion, since its inception in 1950. In the past several years, the demand for direct loans has declined because of the general availability of private funds for guaranteed loans. There were only 2,888 direct loans made in calendar year 1973.

The average amount of the direct loans made in calendar year 1973 was $16,196, contrasted to the $23,921 average for home loans guaranteed in the same period. The lower average amount for direct loans has been influenced to some extent by the $25,000 limitation on the amount of direct loans. Guaranteed loans, with a limitation on the amount of the guaranty, but no limitation on the loan amount, reflect rising costs of homes more quickly than do direct loans. Also, housing costs in rural areas and small towns generally have been lower than such costs in urban areas where most guaranteed loans are made.

Current estimates project a level of activity of about 2,500 direct loans for the whole of calendar year 1974. About 80% of all the counties in the United States are eligible for direct loans, but only 20% of the veteran population lives in such places. In calendar year 1973, more than 30,000 veterans living in places eligible for direct loans obtained guaranteed loans, compared to the 2,888 who obtained direct loans. If the veterans living in direct loan areas were to be faced with a dwindling supply of funds for guaranteed loans, there could be an increase in the level of direct loan activity.

On a cumulative basis, more than 64% of all loans guaranteed and made have been made to World War II veterans, 19% to Korean Conflict veterans and 16% to post-Korean veterans. These figures, of course, reflect the much larger number of World War II veterans and the longer period of time they have been eligible for VA loans. The figures for calendar year 1973 activity, however, present an entirely

different picture. Of the 322,000 loans guaranteed, about 275,000—or more than 85%—went to post-Korean veterans and servicemen, with less than 10% going to World War II veterans and 5% to Korean Conflict veterans. Since the average age of World War II veterans is now 54 years and Korean Conflict veterans average 44 years, compared to an average of 30 years for post-Korean veterans, certainly the preponderance of the demand for VA loans in future years will come from the post-Korean veteran population.

Considering the large proportion of VA loans made with no downpayments, the overall foreclosure rate of 3.5% through calendar year 1973 compares favorably with the credit risk experience on other types of loans. The result in this respect is due primarily to the creditworthiness of veteran homebuyers. VA devotes considerable attention to the servicing of defaults reported on VA loans, and about 85% of the defaults reported are cured or withdrawn.

Even when a default cannot be cured and a foreclosure ensues, VA makes every effort possible to minimize the loss to the Government. Instead of only paying a claim for the amount of the guaranty, VA usually acquires the property securing the loan from the holder and then sells it. This procedure has two advantages. It makes VA guaranteed loans more attractive by relieving the holders of the need for disposing of the properties and by making the holders whole, that is, paying them in full for the outstanding debts, plus expenses associated with foreclosures. Since the property is usually valued at considerably more than the amount of guaranty, VA reduces the loss to the Government by acquiring and selling the property.

Since the beginning of the VA loan program in the waning days of World War II, 339,000 properties have been acquired and 328,000 disposed of, leaving an inventory as of December 31, 1973, of 11,046 properties. This was somewhat higher than the 10,741 on hand at the end of calendar year 1972, but about half the inventory on hand a few years ago.

To facilitate the disposal of acquired properties, VA sells them on liberal terms, such as, 30-year maturities or longer, with little or no downpayments and interest usually no more than one-half percent higher than the guaranteed loan rate. The loans established from the sale of acquired properties are known as vendee accounts, and they become part of the VA loan portfolio—along with direct loans and a small number of guaranteed loans acquired from holders in efforts to extend indulgence to defaulting obligors.

Funds required for making direct loans and for all operating expenses and losses, exclusive of administrative expenses, are realized principally from sales of portfolio loans to private investors. Direct loans are sold with the same 60% guaranty applicable to guaranteed loans originated by private lenders. Vendee accounts are sold subject to repurchase in the event of default. Cumulatively, through December 31, 1973, nearly $1.8 billion of vendee accounts and $886 million of direct loans had been sold.

Funds derived from loan sales are deposited in the Loan Guaranty Revolving Fund and the Direct Loan Revolving Fund as appropriate. On December 31, 1973, the balance in the Loan Guaranty Revolving Fund was $438 million and the Direct Loan Revolving Fund had a

balance of $833 million. The net result of operations as of that date was a profit of $263 million from making direct loans and a loss of $135 million from the guaranty of loans, or a net gain of $128 million from the two funds taken together.

At this point, it would be appropriate to review in some detail VA experience with defaults on mobile home loans. As of March 31, 1974, a cumulative total of 663 guaranty claims on mobile home loans had been paid, totaling $1,351,784. That number of claims represented 4.5% of the 14,624 mobile home loans guaranteed through the same date. During calendar year 1973, 415 claims were paid, substantially more than the 102 paid in calendar year 1972. An increase in claims experience was expected, due to increased exposure. By the end of 1972, there had been 7,538 mobile home loans guaranteed. One year later, the cumulative total of mobile home loans guaranteed had risen to 13,551.

Included in the claims paid were 111 partial claim payments with a continuance of liability under indemnity agreements. This is a new procedure which VA has developed, permitting the holder to sell the property after repossession to an acceptable purchaser who will contract to pay the amount of the loan indebtedness or a portion thereof, with VA agreeing to indemnify the holder to the extent of its liability under the guaranty; by providing such indemnification, VA, in effect, postpones the payment of a maximum claim and may avoid payment of a claim liability entirely. The continuance of liability is undertaken to reduce the potential loss under the guaranty. In those cases where the property is valued at less than the total indebtedness, VA may agree to pay the holder a claim under loan guaranty for the difference between the indebtedness and the amount the purchaser has agreed to pay for the property and continue VA's liability on the remaining indebtedness. The 111 partial claim payments averaged $736, while the remaining 552 claim payments averaged $2,354.47.

Notices of default received in calendar year 1973 totaled 2119, about three times the 709 reported in calendar year 1972. During the first quarter of calendar year 1974, the volume of defaults reported added up to 799, compared to 411 reported in a comparable period of calendar 1973. The effective default cure ratio was 65% as of March 31, 1974, indicating that one out of three loans reported in default results in termination by repossession or foreclosure.

The reasons for default leading to liquidation vary, but the predominate reason reported by holders has been improper regard for obligations. This category represents about 36% of the claims vouchered by VA, over half of which involved abandonment of units where the real cause of the default could not be ascertained. Curtailment of income, unemployment, or discharge from the Armed Forces account for 21% of the liquidations. Marital difficulties and divorce at 13% are the next most frequent causes, followed by excessive obligations at 10%. All other reasons comprise the remaining 20%, including bankruptcy, job transfer, unsatisfactory equipment, illness or death, and so forth.

The mobile home loan default rate and the number of claims paid rose steadily during calendar year 1973 from a year earlier, as more loans were being closed and guaranteed. A substantial portion of the

defaults involved transitory military personnel who purchase mobile home units while stationed near military bases. When they subsequently received orders to transfer to a new duty station or are discharged, they frequently find themselves unable to dispose of the unit by sale or assumption because the resale value of the unit is usually less than the amount owed on the loan.

Within the last year or so special emphasis has been placed on improving the program and making it more responsive to the housing credit needs of veterans. The Committee may be interested in some of the changes made:

Starting on September 25 of last year, every newly discharged veteran from the Armed Forces now receives a computer-generated certificate of eligibility for loan purposes, together with an explanation of the benefits available under the VA loan program.

The automatic issuance of certificates of eligibility eliminates the need for newly discharged veterans to apply to VA and produce evidence of qualifying service in order to obtain cretificates of eligibility.

Every veteran obtaining a VA loan must certify that he occupies or intends to occupy the property as his home. In some instances in the past, loans have been rejected because of criteria established by field stations with the view to testing the validity of the certifications. Such criteria usually involved distance, mileage or travel time between the property and the veteran's place of employment.

To avoid such occurrences, all field stations have been directed to abandon such tests and to accept the occupancy certification in every case where it can reasonably be presumed that the property will be the veteran's home.

In determining the reasonable value of proposed construction, a cost index of all components of construction is used to compute the replacement cost of the completed property. For years, VA maintained its own cost system for such purpose at each field station. Keeping these systems was an expensive and time-consuming process, not always accomplished in a timely manner.

Accordingly, arrangements were made to replace the VA cost system with commercial systems which best reflect prevailing market costs. This action has served to ensure the compilation of appraised values more nearly in concert with builders' costs. It should also enhance the possibility of veterans obtaining 100% financing for new homes.

Long-standing VA policy has provided for the income of a veteran's spouse to be taken into account in determining the ability of the veteran to repay a loan obligation. However, the spouse's income was usually applied by field stations only to offset short-term debts and other local rules had been developed that had the effect of vitiating programwide policy. To assure uniformity in application of VA's policy, all VA field stations have been instructed to give full recognition of the income and expenses of both veteran and spouse in determing the ability of the veteran to repay a loan obligation.

In 1970, VA initiated a counselling program to assist minority homebuyers. The program was started in Los Angeles and has subsequently been extended to 16 cities. An extension of the program to 12 additional cities is under way. The objectives of the counselling are to improve the opportunities for minority veterans to become homeowners and to increase the probability that such persons, after obtaining VA guaranteed or portfolio loans, will successfully discharge their responsibilities as mortgagors and homeowners.

Mr. Chairman, I would now like to comment on H.R. 9578 which is pending before your Committee. This measure is an omnibus bill to improve the basic provisions of the veterans home loan program.

Our report filed with your Committee on April 18, 1974, favors all but two of the provisions of that proposal. I would like to briefly summarize our position on the measure and mention the two items which we oppose, and to suggest a proposed amendment.

This bill will accomplish a number of changes beneficial to veterans and helpful to us in the administration of these programs. We urge your favorable consideration of those sections which will (1) provide for restoration of used entitlement when the loan is paid in full; (2) grant automatic processing authority to certain lenders who are not "supervised lenders"; (3) increase the maximum guaranty from $12,500 to $15,000; (4) authorize the making of loans to acquire individual condominium units without the present prerequisite that HUD has issued insurance on at least one loan in the project; (5) change the ratio for determining the amount of guaranty entitlement used when a direct loan is made to a veteran; (6) increase the maximum loan from $10,000 to $12,500 on single wide mobile homes, provide for double wide mobile homes, and provide for the purchase of a lot on which to place a mobile home owned by the veteran; (7) delete sections 1812, 1813, 1814 and 1822 of title 38, since these sections no longer provide viable benefits to veterans. While we favor restoration of used entitlement, our report on H.R. 9578 recommends that subsection 2(a) of the bill be amended to also grant discretionary authority to the Administrator to waive either or both of the mandatory conditions prerequisite to such restoration, in certain deserving situations. Language to effect such change is set out in our report on the bill.

The Veterans Administration does not favor two provisions of the bill. The first would increase the guaranty on mobile home loans from 30 to 50 percent. The 30 percent guaranty by VA stands in the place of a 30 percent downpayment and, if the guaranty were to be increased to 50 percent, lenders and holders would be provided security equivalent to that which would be derived from 50 percent downpayments. There has been no indication that in the financing of mobile homes lenders generally are demanding 30 percent downpayments, much less 50 percent downpayments. We believe that the present 30 percent guaranty adequately insulates the holders of mobile home loans against loss. The second item provides for correction of structural defects in existing dwellings. VA appraisers report readily observable conditions which affect the safety, durability, and santitation of a dwelling, as well as obvious structural defects. Latent defects normally cannot be detected, and to safeguard against losses the VA would have to con-

sider requiring sellers, or purchasers, to stand the delay and expense of examinations by qualified building inspectors or technicians, to include plumbing, heating, electrical and roofing items. A warranty by the seller might also be necessary. The delay and expense of such an inspection and warranty would, we believe, reduce the opportunities for veterans to purchase existing dwellings with a VA loan.

This provision would be a substantial departure from the fact that appraisals on existing properties are intended only to establish values for loan purposes. Enactment of this section would have the effect of adding a new concept of insurance against major defects.

In summary, Mr. Chairman, we favor enactment of all of the provisions of H.R. 9578, except sections 5 and 6 and recommend the suggested amendment to section 2(a). The Office of Management and Budget has advised that there is no objection to the presentation of this statement to your Committee.

This concludes my statement Mr. Chairman. We will endeavor to answer any questions the Committee may have.

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VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 1, 1974.

Hon. WM. JENNINGS BRYAN DORN,
Chairman, Committee on Veterans' Affairs, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans Administration on H.R. 15293, 93d Congress, a bill "To amend title 38, United States Code, to increase the maximum amount of the grant payable for specially adapted housing for disabled veterans."

The bill would increase from $17,500 to $20,000 the maximum grant VA could make pursuant to chapter 21 of title 38, United States Code, to certain disabled veterans to assist them in acquiring suitable housing units specially adapted to the nature of their disabilities.

The grant for specially adapted housing was set at $10,000 by Public Law 702 (80th Congress) in 1948. The Congress increased the maximum grant to $12,500 in 1969 (Public Law 91-22) and again increased it to the present maximum of $17,500 in 1972 (Public Law 92-341). In FY 1971, the average total cost to a veteran for a new, specially adapted house was $35,990. This cost rose to $38,744 for FY 1972 and to $45,155 for FY 1973. We anticipate that the average cost for FY 1974 will be even higher.

Veterans eligible for specially adapted housing usually can also qualify for a direct loan of up to $25,000 to supplement the specially adapted housing grant. However, even if a veteran were to receive the current maximum grant and maximum direct loan, the total would fall short of the average cost of a specially adapted house. In view thereof, an increase in the maximum grant to $20,000 for this especially deserving group would appear fully warranted.

We estimate that the maximum cost for the first five years of this bill, if enacted, would be $7,781,000. This amount assumes an effective date of july 1, 1974. A breakdown of the total cost is as follows:

	Number of grants	Costs
Fiscal year:		
1975	650	$1,625,000
1976	650	1,625,000
1977	625	1,563,000
1978	612	1,530,000
1979	575	1,438,000
Total		7,781,000

For the foregoing reasons, the Veterans Administration favors enactment of H.R. 15293.

We were advised by the Office of Management and Budget in connection with a report to the Senate Committee on Veterans' Affairs on S. 3077, a bill identical to H.R. 15293, that there was no objection to the presentation of the report from the standpoint of the Administration's program.

Sincerely,

R. L. ROUDEBUSH,
Deputy Administrator
(In the absence of
Donald E. Johnson, Administrator).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 38 OF THE UNITED STATES CODE

* * * * * * *

CHAPTER 21—SPECIALLY ADAPTED HOUSING FOR DISABLED VETERANS

* * * * * * *

§ 802. LIMITATIONS ON ASSISTANCE FURNISHED

The assistance authorized by section 801 of this title shall be limited in the case of any veteran to one housing unit, and necessary land therefor, and shall be afforded under one of the following plans, at the option of the veteran but shall not exceed [$17,500] *$20,000* in any one case—

(1) where the veteran elects to construct a housing unit on land to be acquired by him, the Administrator shall pay not to exceed 50 per centum of the total cost to the veteran of (A) the housing unit and (B) the necessary land upon which it is to be situated;

(2) where the veteran elects to construct a housing unit on land acquired by him prior to application for assistance under this chapter, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the cost of the veteran of the housing unit and the land necessary for such housing unit, or (B) 50 per centum of the cost to the veteran of the housing unit plus the full amount of the unpaid balance, if any, of the cost of the veteran of the land necessary for such housing unit;

(3) Where the veteran elects to remodel a dwelling which is not adapted to the requirements of his disability, acquired by him prior to application for assistance under this chapter, the Administrator shall pay not to exceed (A) the cost of the veteran of such remodeling; or (B) 50 per centum of the cost of the veteran of such remodeling; plus the smaller of the following sums: (i) 50 per centum of the cost to the veteran of such dwelling and the necessary land upon which it is situated, or (ii) the full amount of the unpaid balance, if any, of the cost to the veteran of such dwelling and the necessary land upon which it is situated; and

(4) where the veteran has acquired a suitable housing unit, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the cost of the veteran of such housing unit and the necessary land upon which it is situated, or (B) the full amount of the unpaid balance, if any, of the cost to the veteran of such housing unit and the necessary land upon which it is situated.

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CHAPTER 37—HOME, FARM, AND BUSINESS LOANS

SUBCHAPTER I—GENERAL

SUBCHAPTER II—LOANS

SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

SUBCHAPTER I—GENERAL

§ 1801. DEFINITIONS

(a) For the purposes of this chapter—

(1) The term "World War II" (A) means the period beginning on September 16, 1940, and ending on July 25, 1947, and (B) includes, in the case of any veteran who enlisted or reenlisted in a Regular component of the Armed Forces after October 6, 1945, and before October 7, 1946, the period of the first such enlistment or reenlistment.

(2) The term "veteran' 'includes the widow of any veteran (including a person who died in the active military, naval, or air service) who died from a service-connected disability, but only if such widow is not eligible for benefits under this chapter on the basis of her own active duty. The active duty of her husband shall be deemed to have been active duty by such widow for purposes of this chapter.

(3) The term "veteran" also includes, for purposes of home loans, the wife of any member of the Armed Forces serving on active duty who is listed, pursuant to section 556 of title 37, United States Code, and regulations issued thereunder, by the Secretary concerned in one or more of the following categories and has been so listed for a total of more than ninety days: (A) missing in action, (B) captured in line of duty by a hostile force, or (C) forcibly detained or interned in line of duty by a foreign government or power. The active duty of her husband shall be deemed to have been active duty by such wife for the purposes of this chapter. The loan eligibility of such wife under this paragraph shall be limited to one loan guaranteed or made for the acquisition of a home, and entitlement to such loan shall terminate automatically, if not used, upon receipt by such wife of official notice that her husband is no longer listed in one of the categories specified in the first sentence of this paragraph.

(b) Benefits shall not be afforded under this chapter to any individual on account of service as a commissioned officer of the Coast and Geodetic Survey, or of the Regular or Reserve Corps of the Public Health Service, unless such service would have qualified such individual for benefits under title III of the Servicemen's Readjustment Act of 1944.

§ 1802. BASIC ENTITLEMENT

(a) Each veteran who served on active duty at any time during World War II or the Korean conflict and whose total service was for ninety days or more, or who was discharged or released from a period of active duty, any part of which occurred during World War II or the Korean conflict, for a service-connected disability, shall be eligible for the benefits of this chapter. Entitlement derived from service during the Korean conflict (1) shall cancel any unused entitlement de-

rived from service during World War II, and (2) shall be reduced by the amount by which entitlement from service during World War II, has been used to obtain a direct, guaranteed, or insured loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness of the veteran to the United States has been paid in full.

[(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter—

[(1) the Administrator may exclude the initial use of the veteran's entitlement for any loan with respect to which the security has been (A) taken (by condemnation or otherwise) by the United States or any State, or by any local government agency for public use, (B) destroyed by fire or other natural hazard, or (C) disposed of because of other compelling reasons devoid of fault on the part of the veteran; and

[(2) the Administrator shall exclude the amount of guaranty or insurance entitlement previously used for any guaranteed or insured home loan which has been repaid in full, and with respect to which the real property which served as security for the loan has been disposed of because the veteran, while on active duty, was transferred by the service department with which he was serving.]

(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter the Administrator may exclude the amount of guaranty or insurance entitlement used for any guaranteed, insured, or direct loan, provided—

(1) the property which served as security for the loan has been disposed of by the veteran, or has been destroyed by fire or other natural hazard, and

(2) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on said loan, such loss has been paid in full. Notwithstanding the foregoing, the Administrator may, in any case involving circumstances he deems appropriate, waive either or both of the above-mentioned requirements.

(c) An honorable discharge shall be deemed to be a certificate of eligibility to apply for a guaranteed loan. Any veteran who does not have a discharge certificate, or who received a discharge other than honorable, may apply to the Administrator for a certificate of eligibility. Upon making a loan guaranteed or insured under this chapter, the lender shall forthwith transmit to the Administrator a report thereon in such detail as the Administrator may, from time to time, prescribe. Where the loan is guaranteed, the Administrator shall provide the lender with a loan guaranty certificate or other evidence of the guaranty. He shall also endorse on the veteran's discharge, or eligibility certificate, the amount and type of guaranty used, and the amount, if any, remaining. Nothing in this chapter shall preclude the assignment of any guaranteed loan or the security therefor.

(d) Loans will be automatically guaranteed under this chapter only if made (1) by any Federal land bank, national bank, State bank, private bank, building and loan association, insurance company, credit union, or mortgage and loan company, that is subject to examination and supervision by an agency of the United States or of any State, (2) by any State, or [(3) by any mortgagee approved by the Secretary of Housing and Urban Development and designated by him as a certified agent and which is acceptable to the Administrator] *(3) by any lender approved by the Administrator pursuant to standards established by him.* Any loan proposed to be made to a veteran pursuant to this chapter by any lender not of a class specified in the preceding sentence may be guaranteed by the Administrator if he finds that it is in accord otherwise with the provisions of this chapter.

(e) The Administrator may at any time upon thirty days' notice require loans to be made by any lender or class of lenders to be submitted to him for prior approval. No guaranty or insurance liability shall exist with respect to any such loan unless evidence of guaranty or insurance is issued by the Administrator.

(f) Any loan at least 20 per centum of which is guaranteed under this chapter may be made by any national bank or Federal savings and loan association, or by any bank, trust company, building and loan association, or insurance company, organized or authorized to do business in the District of Columbia. Any such loan may be so made without regard to the limitations and restrictions of any other law relating to—

(1) ratio of amount of loan to the value of the property;
(2) maturity of loan;
(3) requirement for mortgage or other security;
(4) dignity of lien; or
(5) percentage of assets which may be invested in real estate loans.

(g) A veteran's entitlement under this chapter shall not be reduced by any entitlement used by his wife which was based upon the provisions of paragraph (3) of section 1801(a) of this title.

§ 1803. BASIC PROVISIONS RELATING TO LOAN GUARANTY

(a)(1) Any loan to a World War II or Korean conflict veteran, if made for any of the purposes, and in compliance with the provisions, specified in this chapter is automatically guaranteed by the United States in an amount not more than 60 per centum of the loan if the loan is made for any of the purposes specified in section 1810 of this title [and not more than 50 per centum of the loan if the loan is for any of the purposes specified in section 1812, 1813, or 1814 of this title].

(2) Any unused entitlement of World War II or Korean conflict veterans which expired under provisions of law in effect prior to the date of enactment of the Veterans' Housing Act of 1970 is hereby restored and shall not expire until used.

(b) [Except as provided in sections 1810, 1811, and 1819 of this title, the aggregate amount guaranteed shall not be more than $2,000 in the case of non-real-estate loans, nor $4,000 in the case of real-estate loans,

or a prorated portion thereof on loans of both types or combination thereof.] The liability of the United States under any guaranty, within the limitations of this chapter, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(c)(1) Loans guaranteed or insured under this chapter shall be payable upon such terms and conditions as may be agreed upon by the parties thereto, subject to the provisions of this chapter and regulations of the Administrator issued pursuant to this chapter, and shall bear interest not in excess of such rate as the Administrator may from time to time find the loan market demands, except that in establishing the rate of interest that shall be applicable to such loans, the Administrator shall consult with the Secretary of Housing and Urban Development regarding the rate of interest the Secretary considers necessary to meet the mortgage market for home loans insured under section 203(b) of the National Housing Act, and, to the maximum extent practicable, carry out a coordinated policy on interest rates on loans insured under such section 203(b) and on loans guaranteed or insured under this chapter.

(2) The provisions of the Servicemen's Readjustment Act of 1944 which were in effect before April 1, 1958, with respect to the interest chargeable on loans made or guaranteed under such Act shall, notwithstanding the provisions of paragraph (1) of this subsection, continue to be applicable—

(A) to any loan made or guaranteed before April 1, 1958; and

(B) to any loan with respect to which a commitment to guarantee was entered into by the Administrator before April 1, 1958.

(d)(1) [The maturity of any non-real-estate loan shall not be more than ten years except as provided in section 1819 of this title. The maturity of any real-estate loan (other than a loan on farm realty) shall not be more thn thirty years, and in the case of a loan on farm realty, shall not be more than forty years.] *The maturity of any loan shall not be more than thirty years.*

(2) Any loan for a term of more than five years shall be amortized in accordance with established procedure.

(3) Any real estate loan (other than for repairs, alterations, or improvemnets) shall be secured by a first lien on the realty. In determining whether a loan for the purchase or construction of a home is so secured, the Administrator may disregard a superior lien created by a duly recorded covenant running with the realty in favor of a private entity to secure an obligation to such entity for the homeowner's share of the costs of the management, operation, or maintenance of property, services or programs within and for the benefit of the development or community in which the veteran's realty is located, if he determines that the interests of the veteran borrower and of the Government will not be prejudiced by the operation of such covenant. In respect to any such superior lien to be created after the effective date of this amendment, the Administrator's determination must have been made prior to the recordation of the covenant. [Any non-real-estate loan (other than for working or other capital, merchandise, goodwill, and other intangible assets) shall be secured by personalty to the extent legal and practicable.]

§ 1804. RESTRICTIONS ON LOANS

(a) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the property meets or exceeds minimum requirements for planning, construction, and general acceptability prescribed by the Administrator; however, this subsection shall not apply to a loan for the purchase of residential property on which construction is fully completed more than one year before such loan is made.

(b) Subject to notice and oportunity for a hearing, the Administrator may refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person identified with housing previously sold to veterans under this chapter as to which substantial deficiencies have been discovered, or as to which there has been a failure or indicated inability to discharge contractual liabiilties to veterans, or as to which it is ascertained that the type of contract of sale or the methods or practices pursued in relation to the marketing of such properties were unfair or unduly prejudicial to veteran purchasers. The Administrator may also refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development under section 512 of that Act.

(c) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the veteran applicant, at the time that he applies for the loan, and also at the time that the loan is closed, certifies in such form as the Administrator may require, that he intends to occupy the property as his home. No loan for the repair, alteration, or improvement of residential property shall be financed through the assistance of the provisions of this chapter unless the veteran aplicant, at the time that he aplies to the lender for the loan, and also at the time that the loan is closed, certifies, in such form as may be required by the Administrator, that he occupies the property as his home. For the purposes of this chapter the requirement that the veteran recipient of a guaranteed or direct home loan must occupy or intend to occupy the property as his home means that the veteran as of the date of his certification actually lives in the property personally as his residence or actually intends upon completion of the loan and acquisition of the dwelling unit to move into the property personally within a reasonable time and to utilize such property as his residence. Notwithstanding the foregoing requirements of this subsection, the provisions for certification by the veteran at the time he applies for the loan and at the time the loan is closed shall be considered to be satisfied if the Administrator finds that (1) in the case of a loan for repair, alteration, or improvement the veteran in fact did occupy the property at such times, or (2) in the case of a loan for construction or purchase the veteran intended to occupy the property as his home at such times and he did in fact so occupy it when, or within a reasonable time after, the loan was closed.

(d) Subject to notice and opportunity for a hearing, whenever the Administrator finds with respect to guaranteed or insured loans that any lender or holder has failed to maintain adequate loan accounting records, or to demonstrate proper ability to service loans

adequately or to exercise proper credit judgment or has willfully or negligently engaged in practices otherwise detrimental to the interest of veterans or of the Government, he may refuse either temporarily or permanently to guarantee or insure any loans made by such lender or holder and may bar such lender or holder from acquiring loans guaranteed or insured under this chapter; however, the Administrator shall not refuse to pay a guaranty or insurance claim on loans theretofore entered into in good faith between a veteran and such lender. The Administrator may also refuse either temporarily or permanently to guarantee or insure any loans made by a lender or holder refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development under section 512 of that Act.

(e) No loan for the purchase or construction of new residential property (other than property served by a water and sewerage system approved by the Secretary of Housing and Urban Development pursuant to title X of the National Housing Act) shall be financed through the assistance of this chapter, except pursuant to a commitment made prior to the date of the enactment of the Housing and Urban Development Act of 1965, if such property is not served by a public or adequate community water and sewerage system and is located in an area where the appropriate local officials certify that the establishment of such systems is economically feasible. For purposes of this subsection, the economic feasibility of establishing public or adequate community water and sewerage systems shall be determined without regard to whether such establishment is authorized by law or is subject to approval by one or more local governments or public bodies.

§ 1805. WARRANTIES

(a) The Administrator shall require that in connection with any property upon which there is located a dwelling designed principally for not more than a four-family residence and which is approved for guaranty or insurance before the beginning of construction, the seller or builder, and such other persons as may be required by the Administrator to become warrantor, shall deliver to the purchaser or owner of such property a warranty that the dwelling is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein, which have been approved in writing by the Administrator) on which the Administrator based his valuation of the dwelling. The Administrator shall deliver to the builder, seller, or other warrantor his written approval (which shall be conclusive evidence of such approval) of any amendment of, or change or variation in, such plans and specifications which the Administrator deems to be a substantial amendment thereof, or change or variation therein, and shall file a copy of such written approval with such plans and specifications. Such warranty shall apply only with respect to such instances of substantial nonconformity to such approved plans and specifications (including any amendments thereof, or changes or variations therein which have been approved in writing, as provided in this section, by the Administrator) as to which the purchaser or home owner has given written notice to the warrantor within one year from the date of conveyance of title to, or initial occupancy of, the dwelling, which ever first occurs. Such warranty shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument. The provisions of this section shall apply to any such property covered by a mortgage insured or guaranteed by the Administrator on and after October 1, 1954, unless such mortgage is insured or guaranteed pursuant to a commitment therefor made before October 1, 1954.

(b) The Administrator shall permit copies of the plans and specifications (including written approvals of any amendments thereof, or changes or variations therein, as provided in this section) for dwellings in connection with which warranties are required by subsection (a) of this section to be made available in their appropriate local offices for inspection or for copying by any purchaser, home owner, or warrantor during such hours or periods of time as the Administrator may determine to be reasonable.

§ 1806. ESCROW OF DEPOSITS AND DOWNPAYMENTS

(a) Any deposit or downpayment made by an eligible veteran in connection with the purchase of proposed or newly constructed and previously unoccupied residential property in a project on which the Administrator has issued a Certificate of Reasonable Value, which purchase is to be financed with a loan guaranteed, insured, or made under the provisions of this chapter, shall be deposited forthwith by the seller, or the agent of the seller, receiving such deposit or payment, in a trust account to safeguard such deposit or payment from the claims of creditors of the seller. The failure of the seller or his agent to create such trust account and to maintain until the deposit or payment has been disbursed for the benefit of the veteran purchaser at settlement or, if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract, may constitute an unfair marketing practice within the meaning of section 1804(b) of this chapter.

(b) If an eligible veteran contracts for the construction of a property in a project on which the Administrator has issued a Certificate of Reasonable Value and such construction is to be financed with the assistance of a construction loan to be guaranteed, insured, or made under the provisions of this chapter, it may be considered an unfair marketing practice under section 1804(b) of this chapter if any deposit or downpayment of the veteran is not maintained in a special trust account by the recipient until it is either (1) applied on behalf of the veteran to the cost of the land or to the cost of construction or (2), if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract.

SUBCHAPTER II—LOANS

§ 1810. PURCHASE OR CONSTRUCTION OF HOMES

(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by him as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by him as his home.

(3) To construct on land owned by him a farm residence to be occupied by him as his home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by him and occupied by him as his home.

If there is an indebtedness which is secured by a lien against land owned by the veteran, the proceeds of a loan guaranteed under this section or made under section 1811 of this title for construction of a dwelling or farm residence on such land may be used also to liquidate such lien, but only if the reasonable value of the land is equal to or greater than the amount of the lien.

(5) To refinance existing mortgage loans or other liens which are secured of record on a dwelling or farm residence owned and occupied by him as his home. Nothing in this chapter shall preclude a veteran from paying to a lender any discount required by such lender in connection with such refinancing.

(b) No loan may be guaranteed under this section of made under section 1811 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veterans' present and anticipated income and expenses;

(3) the veteran is a satisfactory credit risk;

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alternations, does not exceed the reasonable value thereof as determined by the Administrator; and,

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property.

After the reasonable value of any property, construction, repairs, or alterations is determined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination.

(c) The amount of guaranty entitlement available to a veteran under this section shall not be more than [$12,500] *$15,000* less such entitlement as may have been used previously under this section and other sections of this chapter.

(d) Nothing in this chapter shall be deemed to preclude the guaranty of a loan to an eligible veteran to purchase a one-family residential unit to be owned and occupied by him as a home in a condominium housing development or project [as to which the Secretary of Housing and Urban Development has issued, under section 234 of the

National Housing Act, as amended (12 U.S.C. 1715y), evidence of insurance on at least one loan for the purchase of a one-family unit]. The Administrator shall guarantee loans to veterans on such residential units when such loans meet those requirements of this chapter which he shall, by regulation, determine to be applicable to such loans.

§ 1811. DIRECT LOANS TO VETERANS

(a) The Congress finds that housing credit under section 1810 or 1819 of this title is not and has not been generally available to veterans living in rural areas, or in small cities and towns not near large metropolitan areas. It is therefore the purpose of this section to provide housing credit for veterans living in such rural areas and such small cities and towns.

(b) Whenever the Administrator finds that private capital is not generally available in any rural area or small city or town for the financing of loans guaranteed under section 1810 or 1819 of this title, he shall designate such rural area or small city or town as a "housing credit shortage area". He shall, with respect to any such area, make, or enter into commitments to make, to any veteran eligible under this title, a loan for any or all of the purposes described in section 1810(a) or 1819 of this title.

(c) No loan may be made under this section to a veteran unless he shows to the satisfaction of the Administrator that

(1) he is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans or mobile home loans, as appropriate, a loan for such purpose for which he is qualified under section 1810 or 1819 of this title, as appropriate; and

(2) he is unable to obtain a loan for such purpose from the Secretary of Agriculture under sections 1000–1029 of title 7 or under sections 1471–1483 of title 42.

(d) (1) Loans made under this section shall bear interest at a rate determined by the Administrator, not to exceed the rate authorized for guaranteed home loans or mobile loans, as appropriate, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2) (A) Except for any loan made under this chapter for the purposes described in section 1819 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to $21,000 as the amount of guaranty to which the veteran is entitled under section 1810 of this title at the time the loan is made bears to [$12,500] *$15,000*; and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to [$12,500] *$15,000* as the amount of the loan bears to $21,000; except that the Administrator may increase the $21,000 limitations specified in this paragraph to an amount not to exceed $25,000 where he finds that cost levels so require.

(B) The original principal amount of any loan made under this section for the purposes described in section 1819 of this title shall not exceed the amount specified by the Administrator pursuant to subsection (d) of such section.

(3) No veteran may obtain loans under this section aggregating more than $21,000; except that the Administrator may increase such aggregate amount to an amount not to exceed $25,000 where he finds that cost levels so require.

(e) Loans made under this section shall be repaid in monthly installments, except that in the case of any such loan made for any of the purposes described in paragraphs (2), (3), or (4) of section 1810 (a) of this title, the Administrator may provide that such loan shall be repaid in quarterly, semiannual, or annual installments.

(f) In connection with any loan under this section, the Administrator may make advances in cash to pay taxes and assessments on the real estate, to provide for repairs, alterations, and improvements, and to meet the incidental expenses of the transaction. The Administrator shall determine the expenses incident to origination of loans made under this section, which expenses, or a reasonable flat allowance in lieu thereof, shall be paid by the veteran in addition to the loan closing costs.

(g) The Administrator may sell, and shall offer for sale, to any person or entity approved for such purpose by him, any loan made under this section at a price which he determines to be reasonable under the conditions prevailing in the mortgage market when the agreement to sell the loan is made; and shall guarantee any loan thus sold subject to the same conditions, terms, and limitations which would be applicable were the loan guaranteed under section 1810 or 1819 of this title, as appropriate.

(h) The Administrator may exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements prescribed pursuant to subsection (a) of section 1804 of this title, and with respect to such dwellings may prescribe special minimum land planning and subdivision requirements which shall be in keeping with the general housing facilities in the locality but shall require that such dwellings meet minimum requirements of structural soundness and general acceptability.

(i) The Administrator is authorized without regard to the provisions of subsections (a), (b), and (c) of this section, to make or enter into a commitment to make a loan to any veteran to assist the veteran in acquiring a specially adapted housing unit authorized under chapter 21 of this title, if the veteran is determined to be eligible for the benefits of such chapter 21, and is eligible for loan guaranty benefits under this chapter.

(j) (1) If any builder or sponsor proposes to construct one or more dwellings in a housing credit shortage area, or in any area for a veteran who is determined to be eligible for assistance in acquiring a specially adapted housing unit under chapter 21 of this title, the Administrator may enter into commitment with such builder or sponsor, under which funds available for loans under this section will be reserved for a period not in excess of three months, or such longer period as the Administrator may authorize to meet the needs in any particular case, for the purpose of making loans to veterans to purchase such dwellings. Such commitment may not be assigned or transferred except with the written approval of the Administrator. The Administrator shall not enter into any such commitment unless such

builder or sponsor pays a nonrefundable commitment fee to the Administrator in an amount determined by the Administrator, not to exceed 2 per centum of the funds reserved for such builder or sponsor.

(2) Whenever the Administrator finds that a dwelling with respect to which funds are being reserved under this subsection has been sold, or contracted to be sold, to a veteran eligible for a direct loan under this section, the Administrator shall enter into a commitment to make the veteran a loan for the purchase of such dwelling. With respect to any loan made to an eligible veteran under this subsection, the Administrator may make advances during the construction of the dwelling, up to a maximum in advances of (A) the cost of the land plus (B) 80 per centum of the value of the construction in place.

(k) Without regard to any other provision of this chapter, the Administrator may take or cause to be taken such action as in his judgment may be necessary or appropriate for or in connection with the custody, management, protection, and realization or sale of investments under this section, may determine his necessary expenses and expenditures, and the manner in which the same shall be incurred, allowed and paid, may make such rules, regulations, and orders as he may deem necessary or appropriate for carrying out his functions under this section and section 1823 of this title and, except as otherwise expressly provided in this chapter, may employ, utilize, compensate, and, to the extent not inconsistent with his basic responsibilities under this chapter, delegate any of his functions under this section and section 1823 of this title to such persons and such corporate or other agencies, including agencies of the United States, as he may designate.

[§ 1812. PURCHASE OF FARMS AND FARM EQUIPMENT

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To purchase any lands, buildings, livestock, equipment, machinery, supplies or implements, or to repair, alter, construct, or improve any land, equipment, or building, including a farmhouse, to be used in farming operations conducted by the veteran involving production in excess of his own needs.

[(2) For working capital requirements necessary for such farming operations.

[(3) To purchase stock in a cooperative association where the purchase of such stock is required by Federal law as an incident to obtaining the loan.

[(b) No loan may be guaranteed under this section unless—

[(1) the proceeds of the loan will be used for one of the purposes listed in subsection (a) in connection with bona fide farming operations conducted by the veteran;

[(2) such property will be useful in and reasonably necessary for efficiently conducting such operations;

[(3) the ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful; and

[(4) the price paid or to be paid by the veteran for such property, or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator.

[(c) For the purpose of encouraging the construction and improvement of farm housing, the Administrator may guarantee a loan for the construction or improvement of a farmhouse which loan is secured by a first lien on a portion of the farm suitable in size and location as an independent home site, and may permit payment out of the proceeds of such loan any sum required to obtain the release of such site from existing indebtedness. The Administrator may, in his discretion, except any loan for the construction or improvement of a farmhouse from the first lien requirement imposed by section 1803 (d) (3) of this title.

[§ 1813. PURCHASE OF BUSINESS PROPERTY

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To be used for the purpose of engaging in business or pursuing a gainful occupation.

[(2) For the cost of acquiring for such purpose land, buildings, supplies, equipment, machinery, tools, inventory, or stock in trade.

[(3) For the cost of the construction, repair, alteration, or improvement of any reality or personality used for such purpose.

[(4) To provide the funds needed for working capital for such purpose.

[(b) No loan may be guaranteed under this section unless—

[(1) the proceeds of such loan will be used by the veteran for any of the specified purposes in connection with bona fide pursuit of a gainful occupation by the veteran;

[(2) such property will be useful in and reasonably necessary for the efficient and successful pursuit of such business or occupation;

[(3) the ability and experience of the veteran, and the conditions under which he proposes to pursue such business or occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such business or occupation; and

[(4) the price paid or to be paid by the veteran for such property, or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator.

[§ 1814. LOANS TO REFINANCE DELINQUENT INDEBTEDNESS

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To refinance any indebtedness of the veteran which is secured of record on property to be used or occupied by him as a home or for farming purposes.

[(2) To refinance any indebtedness incurred by him in the pursuit of a gainful occupation which he is pursuing or which he proposes in good faith to pursue.

[(3) To pay any delinquent taxes or assesments on such property or business.

[(b) No loan may be guaranteed under this section unless—

[(1) such refinancing will aid the veteran in his economic readjustment; and

[(2) the amount of the loan does not exceed the reasonable value of the property or business as determined by the Administrator.]

§ 1815. INSURANCE OF LOANS

(a) Any loan which might be guaranteed under the provisions of this chapter, when made or purchased by any financial institution subject to examination and supervision by an agency of the United States or of any State may, in lieu of such guaranty, be insured by the Administrator under an agreement whereby he will reimburse any such institution for losses incurred on such loan up to 15 per centum of the aggregate of loans so made or purchased by it.

(b) Loans insured under this section shall be made on such other terms, conditions, and restrictions as the Administrator may prescribe within the limitations set forth in this chapter. [The Administrator may fix the maximum rate of interest payable on any class of non-real-estate loans insured under this section at a figure not in excess of a 3 per centum discount rate or an equivalent straight interest rate on nonamortized loans.]

§ 1816. PROCEDURE ON DEFAULT

(a) In the event of default in the payment of any loan guaranteed under this chapter, the holder of the obligation shall notify the Administrator who shall thereupon pay to such holder the guaranty not in excess of the pro rata portion of the amount originally guaranteed, and shall be subrogated to the rights of the holder of the obligation to the extent of the amount paid on the guaranty. Before suit or foreclosure the holder of the obligation shall notify the Administrator of the default, and within thirty days thereafter the Administrator may, at his option, pay the holder of the obligation the unpaid balance of the obligation plus accrued interest and receive an assignment of the loan and security. Nothing in this section shall preclude any forbearance for the benefit of the veteran as may be agreed upon by the parties to the loan and approved by the Administrator. The Administrator may establish the date, not later than the date of judgment and decree of foreclosure or sale, upon which accrual of interest or charges shall cease.

(b) With respect to any loan made under section 1811 which has not been sold as provided in subsection (g) of such section if the Administrator finds, after there has been a default in the payment of any installment of principal or interest owing on such loan, that the default was due to the fact that the veteran who is obligated under the loan has become unemployed as the result of the closing (in whole or in part) of a Federal installation, he shall (1) extend the time for curing the default to such time as he determines is necessary and desirable to enable such veteran to complete payments on such loan, including an extension of time beyond the stated maturity thereof, or (2) modify the terms of such loan for the purpose of changing the

amortization provisions thereof by recasting, over the remaining term of the loan, over such longer period as he may determine, the total unpaid amount then due with the modification to become effective currently or upon the termination of an agreed-upon extension of the period for curing the default.

§ 1817. RELEASE FROM LIABILITY UNDER GUARANTY

(a) Whenever any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by him, the Administrator, upon application made by such veteran and by the transferee incident to such disposal, shall issue to such veteran in connection with such disposal a release relieving him of all further liability to the Administrator on account of such loan (including liability for any loss resulting from any default of the transferee or any subsequent purchaser of such property) if the Administrator has determined, after such investigation as he may deem appropriate, that (1) the loan is current, and (2) the purchaser of such property from such veteran (A) has obligated himself by contract to purchase such property and to assume full liability for the repayment of the balance of the loan remaining unpaid, and has assumed by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan, and (B) qualifies from a credit standpoint, to the same extent as if he were a veteran eligible under section 1810 of this title, for a guaranteed or insured or direct loan in an amount equal to the unpaid balance of the obligation for which he has assumed liability.

(b) If any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by him under this chapter without receiving a release from liability with respect to such loan under subsection (a), and a default subsequently occurs which results in liability of the veterans to the Administrator on account of the loan, the Administrator may relieve the veterans of such liability if he determines, after such investigation as he deems appropriate, that the property was disposed of by the veteran in such a manner, and subject to such conditions, that the Administrator would have issued the veteran a release from liability under subsection (a) with respect to the loan if the veteran had made application therefor incident to such disposal. Failure of a transferee to assume by contract all of the liabilities of the original veteran-borrower shall bar such release of liability only in cases in which no acceptable transferee, either immediate or remote, is legally liable to the Administrator for the indebtedness of the original veteran-borrower arising from termination of the loan. The failure of a veteran to qualify for release from liability under this subsection does not preclude relief from being granted under subsection 3102(b) of this title, if eligible thereunder.

§ 1818. VETERANS WHO SERVE AFTER JANUARY 31, 1955

(a) Each eligible veteran, as defined in paragraphs (1) and (2) of subsection (a) of section 1652 of this title, shall be eligible for the benefits of this chapter [(except sections 1813 and 1815, and business loans under section 1814, of this title)], subject to the provisions of this section.

(b) Entitlement under subsection (a), (1) shall cancel any unused entitlement under other provisions of this chapter derived from service during World War II or the Korean conflict, and (2) shall be reduced by the amount by which entitlement from service during World War II or the Korean conflict has been used to obtain a direct, guaranteed, or insured loan,—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness has been paid in full.

[(c) Notwithstanding the exception in subsection (a) of this section, entitlement derived under such subsection (a) shall include eligibility for any of the purposes specified in sections 1813 and 1815, and business loans under section 1814 of this title, if (1) the veteran previously derived entitlement to the benefits of this chapter based on service during World War II or the Korean conflict, and (2) he has not use any of his entitlement derived from such service.]

[(d)] (*c*) Any entitlement to the benefits of this section which had not expired as of the date of enactment of the Veterans' Housing Act of 1970 and any entitlement to such benefits accruing after such date shall not expire until used.

§ 1819. LOANS TO PURCHASE MOBILE HOMES AND MOBILE HOME LOTS

(a) Notwithstanding any other provision of this chapter, any veteral eligible for loan guaranty benefits under this chapter who has maximum home loan guaranty entitlement available for use shall be eligible for the mobile home loan guaranty benefit *or the mobile home lot guaranty benefit, or both*, under this section. Use of the mobile home loan guaranty benefit *or the mobile home lot guaranty benefit, or both*, provided by this section shall preclude the use of any home loan guaranty entitlement under any other section of this chapter until the [mobile home] loan guaranteed under this section has been paid in full.

(b)(*1*) Subject to the limitations in subsection (d) of this section, a loan to purchase a mobile home under this section may include (or be augmented by a separate loan for) [(1)] (*A*) an amount to finance the acquisition of a lot on which to place such home, and [(2)] (*B*) an additional amount to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities and paving, and the construction of a suitable pad.

(*2*) *Subject to the limitations in subsection (d) of this section, a loan may be made to purchase a lot on which to place a mobile home if the veteran already has such a home. Such a loan may include an amount sufficient to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad.*

(c)(1) Any loan to a veteran eligible under subsection (a) shall be guaranteed by the Administrator if (1) the loan is for the purpose of purchasing a new mobile home [or for the purchase of a used mobile

home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency] *or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,* [and] *or the loan is for the purpose of purchasing a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed or made under this section or purchased with a loan guaranteed, insured or made by another Federal agency, and* (2) the loan complies in all other respects with the requirements of this section. Loans for such purpose (including those which will also finance the acquisition of a lot or site preparation as authorized by subsection (b) of this section) shall be submitted to the Administrator for approval prior to loan closing except that the Administrator may exempt any lender of a class listed in section 1802(d) of this title from compliance with such prior approval requirement if he determines that the experience of such lender or class of lenders in mobile home financing warrants such exemption.

(2) Upon determining that a loan submitted for prior approval is eligible for guaranty under this section, the Administrator shall issue a commitment to guarantee such loan and shall thereafter guarantee the loan when made if such loan qualifies therefor in all respects.

(3) The Administrator's guaranty shall not exceed [30] *50* per centum of the loan, including any amount for lot acquisition and site preparation, and payment of such guaranty shall be made only after liquidation of the security for the loan and the filing of an accounting with the Administrator. In any such accounting the Administrator shall permit to be included therein accrued unpaid interest from the date of the first uncured default to such cutoff date as the Administrator may establish, and he shall allow the holder of the loan to charge against the liquidation or resale proceeds, accrued interest from the cutoff date established to such further date as he may determine and such costs and expenses as he determines to be reasonable and proper. The liability of the United States under the guaranty provided for by this section shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(d)(1) The Administrator shall establish a loan maximum for each type of loan authorized by this section. In the case of a new mobile home, the Administrator may establish a maximum loan amount based on the manufacturer's invoice cost to the dealer and such other cost factors as the Administrator considers proper to take into account. In the case of a used mobile home, the Administrator shall establish a maximum loan amount based on his determination of the reasonable value of the property. In the case of any lot on which to place a mobile [home financed through the assistance of this section] *home, whether or not the mobile home was financed with assistance under this section,* and in the case of necessary site preparation, the loan amount [shall not be increased by an amount in excess of] *for such purposes may not exceed* the reasonable value of such lot or an amount appropriate to

cover the cost of necessary site preparation or both, as determined by the Administrator.

(2) The maximum permissible loan amounts and the term for which the loans are made shall not exceed—

(A) [$10,000] *$12,500* for twelve years and thirty-two days in the case of a loan covering the purchase of a *single wide* mobile home only[,] and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

(B) $15,000 [(but not to exceed $10,000 for the mobile home)] for fifteen years and thirty-two days in the case of a loan covering the purchase of a *double wide* mobile home [and an undeveloped lot on which to place such home,] *only* and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation *where the veteran owns the lot*, or

(C) [$17,500] *$20,000* (but not to exceed [$10,000] *$12,500* for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a *single wide* mobile home and [a suitably developed lot on which to place such home] *an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or*

(D) $22,500 (but not to exceed $15,000 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a double wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

(E) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single wide mobile home and a suitably developed lot on which to place such home, or

(F) $22,500 (but not to exceed $15,000 for the mobile home) or fifteen years and thirty-two days in the case of a loan covering the purchase of a double wide mobile home and a suitably developed lot on which to place such home, or

(G) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of an undeveloped lot on which to place a mobile home owned by the veteran, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation; or

(H) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a suitably developed lot on which to place a mobile home owned by the veteran.

(3) Such limitations set forth in paragraph (2) of this subsection on the amount and term of any loan shall not be deemed to preclude the Administrator, under regulations which he shall prescribe, from consenting to necessary advances for the protection of the security or the holder's lien, or to a reasonable extension of the term or reamortization of such loan.

(e) No loan shall be guaranteed under this section unless—

(1) the loan is repayable in approximately equal monthly installments;

(2) the terms of repayment bear a proper relationship to the veteran's present and anticipated income and expenses, and the veteran is a satisfactory credit risk, taking into account the purpose of this program to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged or released from active military, naval, or air service, who may not have previously established credit ratings;

(3) the loan is secured by a first lien on the mobile home *purchased with the proceeds of the loan* and *on* any lot acquired or improved with the proceeds of the loan;

(4) the amount of the loan, subject to the maximums established in subparagraph (d) of this section, is not in excess of the maximum amount prescribed by the Administrator;

(5) the veteran certifies, in such form as the Administrator shall prescribe, that he will personally occupy the property as his home;

(6) the mobile home is or will be placed on a site which meets specifications which the Administrator shall establish by regulation; and

(7) the interest rate to be charged on the loan does not exceed the permissible rate established by the Administrator.

(f) The Administrator shall establish such rate of interest for mobile home loans *and mobile home lot loans* as he determines to be necessary in order to assure a reasonable supply of mobile home loan financing for veterans under this section.

(g) Entitlement to the loan guaranty benefit used under this section shall be restored a single time for any veteran by the Administrator provided the first loan has been repaid in full.

(h) The Administrator shall promulgate such regulations as he determines to be necessary or appropriate in order to fully implement the provisions of this section, and such regulations may specify which provisions in other sections of this chapter he determines should be applicable to loans guaranteed or made under this section. The Administrator shall have such powers and responsibilities in respect to matters arising under this section as he has in respect to loans made or guaranteed or under other sections of this chapter.

(i) No loan for the purchase of a mobile home shall be guaranteed under this section unless the mobile home and lot, if any, meet or exceed standards for planning, construction, and general acceptability as prescribed by the Administrator; *and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards.* Such standards shall be designed to encourage the maintenance and development of sites for mobile homes which will be attractive residential areas and which will be free from, and not substantially contribute to, adverse scenic or environmental conditions. For the purpose of assuring compliance with such standards, the Administrator shall from time to time inspect the manufacturing process of mobile homes to be sold to veterans and conduct random onsite inspections of mobile homes purchased with assistance under this chapter.

(j) The Administrator shall require the manufacturer to become a warrantor of any new mobile home which is approved for purchase

with financing through the assistance of this chapter and to furnish to the purchaser a written warranty in such form as the Administrator shall require. Such warranty shall include (1) a specific statement that the mobile home meets the standards prescribed by the Administrator pursuant to the provisions of subsection (i) of this section; and (2) a provision that the warrantor's liability to the purchaser or owner is limited under the warranty to instances of substantial nonconformity to such standards which become evident within one year from date of purchase and as to which the purchaser or owner gives written notice to the warrantor not later than ten days after the end of the warranty period. The warranty prescribed herein shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument and shall so provide in the warranty document.

(k) Subject to notice and opportunity for a hearing, the Administrator is authorized to deny guaranteed or direct loan financing in the case of mobile homes constructed by any manufacturer who refuses to permit the inspections provided for in subsection (i) of this section; or in the case of mobile homes which are determined by the Administrator not to conform to the aforesaid standards; or where the manufacturer of mobile homes fails or is unable to discharge his obligations under the warranty.

(l) Subject to notice and opportunity for a hearing, the Administrator may refuse to approve as acceptable any site in a mobile home park or subdivision owned or operated by any person whose rental or sale methods, procedures, requirements, or practices are determined by the Administrator to be unfair or prejudicial to veterans renting or purchasing such sites. The Administrator may also refuse to guarantee or make direct loans for veterans to purchase mobile homes offered for sale by any dealer if substantial deficiencies have been discovered in such homes, or if he determines that there has been a failure or indicated inability of the dealer to discharge contractual liabilities to veterans, or that the type of contract of sale or methods, procedures, or practices pursued by the dealer in the marketing of such properties have been unfair or prejudicial to veteran purchasers.

(m) The Administrator's annual report to Congress, shall, beginning 12 months following the date of enactment of the Veterans' Housing Act of 1970, include a report on operations under this section, including the results of inspections required by subsection (i) of this section, experience with compliance with the warranty required by subsection (j) of this section, and the experience regarding defaults and foreclosures.

(n) The provisions of section 1804(d) and section 1821 of this chapter shall be fully applicable to lenders making guaranteed mobile home loans *and mobile home lot loans* and holders of such loans.

[(o) No loans shall be guaranteed or made by the Administrator under the provisions of this section on and after July 1, 1975, except pursuant to commitments issued prior to such date.]

Subchapter III—Administrative Provisions

§ 1820. Powers of Administrator

(a) Notwithstanding the provisions of any other law, with respect to matters arising by reason of this chapter, the Administrator may—

(1) sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal;

(2) subject to specific limitations in this chapter, consent to the modification, with respect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage or other instrument securing a loan which has been guaranteed, insured, made or acquired under this chapter;

(3) pay, or compromise, any claim on, or arising because of, any such guaranty or insurance;

(4) pay, compromise, waive or release any right, title, claim, lien or demand, however acquired, including any equity or any right of redemption;

(5) purchase at any sale, public or private, upon such terms and for such prices as he determines to be reasonable, and take title to, property, real, personal or mixed; and similarly sell, at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this chapter. The acquisition of any such property shall not deprive any State or political subdivison thereof of its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property. Without regard to section 3617, Revised Statutes (31 U.S.C. 484), or any other provision of law not expressly in limitation of this paragraph, the Administrator may permit brokers utilized by him in connection with such properties to deduct from rental collections amounts covering authorized fees, costs, and expenses incurred in connection with the management, repair, sale, or lease of any such properties and remit the net balances to the Administrator.

(b) The powers granted by this section may be exercised by the Administrator without regard to any other provision of law not enacted expressly in limitation of this section, which otherwise would govern the expenditure of public funds; however, section 5 of title 41 shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds $1,000.

(c) The financial transactions of the Administrator incident to, or arising out of, the guaranty or insurance of loans pursuant to this chapter, and the acquisition, management, and disposition of property, real, personal, or mixed, incident to such activities and pursuant to this section, shall be final and conclusive upon all officers of the Government.

(d) The right to redeem provided for by section 2410(c) of title 28 shall not arise in any case in which the subordinate lien or interest of the United States derives from a guaranteed or insured loan.

(e)(1) The Administrator is authorized from time to time, as he determines advisable, to set aside first mortgage loans, and installment sale contracts, owned and held by him under this chapter as the basis for the sale of participation certificates as herein provided. For this purpose the Administrator may enter into agreements, including trust agreements, with the Government National Mortgage Association, and any other Federal agency, under which the Association as fiduciary may sell certificates of participation based on principal and interest collections to be received by the Administrator and the Association or any other such agency on first mortgage loans and installment sale contracts comprising mortgage pools established by them. The agreement may provide for substitution or withdrawal of mortgage loans, or installment sale contracts, or for substitution of cash for mortgages in the pool. The agreement shall provide that the Government National Mortgage Association shall promptly pay for the Administrator the entire proceeds of any sale of certificates of participation to the extent such certificates are based on mortgages, including installment sale contracts, set aside by the Administrator and he shall periodically pay to the Association, as fiduciary, such funds as are required for payment of interest and principal due on outstanding certificates of participation to the extent of the pro rata amount allocated to the Administrator pursuant to the agreement. The agreement shall also provide that the Administrator shall retain ownership of mortgage loans and installment sale contracts set aside by him pursuant to the agreement unless transfer of ownership to the fiduciary is required in the event of default or probable default in the payment of participation certificates. The Administrator is authorized to purchase outstanding certificates of participation to the extent of the amount of his commitment to the fiduciary on participations outstanding and to pay his proper share of the costs and expenses incurred by the Government National Mortgage Association as fiduciary pursuant to the agreement.

(2) The Administrator shall proportionately allocate and deposit the entire proceeds received from the sale of participations into the funds established pursuant to section 1823 and 1824 of this chapter, as determined on an estimated basis, and the amounts so deposited shall be available for the purposes of the funds. The Administrator may nevertheless make such allocations of that part of the proceeds of participation sales representing anticipated interested collections on mortgage loans, including installment sale contracts, on other than an estimated proportionate basis if determined necessary to assure payment of interest on advances theretofore made to the Administrator by the Seretary of the Treasury for direct loan purposes. The Administrator shall set aside and maintain necessary reserves in the funds established pursuant to section 1823 and 1824 of this chapter to be used for meeting commitments pursuant to this subsection and, as he determines to be necessary, for meeting interest payments on advances by the Secretary of the Treasury for direct loan purposes.

(f) Whenever loss, destruction, or damage to any residential property securing loans guaranteed, insured, made, or acquired by the Administrator under this chapter occurs as the result of a major disaster as determined by the President under the Disaster Relief Act of 1974, the Administrator shall (1) provide counseling and such other service to the owner of such property as may be feasible and shall inform such owner concerning the disaster assistance available from other Federal agencies and from State or local agencies, and (2) pursuant to subsection (a)(2) of this section, extend on an individual case

basis such forbearance or indulgence to such owner as the Administrator determines to be warranted by the facts of the case and the circumstances of such owner.

§ 1821. INCONTESTABILITY

Any evidence of guaranty or insurance issued by the Administrator shall be conclusive evidence of the eligibility of the loan for guaranty or insurance under the provisions of this chapter and of the amount of such guaranty or insurance. Nothing in this section shall preclude the Administrator from establishing, as against the original lender, defenses based on fraud or material misrepresentation. The Administrator shall not, by reason of anything contained in this section, be barred from establishing, by regulations in force at the date of such issuance or disbursement, whichever is the earlier, partial defenses to the amount payable on the guaranty or insurance.

[§ 1822. RECOVERY OF DAMAGES

[(a) Whoever knowingly makes, effects, or participates in a sale of any property to a veteran for a consideration in excess of the reasonable value of such property as determined by the Administrator, shall, if the veteran pays for such property in whole or in part with the proceeds of a loan guaranteed by the Veterans' Administration under section 1812 or 1813 of this title, or insured under section 1815 of this title, be liable for three times the amount of such excess consideration irrespective of whether such person has received any part thereof.

[(b) Actions pursuant to the provisions of this section may be instituted by the veteran concerned, in any United States district court, which court may, as a part of any judgment, award costs and reasonable attorneys' fees to the successful party. If the veteran does not institute an action under this section within thirty days after discovering he has overpaid, or having instituted an action shall fail diligently to prosecute the same, or upon request by the veteran, the Attorney General, in the name of the Government of the United States, may proceed therewith, in which event one-third of any recovery in said action shall be paid over to the veteran and two-thirds thereof shall be paid into the Treasury of the United States.

[(c) The remedy provided in this section shall be in addition to any and all other penalties imposed by law.]

§ 1823. DIRECT LOAN REVOLVING FUND

(a) For the purposes of section 1811 of this title the revolving fund theretofore established by section 513 of the Servicemen's Readjustment Act of 1944 is continued in effect. For the purposes of further augmenting the revolving fund, the Secretary of the Treasury is authorized and directed to advance to the Administrator from time to time after December 31, 1958, and until June 30, 1961, such sums (not in excess of $150,000,000 in any one fiscal year, including prior advancements in fiscal year 1959) as the Administrator may request except that the aggregate so advanced in any one quarter annual period shall not exceed the sum of $50,000,000, less that amount which has been returned to the revolving fund during the preceding quarter annual period from the sale of loans pursuant to section 1811(g) of this title. In addition to the sums authorized in this subsection the

Secretary of the Treasury shall also advance to the Administrator such additional sums, not in excess of $100,000,000, as the Administrator may request, and the sums so advanced shall be made available without regard to any limitation contained in this subsection with respect to the amount which may be advanced in any one quarter annual period. The Secretary of the Treasury shall also advance to the Administrator from time to time such additional sums as the Administrator may request, not in excess of $100,000,000 to be immediately available, plus an additional amount not in excess of $400,000,000 after June 30, 1961, plus $200,000,000 after June 30, 1962, plus $150,000,000 after June 30, 1963, plus $150,000,000 after June 30, 1964, plus $100,000,000 after June 30, 1965, plus $100,000,000 after June 30, 1966. Any such authorized advance which is not requested by the Administrator in the fiscal year in which the advance may be made shall be made thereafter when requested by the Administrator, except that no such request or advance may be made after June 30, 1967. Such authorized advances are not subject to the quarter annual limitation in the second sentence of this subsection, but the amount authorized to be advanced in any fiscal year after June 30, 1962, shall be reduced only by the amount which has been returned to the revolving fund during the preceding fiscal year from the sale of loans pursuant to section 1811(g) of this title. In addition the Secretary is authorized and directed to make available to the Administrator for this purpose from time to time as he may request the amount of any funds which may have been deposited to the credit of miscellaneous receipts under this subsection or subsection (c) of this section. After the last day on which the Administrator may make loans under section 1811 of this title, he shall cause to be deposited with the Treasurer of the United States, to the credit of miscellaneous receipts, that part of all sums in such revolving fund, and all amounts thereafter received, representing unexpended advances or the repayment or recovery of the principal of direct home loans, retaining, however, a reasonable reserve for making loans with respect to which he has entered into commitments with veterans before such last day, and a reasonable reserve for meeting commitments pursuant to subsection 1820(e) of this title.

(b) On advances to such revolving fund by the Secretary of the Treasury, less those amounts deposited in miscellaneous recipts under subsections (a) and (c) the Administrator shall pay semiannually to the Treasurer of the United States interest at the rate or rates determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the advance. The Administrator shall not be required to pay interest on transfers made pursuant to the Act of February 13, 1962 (76 Stat. 8), from the capital of the "direct loans to veterans and reserves revolving fund" to the "loan guaranty revolving fund" and adjustments shall be made for payments of interest on such transfers before the date of enactment of this sentence.

(c) In order to make advances to such revolving fund, as authorized by law to effectuate the purposes and functions authorized in section 1811 of this title, the Secretary of the Treasury may use, as a public

debt transaction, the proceeds of the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under the Second Liberty Bond Act include such purposes. Such sums, together with all receipts under this section and section 1811 of this title, shall be deposited with the Treasurer of the United States, in a special deposit account, and shall be available, respectively, for disbursement for the purposes of section 1811 of this title. Except as otherwise provided in subsection (a) of this section, the Administrator shall from time to time cause to be deposited into the Treasury of the United States, to the credit of miscellaneous receipts, such of the funds in such account as in his judgment are not needed for the purposes for which they were provided, including the proceeds of the sale of any loans, and not later than June 30, 1976, he shall cause to be so deposited all sums in such account and all amounts received thereafter in repayment of outstanding obligations, or otherwise, except so much thereof as he may determine to be necessary for purposes of liquidation of loans made from the revolving fund and for the purposes of meeting commitments under subsection 1820 (e) of this title.

§ 1824. LOAN GUARANTY REVOLVING FUND

(a) There is hereby established in the Treasury of the United States a revolving fund known as the Veterans' Administration Loan Guaranty Revolving Fund (hereinafter called the Fund).

(b) The Fund shall be available to the Administrator when so provided in appropriation Acts and within such limitations as may be included in such Acts, without fiscal year limitation, for all loan guaranty and insurance operations under this chapter, except administrative expenses.

(c) There shall be deposited in the Fund (1) by transfer from current and future appropriations for readjustment benefits such amounts as may be necessary to supplement the Fund in order to meet the requirements of the Fund, and (2) all amounts now held or hereafter received by the Administrator incident to loan guaranty and insurance operations under this chapter, including but not limited to all collections of principal and interest and the proceeds from the use of property held or the sale of property disposed of.

(d) The Administrator shall determine annually whether there has developed in such Fund a surplus which, in his judgment, is more than necessary to meet the needs of the Fund, and such surplus, if any, shall immediately be transferred into the general fund receipts of the Treasury.

§ 1825. WAIVER OF DISCHARGE REQUIREMENTS FOR HOSPITALIZED PERSONS

The benefits of this chapter may be afforded to any person who is hospitalized pending final discharge from active duty, if he is qualified therefor in every respect except for discharge.

§ 1826. WITHHOLDING OF PAYMENTS, BENEFITS, ETC.

(a) The Administrator shall not, unless he first obtains the consent in writing of an individual, set off against, or otherwise withhold from, such individual any benefits payable to such individual under any law administered by the Veterans' Administration because of

liability allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such individual under this chapter.

(b) No officer, employee, department, or agency of the United States shall set off against, or otherwise withhold from, any veteran or the widow of any veteran any payments (other than benefit payments under any law administered by the Veterans' Administration) which such veteran or widow would otherwise be entitled to receive because of any liability to the Administrator allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such veteran or widow under this chapter, unless (1) there is first received the consent in writing of such veteran or widow, as the case may be, or (2) such liability and the amount thereof was determined by a court of competent jurisdiction in a preceding to which such veteran or widow was a party.

§ 1827. EXPENDITURES TO CORRECT OR COMPENSATE FOR STRUCTURAL DEFECTS IN MORTGAGED HOMES

(a) The Administrator is authorized, with respect to any property improved by a one- to four-family dwelling inspected during construction by the Veterans' Administration or the Federal Housing Administration which he finds to have structural defects seriously affecting the livability of the property, to make expenditures for (1) correcting such defects, (2) paying the claims of the owner of the property arising from such defects, or (3) acquiring title to the property; except that such authority of the Administrator shall exist only (A) if the owner requests assistance under this section not later than four years (or such shorter time as the Administrator may prescribe) after the mortgage loan was made, guaranteed, or insured, and (B) if the property is encumbered by a mortgage which is made, guaranteed, or insured under this chapter after the date of enactment of this section.

(b) The Administrator shall by regulation prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section, and his decisions regarding such expenditures or payments, and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive, and shall not be subject to judicial review.

(c) The Administrator is authorized to make expenditures for the purposes of this section from the funds established pursuant to sections 1823 and 1824 of this title, as applicable.

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Calendar No. 1252

93D CONGRESS
2d Session

SENATE

REPORT
No. 93-1334

VETERANS HOUSING ACT OF 1974

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 3883

DECEMBER 11, 1974.—Ordered to be printed

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Calendar No. 1252

93D CONGRESS, *2d Session* } SENATE { REPORT No. 93-1334

VETERANS HOUSING ACT OF 1974

DECEMBER 11, 1974.—Ordered to be printed

Mr. HARTKE, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 3883]

The Committee on Veterans' Affairs, to which was referred the bill (S. 3883) to amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENTS

The amendments are as follows:

Delete the material in brackets and insert the material in italic:

That this Act may be cited as the "Veterans Housing Act of 1974".

SEC. 2. (a) Section 1802(b) of title 38, United States Code, is amended to read as follows:

"(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this [chapter] *chapter*, the Administrator may exclude the amount of guaranty or insurance entitlement used for any guaranteed, insured, or direct loan, if—

"(1) the property which secured the loan has been disposed of by the [veterans] *veteran* or has been destroyed by fire or other natural hazard; and

"(2) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on such loan, the loss has been paid in [full.] *full; or*

"*(3) an immediate veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of his entitlement, to the extent that the entitlement of the veteran-transferor had been used originally, in place of the veteran-transferor's for the guaranteed, insured, or direct loan, and the veteran-transferee otherwise meets the requirements of this chapter.*

The Administrator may, in any case involving circumstances he deems appropriate, waive one or more of the conditions prescribed in clauses (1) and (2) above.".

(b) Clause (3) of section 1802(d) of title 38, United States Code, is amended to read as follows: "(3) by any lender approved by the Administrator pursuant to standards established by him.".

(c) Section 1803(c) of title 38, United States Code, is amended by adding at the end thereof a new paragraph as follows:

"(3) This section shall not be construed to prohibit a veteran from paying to a lender any reasonable discount required by such lender, when the proceeds from the loan are to be used:

"(A) to refinance indebtedness pursuant to section 1810(a)(5):

"(B) to repair, alter, or improve a farm residence or other dwelling pursuant to section 1810(a)(4);

"(C) to construct a dwelling or farm residence on land already owned or to be acquired by the veteran except where the land is directly or indirectly acquired from a builder or developer who has contracted to construct such dwelling for the veteran; or

"(D) to purchase a dwelling from a [party] *class of sellers* which [is determined by] the Administrator [to be unable to pay] *determines are legally precluded under all circumstances from paying* such [discount.".] *a discount if the best interest of the veteran would be so served.*".

(d) Section 1804(c) of title 38, United States Code, is amended by inserting immediately after the second sentence a new sentence as follows: "Notwithstanding the foregoing provisions of this subsection, in the case of a loan automatically guaranteed under this chapter, the veteran shall be required to make the certification only at the time the loan is closed.".

(e) Section 1804 of title 38, United States Code, is amended by striking out in subsections (b) and (d) "under section 512 of that Act".

SEC. 3. Section 1810 of title 38, United States Code, is amended as follows:

(1) by striking out in subsection (a)(5) the second sentence;

(2) *by adding at the end of subsection (a) a new paragraph as follows:*

"(6) To purchase a one-family residential unit in a new condominium housing development or project, or in a structure built and sold as a condominium, provided such development, project or structure is approved by the Administrator under such criteria as he shall prescribe.";

[(2)] *(3)* by striking out in subsection (c) "$12,500" and inserting in lieu thereof "$17,500"; and

[(3)] *(4)* by striking out [in] subsection (d) ["as to which the Secretary of Housing and Urban Development has issued, under section 234 of the National Housing Act, as amended (12 U.S.C. 1715y), evidence of insurance on at least one loan for the purchase of a one-family unit".] *in its entirety.*

SEC. 4. Section 1811(d)(2)(A) of title 38, United States Code, is amended by striking out "$12,500" wherever it appears and inserting in lieu thereof "$17,500".

SEC. 5. Section 1819 of title 38, United States Code, is amended as follows:

(1) by inserting in subsection (a) "or the mobile home lot *loan* guaranty benefit, or both," immediately after "loan guaranty benefit" each time it appears therein and by striking out "mobile home" immediately before "loan guaranteed" in the second sentence of such subsection;

(2) by amending subsection (b) as follows:

(A) by inserting "(1)" immediately after "(b)";

(B) by redesignating clauses ["(1)"] *(1)* and ["(2)"] (2) as clauses ["(A)"] *(A)* and ["(B)"] *(B)*, respectively; and

(C) by adding at the end thereof a new paragraph as follows:

"(2) Subject to the limitations in subsection (d) of this section, a loan may be made to purchase a lot on which to place a mobile home if the veteran already has such a home. Such a loan may include an amount sufficient to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad.";

(3) by redesignating clauses (1) and (2) of the first sentence of subsection (c)(1) as clauses (A) and (B), respectively, and by striking out the word "and" at the end of clause (A), as redesignated, and inserting in lieu thereof "or the loan is for the purpose of purchasing a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed, insured or made by another Federal agency, and";

(4) by further amending paragraph (1) of subsection (c) by deleting in the first sentence the clause "or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency," and inserting in lieu thereof the following: "or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,";

[(4)] *(5)* by amending the last sentence of paragraph (1) of subsection (d) to read as follows: "In the case of any lot on which to place a mobile home, whether or not the mobile home was financed with assistance under this section, and in the case of necessary site preparation, the loan amount for such purposes may not exceed the reasonable value of such lot or an amount appropriate to cover the cost of necessary site preparation or both, as determined by the Administrator.";

[(5)] *(6)* by striking out in subsection (d)(2) all of the paragraph after "exceed—" and inserting in lieu thereof the following:

"(A) $12,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a [single wide] *single-wide* mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

"(B) [$15,000] *$20,000* for [fifteen] *twenty* years and thirty-two days in the case of a loan covering the purchase of a [double wide] *double-wide* mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

"(C) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a [single wide] *single-wide* mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

"(D) [$22,500] *$27,500* (but not to exceed [$15,000] *$20,000* for the mobile home) for [fifteen] *twenty* years and thirty-two days in the case of a loan covering the purchase of a [double wide] *double-wide* mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site [preparations,] *preparation*, or

"(E) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a [single wide] *single-wide* mobile home and a suitably developed lot on which to place such home, or

"(F) [$22,500] *$27,500* (but not to exceed [$15,000] *$20,000* for the mobile home) for [fifteen] *twenty* years and thirty-two days in the case of a loan covering the purchase of a [double wide] *double-wide* mobile home and a suitably developed lot on which to place such home, or

"(G) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of only an undeveloped lot on which to place a mobile home owned by the veteran, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site [preparation;] *preparation*, or

"(H) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a suitably developed lot on which to place a mobile home owned by the veteran.";

[(6)] (7) by amending clause (3) of subsection (e) to read as follows:

"(3) the loan is secured by a first lien on the mobile home purchased with the proceeds of the loan and on any lot acquired or improved with the proceeds of the loan;";

[(7)] *(8)* by inserting in subsection (f) "and mobile home lot loans" [and] *after* "loans";

[(8)] *(9)* by inserting in the first sentence of subsection (i) "and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards prescribed for mobile home lots" after "Administrator";

[(9)](*10*) by inserting in subsection (n) "and mobile home lot loans" immediately after "mobile home loans"; and

[(10)](*11*) by striking out subsection (o) in its entirety.

SEC. 6. Paragraph (5) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting after the words "ten years," the words "except that loans made in accordance with section 2(b) of the National Housing Act and section 1819 of title 38, United States Code, may be for the maturities specified therein,".

SEC. [6.]7. (a) Chapter 37 of title 38, United States Code, is amended by deleting sections 1812, 1813, 1814, and 1822.

(b) The table of sections at the beginning of chapter 37 of title 38, United States Code, is amended by striking out the following:

"1812. Purchase of farms and farm equipment.
"1813. Purchase of business property.
"1814. Loans to refinance delinquent indebtedness."

and

"1822. Recovery of [damages."] *damages."; and*

(c) The title of chapter 37 of title 38, United States Code, is amended by striking out

"CHAPTER 37—HOME, FARM, AND BUSINESS LOANS"

and inserting in lieu thereof

"CHAPTER 37—HOME, CONDOMINIUM, AND MOBILE HOME LOANS"; and

(d) The table of chapters at the beginning of title 38, United States Code, and the table of chapters at the beginning of part III of such title are each amended by striking out

"37. Home, Farm, and Business Loans---------- 1801".

and inserting in lieu thereof

"37. Home, Condominium, and Mobile Home Loans---------- 1801".

SEC. [7.]8. Chapter 37 of title 38, United States Code, is amended as follows:

(1) by striking out in section 1803(a)(1) "and not more than 50 per centum of the loan if the loan is for any of the purposes specified in section 1812, 1813, or 1814 of this title";

(2) by striking out the first sentence in section 1803(b);

(3) by amending paragraph (1) of section 1803(d) to read as follows:

"(1) The maturity of any loan shall not be more than thirty [years.";] *years and thirty-two days.";*

(4) by striking out the last sentence in paragraph (3) of section 1803(d);

(5) by striking out the last sentence in [subsection] *section* 1815(b);

(6) by striking out in section 1818(a) "(except sections 1813 and 1815, and business loans under section 1814, of this title)"; and

(7) by striking out section 1818(c) in its entirety and redesignating subsection (d) as subsection (c).

SEC. [8.]9. Section 802 of title 38, United States Code, is amended by striking out "$17,500" and inserting in lieu thereof "$25,000".

SEC. [9.]*10.* The provisions of this Act [should] *shall* become effective on the date of enactment except that the amendments made by [section] *sections 2(a) (3) and* 2(b) and [section 3(3)] *sections 3(2) and 3(4)* shall become effective ninety days after such date of enactment.

INTRODUCTION AND SUMMARY OF S. 3883, AS REPORTED

The full Committee on Veterans' Affairs conducted hearings on September 26, 1974, which reviewed Veterans' Administration housing assistance programs in general and examined pending legislation, which included Chairman Hartke's bill, S. 3883, the "Veterans Housing Act of 1974", S. 2023, and H.R. 15912, the House-passed measure.

The Committee received testimony in person or by submission from representatives of a number of interested organizations. Testimony from the administration was received from spokesmen from the Veterans' Administration. Witnesses from veterans' organizations included

representatives of the Veterans of Foreign Wars, Disabled American Veterans, American Legion, Paralyzed Veterans of America, and the Non-Commissioned Officers Association of the United States.

Industry representatives included the Mortgage Bankers Association of America, the Mobile Home Manufacturers Association of America, the Mobile Home Dealers National Association, the Association of Mobile Home Mortgage Bankers, the National Association of Home Builders, and the National Association of Mutual Savings Banks.

On December 10, 1974, the full Committee met in executive session. After adopting a number of amendments, the Committee unanimously ordered S. 3883, to be favorably reported to the Senate for action.

The basic provisions of the Veterans Housing Act of 1974, as reported would:

(1) Permit the restoration of a veteran's entitlement to a guaranteed, insured, or a direct loan provided any prior GI loan has been paid in full and the property has been disposed of by the veteran or any immediate veteran-transferee has agreed to assume the outstanding balance on the loan and has consented to the use of his veteran's entitlement. Current law does not permit the restoration of entitlement except under very limited circumstances, such as if the property is taken through condemnation, or otherwise by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of for some compelling reason devoid of fault on the part of the veteran.

(2) Permit the guarantee of loans by the Veterans' Administration on an automatic basis in the case of unsupervised lenders such as consumer credit institutions, finance companies and mortgage companies who meet Veterans' Administration regulatory standards. At present, the law permits automatic guarantee only in the case of supervised loans such as banks, savings and loan associations, and insurance companies.

(3) Increase the maximum home loan guarantee from $12,500 to $17,500.

(4) Authorize the guarantee of loans for individual condominium units without the present prerequisite that the Department of Housing and Urban Development has issued insurance on at least one loan in the project, thus expanding the number of condominium units eligible for Veterans' Administration guarantee.

(5) Increase the maximum loan guarantee for single-wide mobile home loans from $10,000 to $12,500. The present maximum mobile home loan is $10,000 with the loan maturing in 12 years regardless of the size of the unit to be financed. The loan maximum for double-wide mobile home units is raised from $15,000 to $20,000, with a maximum guarantee of $27,500 for a double-wide mobile home and an undeveloped lot. Also, the loan maturity for a double-wide home is extended from 15 to 20 years.

(6) Authorize the guarantee of used mobile home units which meet Veterans' Administration minimum requirements for construction, design and general acceptability.

(7) Amend the Federal Credit Union Act to increase the maximum maturity of loans made by Federal credit unions from 10 years to the maximum maturities as specified in section 1819, title 38, United States Code, and section 2(b) of the National Housing Act. This is

intended to allow greater participation in Veterans' Administration guaranteed mobile home loan market by Federal credit unions.

(8) Provide the authority for the guarantee of a loan for the acquisition of a lot in making necessary site preparations for the placement of a mobile home unit which the veteran already owns.

(9) Remove the delimiting date presently in the law which prohibits guarantee of mobile home loans after July 1, 1975, thus making the mobile home loan guarantee program permanent.

(10) Increase the maximum grant payable for specially adapted housing for certain seriously service-connected disabled veterans from $17,500 to $25,000.

(11) Extend the eligibility for "insured loans" to veterans whose service in the Armed Forces occurred after January 31, 1955, thus making this group of veterans eligible for benefits under the guaranteed loan program, the direct loan program, and the insured loan program on the same basis as veterans of earlier periods of service.

(12) Delete a number of dormant sections authorizing farm or business loans. Because of the relatively restrictive terms of Veterans' Administration guaranteed farm or business loans and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration, lenders make few if any loans under these sections.

(13) Provide that the act shall take effect on the date of enactment except that those provisions relating to authorizing automatic guarantee of loans by unsupervised lenders and the extension of eligibility for condominium guarantee and certain provisions relating to restoration of entitlement shall become effective 90 days after date of enactment.

A general discussion of the more major provisions of the reported bill is set forth below. Additional background material and expressions of Committee views are set forth under the section-by-section analysis, *infra*.

Background and Discussion

Veterans Housing Assistance Programs

One of the most important Federal programs to assist veterans and their families is the Veterans' Administration housing assistance programs. In the 17-year history of the home loan guarantee program, the Veterans' Administration has guaranteed 8,924,304 loans as of October 31, 1974, for an aggregate principal amount of $109.2 billion. Under the program, the Veterans' Administration inspects new houses during and after completion. All houses securing guaranteed mortgages are appraised and the reasonable value determined prior to any loan closing. Under the program, a veteran is not required by the Government to make a downpayment and may take up to 30 years to pay. Despite the sharp rise in price of houses, nearly 73 percent of veteran home buyers continue to obtain no downpayment loans. A veteran further has the option of prepaying his mortgage without penalty, and may be released from liability when he sells his home. In addition, veterans who are experiencing difficulty in meeting mortgage payments are counseled by VA representatives who work with the

veteran to resolve the difficulties that may arise. Nearly 85 percent of all defaults are cured and withdrawn.

The VA guarantee generally results in a veteran obtaining a loan at a more favorable interest rate. The maximum permissible interest rates on GI loans are shown in the following table:

TABLE 1.—VA INTEREST RATE PATTERN SINCE 1950

[*Maximum interest rate on VA single family home mortgages*]

Percent	*Date*
4¼	April 1950 to May 1953.
4½	May 1953 to December 1956.
5	December 1956 to August 1957.
5¼	August 1957 to September 1959.
5¾	September 1959 to February 1961.
5½	February 1961 to May 1961.
5¼	May 1961 to February 1966.
5½	February 1966 to April 1966.
5¾	April 1966 to October 1966.
6	October 1966 to May 1968.
6¾	May 1966 to January 1969.
7½	January 1969 to January 1970.
8½	January 5, 1970 to December 1, 1970.
8	December 2, 1970 to January 12, 1971.
7½	January 13, 1971 to February 17, 1971.
7	February 18, 1971 to July 6, 1973.
7¾	July 7, 1973 to August 24, 1973.
8½	August 25, 1973 to January 22, 1974.
8¼	January 23, 1974 to April 14, 1974.
8½	April 15, 1974 to May 12, 1974.
8¾	May 12, 1974 to July 7, 1974.
9	July 8, 1974 to August 13, 1974.
9½	August 14, 1974 to November 24, 1974.
9	November 25, 1974 to . . .

Currently, the maximum interest rate on GI loans is 9 percent.

During fiscal year 1974, the Veterans' Administration guaranteed 311,250 loans to veterans, the highest fiscal year total, except for the 2 preceding fiscal years, as reflected in the following table:

TABLE 2.—COMPARATIVE HIGHLIGHTS OF VETERANS HOUSING ASSISTANCE PROGRAM

	Fiscal year—		Percent change
	1974	1973	
Loans closed:			
Guaranteed or insured	306,198	359,276	−14.4
Mobile home	5,062	5,856	−13.6
Direct	2,608	2,930	−11.0
Average loan amount:			
Guaranteed or insured (primary loans for homes)	$25,029	$22,890	+9.5
Mobile homes	$9,032	$8,787	+2.8
Direct	$16,829	$15,652	+7.5
Maximum interest rate (percent):			
GI	8¾	7	+25.0
Mobile homes	12	10¾	+11.6
GI loans outstanding	3,751,827	3,661,383	+2.5
Loans in default	37,853	37,221	+1.7
Defaults as percent of outstanding loans	1.01	1.02	−1.0
Properties on hand	11,135	11,459	−2.8

On a cumulative basis, more than 60 percent of all loans guaranteed were made to World War II veterans, 19 percent to Korean conflict veterans and 16 percent to post-Korean veterans. These figures reflect, of course, the much larger number of World War II veterans and the longer period of time they have been eligible for the VA loans. Looking at fiscal year 1974, however, of the 311,000 loans guaranteed, about 269,000 or more than 87 percent went to post-Korean veterans and servicemen, with less than 10 percent going to World War II veterans and 5 percent to Korean conflict veterans. With the average age of World War II veterans at 54 and Korean conflict veterans at 44, compared to an average age of 30 years for post-Korean veterans, it is anticipated that the preponderance of demand for VA loans in the future will come from the post-Korean veteran population.

The Veterans' Administration housing assistance programs also include a direct loan program which assists veterans living in rural areas, small cities and towns where VA guaranteed loans are not available generally from private lenders. About 80 percent of all counties in the United States are eligible for direct loans although only 20 percent of the veteran population reside therein. Under this program the VA has provided loans to 320,877 veterans in a cumulative amount of $3.2 billion since the programs' inception in 1950.

During the past several years, the volume of direct loans has declined in part because of greater availability of private funds for guaranteed loans and in part because of reluctance by the administration to utilize the program. In fiscal year 1974, only 2,608 direct loans were made. Currently, the direct loan revolving fund has a balance of $885 million. The average amount of those direct loans was $16,768, contrasted with the $25,069 average for home loans guaranteed during the same period. The administration currently estimates a level of activity of approximately 2,500 direct loans for the calendar year 1974.

Considering the large proportion of VA loans made with no downpayments, the overall foreclosure rate of 3.5 percent through fiscal year 1974 compares favorably with credit risk experience with other loans. Generally, if a default cannot be cured and foreclosure ensues, the VA usually acquires the property by securing the loan from the mortgage holder and then sells it. Since the beginning of the Veterans' Administration loan program in the waning days of World War II, 348,000 properties have been acquired and 337.000 have been disposed of, leaving an inventory as of June 30, 1974, of 11,135 properties. Loans established by the sale of acquired properties are known as "vendee accounts" and are sold to private investors subject to repurchase in the event of default. Cumulatively, through June 30, 1974, more than $18 billion of vendee accounts and $916 million of direct loans had been sold.

Public Law 80–702 in 1948 established a maximum grant of $10,000 for specially adaptive housing for disabled veterans. This special grant is limited to 50 percent of the total cost of the "wheelchair home." It was twice raised, in 1969 to $12,500 and again in 1972 to $17,500 (Public Law 92–341).

The Veterans Housing Act of 1970 authorized the VA to guarantee loans on mobile homes, which account nation-wide for 80 percent of all new homes sold for under $20,000. The total number of mobile homes guaranteed as of June 30, 1974, numbering 15,625, represents only a small proportion of total guaranteed loans. However, the average veteran obtaining a mobile home loan in fiscal year 1974 tended to have a monthly income less than a veteran receiving a loan for a conventionally built home and was also younger than a veteran obtaining a loan for a conventionally built home (37 percent were 26 years old or less, compared to only 19 percent of those purchasing a conventional home). Three-quarters of these veterans were Vietnam era veterans.

TABLE 3.—COMPARISON OF VA LOANS, FISCAL YEAR 1974

	Mobile home loans	Home loans
Average maturity (months)	142	353
Average purchase price	$9, 162	$25, 737
Average loan amount	9, 090	25, 029
Average monthly income	551	790
Average monthly housing expense	189	283
Average assets	591	2, 592
Housing expense as a percent of monthly income	34. 3	35. 8

Amendments to the VA Home Loan Program

S. 3883, as reported, makes a number of amendments to expand and improve the basic Veterans' Administration housing assistance program, which should make it more attractive to both veterans and lenders. First, the maximum loan guarantee is increased 40 percent from $12,500 to $17,500. Since the program's inception, the VA home loan guarantee has been increased four times. First, from $2,000 to $4,000 in 1946; second, from $4,000 to $7,500 in the mid-fifties and to $12,500 on May 7, 1968, the effective date of Public Law 90–301. In 1968, when the present maximum guarantee was established, the average home loan was approximately $17,000. The $12,500 ceiling easily provided the 60 percent guarantee indicated by section 1803 of title 38. Today that $12,500 guarantee does not afford the same safeguard for lenders on larger loans now being processed. According to the VA, the average GI loan for fiscal year 1974 was $25,655. Thus, the maximum $12,500 guarantee provided an average of only 49.8 percent coverage. Obviously, as the loan amount increases, the percentage guaranteed decreases and often does not afford a reasonable opportunity for a veteran or his family to purchase a higher priced home without making a substantial downpayment. Increasing the maximum guarantee should make smaller or no downpayments more likely for veterans, increase the availability of mortgage financing, and enable lenders to maintain the 60 percent ratio of guaranteed loan amount as indicated in section 1803 of title 38. This increase is strongly supported by the Mortgage Bankers Association of America, the National Association of Mutual Savings Banks, and the National Association of Home Builders as well as by all major veterans organizations. The VA has informed the Committee that it expects no significant increases in expenses or losses as a result of the increased guarantee.

The reported bill would also, consistent with the amendments made by Public Law 91–506 in 1970, expand opportunities for veterans to obtain VA guaranteed loans. The Veterans Housing Act of 1970 revived the expired unused loan entitlement of World War II and Korean conflict veterans and provided that a veteran's eligibility would be open ended until the entitlement was used. Amendments made by the reported bill would allow for restoration of the veteran's entitlement in expanded circumstances. Currently the law provides that the VA may restore entitlement previously used by the veteran to enable him to obtain a guaranteed, insured or direct loan if his property is taken through condemnation or otherwise by a governmental body, is lost or destroyed through natural hazard, or is disposed of for some "compelling reason devoid of fault" on the part of the veteran. The reported bill would eliminate the requirement of "compelling reason devoid of fault" and would generally allow restoration of entitlement if the previously guaranteed loan has been paid in full or assumed by another eligible veteran who consents to the use of his entitlement.

The amendments providing for the restoration of entitlement recognize the fact that we live in a highly mobile society and also that many veterans desire or find the need for a different or larger house for personal reasons. The Committee believes that if prior loans of these veterans have been paid off or properly assumed by another veteran with eligibility, the veteran should have his entitlement restored in full for the purchase of another home. These amendments were particularly supported by the Non-Commissioned Officers Association, who testified before the Committee on the difficulties of enlisted and career military personnel who transferred from base to base throughout their active military duty.

The reported bill would also extend automatic processing privileges to nonsupervised lenders, such as mortgage companies and other consumer credit finance companies. The automatic loan procedure facilitates the closing of the loan as opposed to the lender submitting a loan application with supporting documents to the VA for issuance to the lender of a commitment to guarantee the loan when closed. Under the automatic procedure, the flow of the transaction from application to a lender for a loan to actual closing can be greatly expedited, thus resulting in better service to the veteran buyer. Under existing law, however, only supervised lenders, such as banks, savings and loan associations, and insurance companies have the privilege of automatic processing. All other lenders must submit loans to the VA for prior approval. This can result in extending the time for processing a veteran's application for a loan guarantee to a period of more than 30 days beyond a reasonable time, often resulting in denying to the veteran the occupancy of his desired home for the period involved and forcing him to pay rent on a nonowned residence. In addition, in pricing their homes builders and sellers give consideration to the time delay which can result in additional expenses to the veteran buyer. Thus, this amendment can affect a large number of veterans since mortgage companies now originate approximately two-third's of the loans for conventionally built homes guaranteed by the VA, as shown in the following table:

TABLE 4.—VA LOANS BY MORTGAGE BANKING INSTITUTIONS

	Mortgage banker VA closed (millions)	Total VA loans closed [1] (millions)	Percent mortgage bankers of total (percent)
1973	$4,600	$7,291	63.1
1972	4,928	8,173	60.3
1971	4,126	5,923	69.7
1970	2,588	3,439	75.3
1969	2,667	4,072	65.5
1968	2,520	3,772	66.8

[1] Guaranteed primary loans only.

Assuming appropriate standards are developed by the Administrator, the Committee believes there is no reason why automatic loan guarantee authority should not be extended to worthy, nonsupervised lenders. As many as 1,200 lending institutions could receive automatic approval status by virtue of this amendment.

In addition, in order to make VA guaranteed mortgage money more readily available, the payment of a reasonable discount by the veteran is permitted by the reported bill in certain limited circumstances in which there is no builder or seller involved (who would normally pay the discounts required by the lenders) or where the seller, such as a trustee in bankruptcy, is legally precluded from paying a discount.

The amendment would also permit veterans to pay a reasonable discount on a loan obtained to construct a dwelling on land which he already owns. This is a rather infrequent case, where the veteran owns his lot and acts as his own contractor in building his home, usually doing part of the work himself and perhaps hiring subcontractors for part of the work. In this situation, the lender is willing to make a GI loan when the house is completed but requires the payment of a discount. Thus, unless the veteran is legally permitted to pay the discount, he would be unable to obtain the GI loan. The Committee intends that this provision not be construed in any way to constitute a device to permit builders to pass payments of discounts on to veteran purchasers and will monitor operation of this provision closely. Finally, this amendment would permit payment of discounts in the rare cases where the seller of existing property is legally prohibited from paying discounts such as a trustee in bankruptcy or an executor of an estate. In these situations, the Committee does not believe that a veteran desiring to purchase such a home and willing to pay a reasonable discount required by a lender should be denied GI financing. At the same time, however, the Committee intends that this provision be very narrowly construed and does not intend it to be a device for evasion of the basic rule prohibiting the payment of discounts.

Condominiums

The reported bill would also significantly expand the authority of the Veterans' Administration to guarantee loans of veterans purchasing condominiums. Condominiums constituted 40 percent of all new housing units constructed in the twenty-five largest metropolitan areas of the United States in 1974 to date. With the price of detached single-family residences increasing very rapidly, condominiums often con-

stitute an available supply of more reasonably priced housing. The Veterans Housing Act of 1970 (Public Law 91–506) authorized veterans to purchase one-family residential units in condominium projects with the assistance of VA financing but under restrictive conditions. Currently, veterans are restricted to projects in which the Secretary of Housing and Urban Development has insured at least one loan under section 234 of the National Housing Act. The restriction was originally written into Public Law 91–506 because the Veterans' Administration, which historically had been primarily guaranteeing mortgages in single-family detached homes, did not have the technical expertise necessary to approve and value condominiums. However, because of the limited number of condominiums processed under section 234, veteran purchasers wishing to avail themselves of VA financing have been confined to a very narrow selection of units. Since 1970, when section 1810(d) of title 38 was added by Public Law 91–506, through June 3, 1974, there have only been 3,788 loans made for the purchase of condominiums, and most of these have been approved just recently. The number of condominiums approved in fiscal years 1972, 1973 and 1974 was respectively 899, 1,794, and 1,094. Because in many instances condominiums provide the veteran an opportunity to acquire quality residences at comparably modest costs, usually below what it would cost to purchase an individual house of similar size placed on a regular size lot, the Committee believes that the expansion of authority contained in the reported bill is desirable.

At the same time, the Committee is keenly aware that there have been a number of problems plaguing the condominium industry with increasing complaints of shoddy construction, unfair increases in maintenance fees, and builders who exercise unexpected control over key facilities for long periods of time.

Accordingly, in granting expanded authority to the Veterans' Administration to approve condominium loans, the Committee does so with the express intent and understanding that appropriate regulations and standards will be developed to insure that the Veterans' Administration approves only those condominiums that meet acceptable high standards of quality and that the best interests of the veterans are adequately protected. The Committee expects the Veterans' Administration to provide for detailed plans, procedures, and forms for review of, not only the physical plans or structure of condominium projects, but also legal documents relating to such projects, the costs of maintaining the common property, and assurance that any management agreements being entered into are fair to veteran buyers.

Mobile Homes

The Veterans Housing Act of 1974 would also make a number of amendments to improve and expand the Veterans' Administration mobile home loan program. First, the bill would provide that the mobile home loan program first authorized by the Veterans Housing Act of 1970 and scheduled to expire on July 1, 1975, would become permanent.

When the Veterans Housing Act of 1970 was under consideration, Congress recognized that many young veterans did not have the resources to pay the rapidly escalating prices of conventionally-built

homes. The 1970 act authorized the VA to guarantee loans on mobile homes in order to "make available lower cost housing to lower income veterans, especially those who have been recently discharged. . . ."

For example, mobile homes constitute 80 percent of all homes purchased under $20,000. In 1973 the average price of mobile homes was $9 per square foot as opposed to $17.30 per square foot for conventional housing. Although only 14,624 mobile home loans have been guaranteed to date, it appears that the veterans obtaining mobile homes are for the most part those for whom the program was intended. The reports of the average veteran obtaining a mobile home loan in calendar year 1973 had a monthly income of $523 compared to $739 average monthly income for veterans receiving VA loans for conventionally-built homes. The following tables give additional information as to financial characteristics of those purchasing mobile homes.

TABLE 5.—RANGE OF FINANCIAL CHARACTERISTICS BY EACH FIFTH OF VETERAN PARTICIPANTS

[Prior approval mobile home loans April–June 1972]

	Lowest fifth	Second fifth	Third fifth	Fourth fifth	Highest fifth
Purchase price	Under 7,411	7,411 to 8,440	8,441 to 9,300	9,301 to 10,095	Over 10,095.
Loan amount	Under 7,241	7,241 to 8,359	8,360 to 9,259	9,260 to 9,975	Over 9,975.
Monthly income	Under 400	400 to 458	459 to 511	512 to 600	Over 600.
Housing expense	Under 157	157 to 173	174 to 187	188 to 206	Over 206.
Assets	Under 155	555 to 297	298 to 492	493 to 875	Over 875.
Age	Under 24	24 to 25	26 to 28	29 to 35	Over 35.

TABLE 6.—LOAN GUARANTY FINANCIAL CHARACTERISTICS

[Prior approval mobile home loans, April–June 1972]

Loans	Amount
Number of loans	1,056
Average maturity (months)	141
Average purchase price	$8,791
Average loan amount	8,660
Average monthly income	502
Average monthly housing expense	180
Average assets	686
Housing expense as a percent of monthly income	35.91

The Committee believes the value of the program has been established not only for those who may temporarily reside in mobile homes before purchasing conventional homes but also for those who wish to reside in larger mobile homes (particularly double-wide homes) on a permanent basis. Finally, the Committee is aware that the provisions of the reported bill providing for restoration of entitlement to veterans who have satisfied previous obligations on VA guaranteed home loans will present them with new opportunities to obtain VA guaranteed mobile home loans for retirement purposes.

As the mobile home manufacturers testified before the Committee, the current temporary authorization has served to prevent the full utilization of these provisions by dealers and financing institutions unsure of the ultimate duration of the program. They testified that they were confident that, with a permanently authorized program, dealers and financial institutions would "be more willing to become

involved and . . . this fact will contribute to an increasing number of applications for VA guaranteed mobile home loans."

The extension of automatic approval privileges to nonsupervised lending institutions as authorized by section 2 of the reported bill should also increase utilization by lenders of the VA guaranteed mobile home loan program. A General Accounting Office report in 1972, for example, indicated that the length of processing time was a primary problem which lenders and mobile home dealers had experienced with the VA program. The extension of automatic processing should dramatically decrease the time necessary to qualify for a VA home loan and enable the program to compete successfully with conventional financing procedures.

The Committee also wishes to stress that in terms of making more funds available, the Veterans' Administration direct loan program, which has not been used to date, could be utilized for making loans on mobile homes. The Committee strongly urges the VA to examine the feasibility of making direct loans available in rural areas for veterans desiring to purchase mobile homes under this program.

The reported bill would also increase the maximum loan limitation and maturity dates for mobile homes. Loans for single-wide mobile homes would be increased from $10,000 to $12,500. Double-wide mobile homes would be raised from $15,000 to $20,000 and the maximum maturity of the loan would be extended from 15 to 20 years. Given the recent rapid rate of inflation, the Committee believes these increases are thoroughly justified. Increasing the maximum loan amount of maturity for double-wide mobile homes to $20,000 and 20 years should enable veterans to purchase larger and better quality double-wide mobile homes, if they so desire and have sufficient income. Shipments of double-wides continue to increase as shown in the Mobile Home Dealer Market Report for September, 1974. Today double-wides comprise 21.3 percent of the total market as compared with 15.6 percent for 1973. Inflation and other factors have escalated mobile home manufacturer's wholesale prices by 20 percent during the second quarter of 1974 over the same period of 1973, according to Wholesale (FOB) plant prices published by Eldrich and Lavage for the Mobile Home Manufacturers Association.

Expanded authority is also given the Veterans' Administration to approve loans or used mobile home loans provided it meets or exceeds minimum regulations for construction, design, and general acceptability as prescribed by the Administrator.

In reviewing the mobile home loan program, the Committee also gave its close attention to suggestions by some to increase the maximum VA guarantee from 30 to 50 percent. As originally enacted in the Veterans Housing Act of 1970, the guarantee was limited to 30 percent of the law, which, as noted in Senate Report 91–1230, was considered consistent with the prevailing practice among private lenders. As to the amount of downpayment required on conventional mobile home loans, this 30 percent guarantee by the VA stands in place of a 30 percent downpayment. If the guarantee were to be increased to 50 percent, such action would accord lenders and holders a security equivalent to that which would be derived from a 50 percent downpayment. The VA reported that there is no indication that in financing a mobile home, lenders generally are demanding 30 percent, much less than 50 percent. The VA also seriously questioned the assumption that the higher guarantee would increase the amount of money available for purchase of those homes. The VA further noted that although some lenders appear to believe that a guarantee larger than 30 percent is desirable (presumably on the belief that an increase would improve the security of investments in VA guaranteed mobile homes which currently yield 12 percent), an examination of most of the guarantee claims paid today demonstrates that in the vast majority of cases, the present 30 percent guarantee has adequately insulated the holders of loans against loss. There were some suggestions to the Committee that the underlying rationale for increasing the guarantee to 50 percent would be to assure that either or both the Government National Mortgage Association and the Federal National Mortgage Association include VA mobile home loans in the secondary market program. However, in response to specific inquiries made by the Chairman of the Committee, both the Federal National Mortgage Association and the Government National Mortgage Association declined to make any such commitment.

The VA continues to strongly oppose any such increase. In an appearance before the Committee on Veterans' Affairs on September 26, 1974, the VA spokesman testified:

> We believe a lender exercising reasonable care in the origination and servicing of VA guaranteed mobile home loans should be adequately protected against loss with the 30 percent guaranty. Increasing the guaranty to 50 percent, however, could have the effect of so overprotecting lenders that some might lose any incentive to exercise the expected degree of care in credit underwriting and servicing of such loans. A failure to exercise due care would cause poor loans to be made and would eventually increase both the number and size of claims VA must pay.

Given the foregoing, the Committee does not believe an increase in the basic amount of guarantee is warranted at this time. Rather, the Committee believes it should await further experience of the programs in general and, in particular, the operation of the amendments of this Act. Should there be strong indications in the future of secondary market interest in VA mobile home loans which require increased guarantees, the Committee will give immediate and close consideration to additional amendments.

The reported bill would also extend the VA guarantee to loans which were made just on the mobile home lot itself. Currently, there are veterans who have purchased mobile homes prior to the time the authority was granted to the VA to guarantee mobile home loans, as well as others who purchased or will purchase mobile homes without using VA loans to finance their homes. The guarantee of loans to purchase lots for mobile homes, usually at a cost significantly below that of renting sites, would grant such veterans the same benefits presently available to veterans who finance their mobile homes with VA assistance. The law now precludes the financing of just mobile home sites, even if the veteran could make such arrangements with the lender. The

Committee believes it desirable to grant statutory authority to guarantee such purchases, if financing can be secured. Amendments are also added to provide that no mobile home lots shall be guaranteed under this section unless the lot meets certain standards which the Administrator prescribes for mobile home lots. These standards are designed to encourage the maintenance and development of sites for mobile homes which would be attractive residential areas and would not substantially contribute to adverse scenic or environmental conditions.

Extension of Federal Credit Union Authority To Participate Fully in the VA Mobile Home Loan Program

Section 6 of the reported bill would also extend the authority of the Federal credit unions to participate more fully in VA guaranteed mobile home loan programs, as well as in FHA insured home improvement and mobile home loan programs. Amendments made in section 5 of this act would extend the maximum term on VA guaranteed mobile home loans to 12 and 20 years, depending on the size and site factors. A similar extension was contained in the "Housing and Community Development Act of 1974", where the maximum term for the FHA insured home improvement loan was extended to 12 years and the maximum term on FHA mobile home loans to 15 years. Currently, under section 107 of the Federal Credit Union Act (12 U.S.C. 1757), the maximum maturity for loans made by a Federal credit union is limited to 10 years. An amendment made by the reported bill would extend federal credit union maturities for VA guaranteed mobile home loans and for FHA insured home improvement and mobile home loans to the terms permitted by laws dealing with such loans. Federal credit unions are participants in the FHA improvement and mobile home loan market and in the VA guaranteed mobile home loan market. In order to insure that money will be available for those loans by Federal credit unions, this amendment is necessary. The amendment in the reported bill was developed in close consultation with the committee of jurisdiction, the Committee on Banking, Housing and Urban Affairs, as reflected in the following letter:

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, D.C., December 9, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: It is my understanding that the Veterans Affairs Committee is presently considering S. 3883, "The Veterans Housing Act of 1974." Included in that measure are provisions to make permanent the VA mobile home guarantee program, presently scheduled to expire on July 1, 1975. It is also my understanding that provisions of S. 3883 would extend the maximum term of VA guaranteed mobile home loans to 12 years for single wide and to 15 years for double wide mobile homes. A similar extension was contained in the Housing and Community Development Act of 1974, extending the maximum term for FHA insured home improvement loans to 12 years, and for FHA insured mobile home loans to 15 years.

As you know, Federal Credit Unions are participating in the VA guaranteed home loan market as well as in FHA home improvement and mobile home loan markets. As you also know, jurisdiction over Federal Credit Unions has and continues to reside in the Committee on Banking, Housing and Urban Affairs. Currently, under section 107 of the Federal Credit Union Act (12 U.S.C. section 1757), Federal Credit Unions are limited in their authority to make secured loans with maturities not to exceed 10 years.

In view of the recent amendments contained in the Housing and Community Development Act of 1974 as well as pending amendments to S. 3883, it would thus be desirable to extend the authority of the Federal Credit Unions to participate in both of these programs to the maximum extent of the maturities specified therein.

Accordingly, given the few weeks remaining in the second session of this Congress, and the imminent consideration of S. 3883, I would not object to and would also recommend favorable action on the following amendment to the "Veterans Housing Act of 1974":

"Paragraph (5) section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting after the words "ten years", the words "except that loans made in accordance with section 2(b) of the National Housing Act and section 1819 of title 38, U.S.C., may be for the maturities specified therein."

With best wishes and kindest personal regards, I am

Sincerely,

JOHN SPARKMAN.

Increased Grant for Specially Adapted Housing for Disabled Veterans

Section 9 of the reported bill would increase the maximum amount of the grant payable by the Administrator of the Veterans' Administration to provide specially adapted housing for certain totally disabled service-connected veterans. Under present law, these disabled veterans are entitled to a grant not to exceed 50 percent of the cost of the home and the necessary land up to a mixiumum of $17,500. This bill would amend section 802 of title 38, United States Code, by increasing the maximum grant authority to $20,000.

Veterans eligible for housing assistance grants are principally service-connected quadraplegics, paraplegics, amputees, and others who require the use of a wheelchair. Their disabling condition requires ramps, special bathroom equipment, extra-large rooms and hallways, exercising facilities, and other devices which are essential for many of them to live comfortably outside a hospital.

Public Law 80–702, enacted in 1948, initially provided for grants of up to $10,000 for "wheelchair homes". At that time the average cost of construction for a new single-family residence was $7,800. Housing construction costs have risen steadily since then though the maximum amount of the grant has been increased just twice, first to $12,500, in Public Law 91–22, and then to $17,500, in Public Law 92–341. The Veterans' Administration reported that in fiscal year 1972 the average total cost to a vereran for a new specially adapted house was $38,744. This cost has increased to $45,155 for fiscal year 1973 and to $48,510 for fiscal year 1974. As of July, 1974, the last month for which this data is available, this average cost was $53,500.

The Committee thus believes that the need for additional grant authority is readily apparent. The Veterans' Administration has reported that they "believe the proposed increases are warranted."

During the 26 years of the programs existence, 13,599 veterans have been aided at an expense of $148.3 million. In fiscal year 1974, 672 grants were made. In the current fiscal year, a total of 205 grants have been made as of October 31, 1974, with an additional 445 grants anticipated for the remainder of this fiscal year. Approximately 650 grants are projected for fiscal year 1976. The VA estimates that the 1st-year additional cost occasioned by this amendment would be approximately $4,875,000.

Repeal of Obsolete Provisions

The reported bill would also make a number of technical amendments to chapter 37, as well as repeal a number of obsolete statutory provisions in the Veterans' Administration housing assistance program. Among them, the moribund farm and business loan programs are repealed. Neither the farm loan program (section 1812) nor the business loan program (section 1813) today affords a viable benefit to veterans. Due to the relatively restrictive terms of the VA guaranteed farm or business loans, and the availability of more attractive programs administered by the Small Business Administration of the Farmers Home Administration, lenders have not been making such loans. For example, in 1951, the VA guaranteed 42,000 business loans. Since that time the volume has dwindled to negligible proportions and in fiscal year 1974 only two business loans were guaranteed. The peak year for guaranteed farm loans was 1947 when 20,000 were guaranteed. In the interval, there has been a sharp decline year after year. In the past fiscal year, there were only 8 farm loans guaranteed.

In deleting these provisions, the Committee wishes to emphasize its continuing concern that veterans who apply for farm or business loans under other Federal programs be accorded the emphasis that our Nation expects to be given to those who have honorably served their country.

Effective Dates of the Act

Most provisions of the Veterans Housing Act of 1974 become effective upon enactment. A 90-day delay is granted, however, with respect to: first, the extension of automatic loan provisions to nonsupervised lenders; second, the expansion of authority to approve condominium loans and; third, expansion of authority with respect to restoration of entitlement in certain cases. In view of the Committee's deep concern that there be adequate and effective regulations, plans, and procedures that protect the interest of both the Veterans' Administration and the veteran, the Committee, upon recommendation of the VA, has agreed to a 90-day deferred effective date of these provisions.

Cost Estimates

In accordance with section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91–510, 91st Congress), the Committee, based on information supplied by the Veterans' Administration, estimates

that the only significant cost attributable to this bill is occasioned by section 9 increasing the maximum housing grant for certain severely disabled veterans, which will result in a 1st-year cost of approximately $4.9 million.

In arriving at cost estimates, the Veterans' Administration projects both increases as well as offsetting decreases in administrative costs of the program, funded through the "General Operating Expenses" appropriation account. The extension of the mobile home loan program to a permanent program together with expanded authority to approve condominiums under the VA program will result in additional administrative expenses of approximately $654,000. This will be offset by approximately the same amount in savings, occasioned through increased automatic processing and the removal of the necessity to process and determine "compelling reason" petitions.

The liberalization and expansion of the program will mean greater loan volume, which will naturally result in a numerically greater number of "losses" under this program. The Committee assumes that the loss rate itself, however, will not increase. The VA estimates that additional losses occasioned by the increased volume will amount to only about $750,000 the 1st year.

The VA estimates that the 1st full-year cost of the entire bill will be $5,811,000, increasing gradually to $8,663,000 at the end of 5 years. Costs and savings by section, including net costs are all reflected in the following table:

TABLE 7.—ESTIMATED COSTS OF S. 3883 FOR FISCAL YEARS 1975 THROUGH 1979

	General operating expense	Expenses and losses	Total
A. Restoration of entitlement:			
1975	−$280,000	$47,000	−$233,000
1976	−301,000	179,000	−122,000
1977	−308,000	348,000	+40,000
1978	−315,000	515,000	+200,000
1979	−322,000	702,000	+380,000
Total	−1,526,000	1,791,000	+265,000
B. Automatic processing:			
1975	−305,400	270,000	−35,400
1976	−326,700	270,000	−56,700
1977	−332,800	270,000	−62,800
1978	−339,800	270,000	−69,800
1979	−345,700	270,000	−75,700
Total	−1,650,400	1,350,000	−300,400
C. $17,500 guaranty:			
1975	0		0
1976	0	10,000	10,000
1977	0	50,000	50,000
1978	0	125,000	125,000
1979	0	180,000	180,000
Total	0	365,000	365,000
D. Condominiums:			
1975	544,200	0	544,200
1976	549,600	0	549,600
1977	555,100	0	555,100
1978	560,700	0	560,700
1979	566,300	0	566,300
Total	2,775,900	0	2,775,900

TABLE 7.—ESTIMATED COSTS OF S. 3883 FOR FISCAL YEARS 1975 THROUGH 1979—Continued

	General operating expense	Expenses and losses	Total
E. Mobile home loans (increase in loan amounts and elimination of 1975 termination date):			
1975	100,000	560,000	660,000
1976	535,000	642,000	1,177,000
1977	581,000	934,000	1,515,000
1978	642,000	1,841,000	2,483,000
1979	698,000	2,600,000	3,298,000
Total	2,556,000	6,577,000	9,133,000
F. Increase SAH grants to $25,000:			
1975	0	4,875,000	4,875,000
1976	0	4,875,000	4,875,000
1977	0	4,689,000	4,689,000
1978	0	4,590,000	4,590,000
1979	0	4,314,000	4,314,000
Total	0	23,343,000	23,343,000
Total estimated cost:			
1st year			5,810,800
2d year			6,432,900
3d year			6,786,300
4th year			7,888,900
5th year			8,662,600
5-year total			35,581,500

Tabulation of Votes Cast in Committee

Pursuant to section 133(b) of the Legislative Reorganization Act of 1946, as amended, the following is a tabulation of votes cast in person or by proxy of the members of the Committee on Veterans' Affairs on a motion to report S. 3883, with amendments, favorably to the Senate:

Yeas—9

Vance Hartke
Herman E. Talmadge
Jennings Randolph
Harold E. Hughes
Alan Cranston
Clifford P. Hansen
Strom Thurmond
Robert T. Stafford
James A. McClure

Nays—0

Section-by-Section Analysis and Explanation of S. 3883, as Reported

Section 1

This section provides that the proposed Act may be cited as the "Veterans Housing Act of 1974".

Section 2

Subsection (*a*) of section 2 amends section 1802(b), chapter 37, title 38, U.S.C., to provide for restoration of loan entitlement. Under this section, which both codifies and expands existing practices, the Administrator could restore a veteran's loan guarantee entitlement if the following conditions are met. First, the property was secured by a prior VA assistance loan and must either have been disposed of by

the veteran or destroyed by fire or by some other natural hazard. And second, the prior loan must have been paid off in full or the Administrator must have been released from liability under guarantee; or, if the prior loan was foreclosed and the VA paid the claim, the veteran must repay in full any loss suffered by the VA on such loan (the Administrator still continues to have the authority to waive either or both of these conditions in appropriate cases). Finally, a veteran may have his entitlement restored if an eligible veteran-transferee has agreed to assume the outstanding balance of the loan and has consented to the use of his entitlement. The removal of "compelling reasons devoid of a fault" will eliminate a statutory requirement that is susceptible to varying interpretations and thus uneven application throughout the system of VA field stations. It will also result in substantial administrative cost savings to the VA in the expenditure of resources and staff in determining the validity of reasons for disposal of property by veterans.

The provisions would also allow a qualified veteran to assume the outstanding balance of a VA loan on the property of another veteran, while at the same time, the veteran who is transferring such property will have his original entitlement for a VA loan restored to him and he shall be free of any obligations on the transferred property. This provision is especially important to all military servicemen. Throughout a normal military career averaging 21 to 24 years, a service member may expect seven to eight permanent changes of station. During this time, he would normally be eligible for one VA loan and perhaps one or two FHA In-Service Loans. Then it becomes time for retirement. Once a permanent homesite has been selected, he is faced with the fact that he has no immediate eligibility under the present Veterans Housing Act and no entitlement to an In-Service Loan. The Committee considers the present law to be penalizing the service member. This provision would make it easier for servicemen to purchase homes if required by the contingencies of the service and help alleviate the present housing problem for many servicemen who are faced throughout their career with changing locations, In Washington, D.C., alone there are less than 4,500 Government housing units with over 45,000 enlisted military personnel. The Non-Commissioned Officers Association of the U.S.A. and the Marine Corps League both strongly endorse this amendment. The Veterans' Administration has testified that enactment of these provisions will not substantially increase the Government's exposure to loss.

Subsection (*b*) amends section 1802(d) of chapter 37, by deleting the present clause 3 and substituting language permitting any nonsupervised lender approved by the Administrator to process home or mobile home loans on the "automatic" basis, pursuant to standards established by the Administrator. Currently, only supervised lenders (e.g., banks, savings and loan associations, and insurance companies) are authorized under law, pursuant to standards established by the Administrator, to process GI loans for conventionally-built and mobile home loans on an automatically-guaranteed basis. Technically, under existing law, nonsupervised lenders who have been named certified agents by the Secretary of the Department of Housing and Urban Development, can be permitted to process automatically-guaranteed

loans. However, this HUD certified agent problem is no longer operable.

Consumer credit and finance companies which are nonsupervised lenders have not been participating to any large extent in VA mobile home loan programs. These lenders are often reluctant to process loans on a prior approval basis because the process entails considerable additional time to obtain commitments from the Veterans' Administration than the time required for completing other loans on a conventional basis.

The extension of the "automatic guarantee" privileges, as outlined by this section, should significantly reduce the time in loan processing for veterans, hopefully stimulating greater participation by these institutions in the mobile home program.

Mortgage companies now originate approximately two-thirds of the loans for conventionally-built homes guaranteed by the VA. Many of these companies have consistently demonstrated the capability and expertise necessary for originating loans of satisfactory quality. Thus, the Committee believes that there is every reason to expect that companies which can demonstrate this capability and expertise and who otherwise meet the regulation standards promulgated by the Administrator should be granted automatic processing privileges. At the same time, the Committee is aware there are several types of nonsupervised lenders, notably mortgage companies, finance companies and mobile home loan servicing companies. They range from companies with hundreds of branches operating in practically all 50 States to small companies with only one office. Further, their modes of operation vary substantially. Moreover, mortgage companies, not subject to Federal or State supervision, are generally not highly capitalized and make loans for sale and not for retention. Thus it is important that the Veterans' Administration develop sufficient standards. The Committee is aware that some preliminary work has been done by the Veterans' Administration already, as to developing these appropriate standards. The exact criteria for such standards involve a complex and important undertaking since the Veterans' Administration's assurance that loans are being made in full compliance with the law and regulations will in large part be limited to post-audit of closed loans. The Committee expects that great care will be taken by the Veterans' Administration in the establishment of standards and procedures and other guidelines, together with the amendments to the present reporting of statistical procedures. The Committee also expects that in implementing this section the program be monitored very closely to insure proper operation and to prevent excessive defaults. The Committee further expects to be apprised on a regular basis by the Veterans' Administration on the implementation and operation of this program.

Subsection (*c*) amends section 1803(c) by adding a new paragraph 3, which recodifies and extends existing law to permit veterans in certain limited circumstances to pay discounts for "points" when they obtain loans. Generally, veterans are not permitted to pay discounts under VA housing assistance programs since if they were permitted to do so, they might pay an interest rate in excess of the permitted maximum. An existing law, contained in section 1810(a)(5) of title 38, permits the payment of discounts in refinancing loans made pursuant to that

section. That section is recodified in new paragraph 3 of section 1803(c) and existing provisions in 1810(a)(5) deleted. In order to insure that a veteran does not pay in excess of the maximum interest rate authorized by law, and also that funds would be available, the seller or builder is generally the only party available to pay discounts.

An amendment made by this section would recognize several basic situations in which there is either no builder or seller involved or where the seller is legally barred from paying a discount. In those cases, amendments made by this subsection would, in order to enable a veteran to obtain the loan he seeks, permit him to pay a reasonable discount. Thus, a veteran would be permitted to pay a discount to repair, alter, or improve a farm, residence, or other dwelling obtained with a GI loan, pursuant to section 1810(a)(4). It would also include the case where a veteran desires to build his own home or farm residence on land he already owns or intends to acquire, except if the land has been directly or indirectly acquired from the building contractor himself. Since no builder or seller is involved, the veteran ordinarily is unable to obtain the loan since he is not permitted to pay a discount.

A final exception is provided in the situation where the seller is acting in a legal or fiduciary capacity (such as a referee in bankruptcy or an executor of a decedent's estate) and is legally incapable of paying a discount. In these cases, the Administrator must determine that such class of sellers are legally precluded and that it is in the best interest of the veteran to permit him to pay the discount. The VA estimates that there are only a limited number of cases in any of these exceptions.

Subsection (*d*) amends section 1804(c) to provide that where "automatically guaranteed" loans are made, the certification by the veteran that he intends to occupy the property as his home, need only be obtained once, at the time the loan is closed. Current law requires veterans to certify their intent twice to occupy the property secured as their own homes: First, at the time of the application, and second, at the closing of the loan. Often loan companies, through error, have failed to secure the initial certification and the mistake is brought to the attention of the VA only when the final papers are submitted. Thus, failure to obtain the initial certification at the time of the application has often resulted in severe administrative problems and cost to the VA. The double certification contributes little additional protection to the program. Accordingly, the VA favors this amendment requiring a single certification at the time the loan is processed for automatic guarantee.

Subsection (*e*) amends sections 1804 (b) and (d) of title 38 to remove the requirement that when the Veterans' Administration suspends a builder, lender, or broker for disciplinary action taken by the Secretary of Housing and Urban Development, the HUD sanction must have been taken under section 512 of the National Housing Act. Under that same section of the National Housing Act, HUD can suspend the builder or lender when the VA has suspended a party under section 1804 (b) or (d). By deleting this reference to section 512 of the National Housing Act in both of the sections, the amendment has the effect of permitting the VA to refuse to do business with any parties

suspended by HUD, regardless of whether HUD's debarment is based on section 512 of the National Housing Act or some other authority. As a practical matter, the Secretary of Housing and Urban Development makes no suspensions under section 512. This amendment then will prevent a situation in which the VA might be forced to do business with a firm which has been debarred by HUD for serious misconduct but for a violation other than under section 512. In such cases, the VA often does not have sufficient evidence of its own, concerning GI loans to prove several similar misconduct in VA cases. The Committee would expect that the VA would act accordingly were the Secretary of Housing and Urban Development has taken disciplinary action and be apprised of such actions.

Section 3

This section makes three amendments of section 1810 of chapter 37, of title 38, U.S.C.

Clause 1 makes a technical amendment by deleting from section 1810(a)(5) the provision authorizing payment of discounts on refinancing loans since section 2 of this bill makes this provision part of new paragraph 3 of section 1803(c).

Clause 2 amends section 1810(a) by adding a new paragraph 6 authorizing the Veterans' Administration to guarantee loans for veterans purchasing a one-family residential unit in a new condominium housing development project (or in a structure built and sold as a condominium) if the development, project or structure has been approved by the Administrator under such criteria as he shall prescribe. This expanded authority replaces present subection (d) which currently limits VA financing to those projects in which the Secretary of Housing and Urban Development has issued at least one loan under section 234 of the National Housing Act. Subsection (d) is accordingly deleted by the reported bill. Because of various problems experienced in certain segments of the condominium industry, the Committee expects that great care be taken by the Veterans' Administration in issuing its regulations and guidelines to insure that it approves only condominium projects which meet acceptable high standards of quality. In the processing of horizontal condominiums the "MINIMUM PROPERTY STANDARDS" (MPS) for 1 to 4-family units used by the VA for its regular GI loan program can be adopted. Construction should be required to comply with the MPS, and the Committee expects that VA compliance inspections will be required.

In the case of high rise condominium construction, the Committee would expect that at a minimum, the construction meet requirements set by local authorities for high rise construction such as the uniform building code, the southern building code, or other comparable building codes. The Veterans' Administration should ascertain that these codes are being fully complied with. If FHA standards for condominiums are significantly more stringent than such building codes, the Committee believes that the VA should give very close consideration to requiring more exacting standards than the local building code. The Committee is particularly concerned with Veteran's Administration approval of those units which may have been constructed as condominiums prior to the effective date of this act. It would expect for previously constructed condominiums, just as for newly constructed

condominiums, that the entire project be approved rather than just the individual unit. In addition to appraising for value, the VA should assure itself that plumbing, electrical and other basic systems meet appropriate standards.

The Committee is also most concerned that adequate protection be provided the veteran borrower. The Committee would expect that the following items either be unacceptable or subject to the most stringent standards of review: (1) Leasing of common areas to condominium owners; (2) lease backs to builders with right to charge user fees; (3) franchises or licenses for central TV antennas or the like; (4) provisions for future annexation without a general plan and the VA's right to approve (to insure against dilution of interest and possible downgrading of area); (5) absolute right of the developer to change plans when sales have started; (6) retention of developer's rights to enter into management contracts after owners should have control; and (7) lack of presale requirement.

The Committee also expects the Veterans' Administration to take appropriate steps to increase veterans' awareness of automatic membership in community associations and the new home ownerships systems in townhouse projects and condominiums and planned unit development. Veterans should be fully apprised of their rights and duties in such associations. The Committee is aware of a contract recently entered into by the Veterans' Administration with the Community Associations Institute, a nonprofit association to develop guide booklets containing such basic introductory information as a veteran needs in order to understand community associations. The Committee commends this and any other activities aimed at insuring that veterans fully understand their rights and obligations.

Clause 3 amends section 1810(c) to increase the maximum home loan guarantee entitlement from $12,500 to $17,500. The average GI loan approved in fiscal year 1974 was $25,655; the maximum $12,500 provided an average of only a 49.8 percent coverage. An increase to $17,500 would enable more lenders to maintain a 60 percent ratio of guaranteed loan amount, thus increasing the number of loans and decreasing the amount of downpayment by veterans.

Clause 4 deletes section 1810(d) entirely, which authorizes VA guarantee of loans for purchasing condominium units, since this provision is now superseded by new section 1810(a)(6) added by clause 3 of this section of the reported bill.

Section 4

This section is a conforming amendment to the direct loan program which increases the guaranteed entitlement to a VA loan from $12,500 to $17,500, consistent with amendments made in section 3 of this reported bill.

Section 5

This section makes a number of amendments to section 1819 of subchapter II of chapter 37, title 38, United States Code, relating to the expansion of loans for mobile homes and mobile home lots and making the program permanent.

Clauses 1, 2 and 3 make amendments to subsections (a), (b), and (c) to provide the VA with authority for the first time to guarantee

a loan for the purpose of separately acquiring a mobile home lot and making the necessary site preparation, whether or not the mobile home itself was purchased with a loan guaranteed, insured, or made by another Federal agency.

Clause 4 further amends subsection (c) to liberalize the conditions under which the VA may guarantee a loan for the purchase of a used mobile home. Under current law, the VA is authorized to guarantee a used mobile home only as security for prior loans guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency. In providing this expanded authority, the Committee intends the Administrator to provide adequate safeguards and criteria to value the quality and general condition of the used mobile home on which mobile home applications are made.

The Committee expects the VA to establish the value of used mobile homes proposed as security for a VA guaranteed loan through a process utilizing qualified fee personnel experienced and knowledgeable in appraising mobile home units coupled with staff review of the fee appraisers' finding for final evaluation as to value and acceptability of the particular mobile home unit. In addition, the VA should require a report from a qualified third party covering the operating condition of mechanical equipment, electrical and gas systems, water and plumbing systems, etc. With respect to used mobile home units being sold by a mobile home dealer, VA should require a warranty agreement from such dealer to the veteran purchaser.

The acceptability of any used mobile home unit should meet appropriate safety requirements now required for new units such as:

(1) each room designed for sleeping purposes, unless it has an exit door, must have at least one outside window of such size and area to permit exit in an emergency;

(2) a minimum of two exterior doors remotely located from each other and so arranged as to provide unobstructed exit to the outside of the mobile home; and

(3) must have an acceptable automatic smoke detector installed outside each sleeping area to warn occupants of the presence of any fire condition.

The Committee expects the Veterans' Administration to establish a maximum term for used mobile home loans based on the appraisal of the physical life expectancy of the particular mobile home unit not to exceed the maximum established for new mobile homes. Thus, the maturity of loans on used mobile homes would generally be for terms below this maximum.

Clauses 5, 7, 8, 9 and 10 are technical amendments to subsections (d), (e), (f), (i), and (n) conforming these subsections to the amendment made by this section of the reported bill providing authority for the first time to the VA to guarantee a loan for just a mobile home lot. These clauses provide for the establishment by the VA of a separate maximum loan amount, first lien security, interest rate, prior VA approval on standards for planning, construction, and general acceptability for a mobile home lot, also providing that the provisions of section 1804(d) and section 1821 of this chapter be fully applicable to lenders making guaranteed mobile home lot loans.

Clause 6 amends paragraph 2 of subsection (d) to increase the maximum amount of loans and maturities for mobile homes. Under these

amendments, the maximum permissible loan amount for a single-wide mobile home is increased from $10,000 to $12,500. The maximum amount for a double-wide mobile home is increased from $15,000 to $20,000 and the maximum maturity extended from 15 years to 20 years. For a single-wide mobile home and an undeveloped lot, the maximum loan is established at $20,000 with a maturity of 15 years. The maximum loan amount for a double-wide mobile home and an undeveloped lot is placed at $27,500. Also, a loan for a single-wide mobile home and a developed lot is maximized at $20,000 for 15 years; for a double-wide mobile home and a developed lot the maximum is $27,500 for 20 years; and the maturity maximum for only an undeveloped or developed lot is $7,500 for 12 years.

Clause 11 deletes subsection (o) entirely, which provides that the VA mobile home loan program terminates on July 1, 1975. The program now becomes permanent.

Section 6

This section amends 107 of the Federal Credit Union Act (12 U.S.C. 1757) to extend the maximum maturity for VA guaranteed mobile home loans and for FHA insured home improvement and mobile home loans made by Federal credit unions to the terms either permitted by section 2(b) of the National Housing Act or section 1819 of title 38, United States Code. Section 5 of the reported bill would amend section 1819 to extend the maximum term on VA guaranteed mobile home loans to 12 or 20 years depending on size and site factors. A similar extension was contained in amendments to the National Housing Act contained in the Housing and Community Development Act of 1974, which extended the maximum term for FHA insured home improvement loans to 12 years and for FHA mobile home loans to 15 years. This would allow continued participation in both FHA and VA mobile home loan programs by Federal Credit Unions.

Section 7

Subsection (a) amends chapter 37 of title 38, U.S.C., by deleting the following obsolete sections: 1812 (Purchase of farms and farm equipment); 1813 (Purchase of business property); 1814 (Loans to refinance delinquent indebtedness); and 1822 (Recovery of damages).

Neither the farm loan program (section 1812) or the business loan program (section 1813) currently affords a viable benefit to veterans. The volume of VA guaranteed farm and business loans has sharply dwindled to negligible proportions in the past quarter century mainly because of the relatively restrictive terms of these loans and the availability of more attractive loans from other Federal agencies, such as the Small Business Administration and the Farmers Home Administration. For example, in fiscal year 1974, only two business loans and only eight farm loans were guaranteed under those sections.

The refinancing authority currently contained in section 1810(a)(5) of title 38 obviates the need for the provisions in section 1814 and the section is accordingly deleted by the reported bill. The deletion of sections 1812 and 1813 renders section 1822 concerning recovery of damages meaningless and thus should also be deleted.

Subsection (b) amends the table of sections at the beginning of chapter 37 to reflect the deletions made by subsection (a).

Subsection (*c*) amends the title of chapter 37 to reflect the deletion of the sections dealing with farm and business loans and the inclusion of condominiums and mobile homes.

Subsection (*d*) amends the table of chapters at the beginning of title 38, United States Code, and the table of chapters at the beginning of part III of title 38 to also reflect the deletion of the sections dealing with farm and business loans and the inclusion of condominiums and mobile homes.

Section 8

Clauses 1, 2, 4, 5, 6, and 7 make a number of technical amendments to sections 1813(a)(1), 1803(d), 1815(b), 1818(a), and 1818(c) required by the deletions of sections 1812, 1813, 1814, and 1822. The deletion of references to section 1815 in sections 1818(a) and 1818(c) will permit post-Korean veterans to obtain "insured" home loans (in addition to "guaranteed" loans) which are presently available only to World War II and Korean conflict veterans. Although very few lenders have their loans insured rather than guaranteed, there is no justified reason to maintain this unwarranted distinction and the Committee thus eliminates it.

Clause 3 amends section 1803(d)(1) to add 32 days to the present 30 years for the maturity of VA home loans. When a loan is closed in the middle of a month, it is customary for the first payment to become due on the 1st day of the 2nd month following the month in which the loan is closed. Thus, if a loan were closed October 23, 1974, the first payment would be due December 1, 1974. In this case, the final payment would be due November 1, 2004, or 9 days beyond the statutory maximum. Current law thus often precludes lenders from writing loans for an even 360 payments.

The proposed amendments would eliminate this irritant to both lenders and investors. It is consistent with existing law in section 1819, which permits terms for either 12 years and 32 days or 15 years and 32 days for mobile home loans. Section 1819 was originally written in this manner to eliminate problems similar to those faced under section 1803.

Section 9

This section amends section 802 of chapter 21 of title 38, United States Code, to increase from $17,500 to $25,000 the maximum grant for specially adaptive housing for disabled veterans. This special grant is limited to 50 percent of the total cost of the "Wheelchair home". Public Law 80–702 set the grant in 1948 at $10,000. This was raised to $12,500 in 1969 and again increased to $17,500 in 1972 by Public Law 92–341. The costs for a specially adapted house are consistently and rapidly increasing. In fiscal year 1971, the average total cost to a veteran was $35,990; in fiscal year 1972 it rose to $38,774, and again to $45,155 in fiscal year 1973. As of July 1974, the average total cost was $53,000. The Committee considers this provision to be necessary in light of the current market situation.

Section 10

This section provides that the provisions of the Act shall generally become effective on the day of enactment except that the provisions section 2(a)(3), restoring the entitlement to a veteran who transfers his guaranteed property to another veteran, section 2(b), relating to automatic guarantee loans, and sections 3(2) and 3(4), relating to condominium loans, shall become effective 90 days after the day of enactment. These two exceptions, are made because of the necessity for the preparation of detailed plans, agreements, and procedures to implement these sections and to insure that they adequately protect the interest of both the veteran and the Veterans' Administration.

Agency Reports

The Committee requested and received reports on several housing bills pending before it from the Veterans' Administration, the Federal National Mortgage Association, and the Government National Mortgage Association. These reports follow:

[No. 146]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., September 25, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 3883, 93d Congress.

The purpose of the bill is to amend chapter 37 of title 38, United States Code, to improve the following basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans.

Subsection (a) of section 2 of the bill would amend section 1802(b) of title 38, United States Code, which provides for restoration of loan entitlement. Under this new section the Administrator could restore a veteran's loan guaranty entitlement if two requirements are met. First, the property which secured a prior VA assisted loan must have either been disposed of by the veteran for any reason, or destroyed by fire or other natural hazard. Second, the prior loan must have been paid-in-full, or the Administrator must have been released from liability under the guaranty, or, if the prior loan was foreclosed and VA paid a claim, the veteran must repay in full any loss suffered by VA on such loan. The Administrator may, however, waive either or both of these conditions in appropriate cases.

The law presently provides, with respect to a veteran, that the Veterans' Administration may restore entitlement previously used to obtain a guaranteed, insured, or direct loan if the property is taken, through condemnation or otherwise, by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of for some compelling reason devoid of fault on the part of the veteran. With respect to a serviceman, the Veterans' Administration is required to restore entitlement used to purchase a home which the serviceman has disposed of because of a transfer by the service department, provided the loan is paid in full. In the administration of the statutory authority, VA regulations have always required that the Government's liability on a veteran's loan must have been extinguished, which requires for all practical purposes that the loan must have been paid in full. The amendment regarding restoration only upon payment in full, in effect, codifies the regulatory practice.

The removal of "compelling reasons devoid of fault" would eliminate a statutory requirement that is susceptible to varying interpretations and, hence, uneven application throughout the system of VA field stations. Furthermore, determinations of the validity of the reasons for disposal of properties by veterans entail a substantial expenditure of resources on the part of VA staff.

The bill would tend to desirably increase the availability of loan benefits to veterans, but would not affect their availability to servicemen. As to veterans, the impact would be largely confined to those who have used substantially all of their $12,500 entitlement for the purchase of a home and who did not have a "compelling reason" for disposing of their homes. Many desire or find a need for a different or larger house for personal reasons. If the prior loans of these veterans have been paid off, they would be granted new entitlement in full for the purchase of another home. This extended availability of GI loan financing for such veterans will not substantially escalate the Government's exposure to loss. The waiver authority proposed to be granted to the Administrator would be exercised only in unusual situations such as where the property is substantially damaged or destroyed by a natural disaster.

Subsection (b) of section 2 of the bill would amend present section 1802(d) by deleting clause (3) thereof, which has become obsolete since the Department of Housing and Urban Development program for certified agents has been inoperative for years. In lieu thereof, a new clause (3) would be inserted to authorize the Administrator to permit any lender to process GI loans for both conventionally built and mobile homes on an automatic guaranty basis pursuant to standards established by the Administrator.

The automatic loan procedure facilitates the closing of a loan, which is then reported to VA for guaranty, as opposed to the lender submitting a loan application, with supporting documents, to the VA, which then issues to the lender a commitment to guarantee the loan when closed. Under the automatic procedure, the flow of the transaction, from application to a lender for a loan to actual closing, can be greatly expedited, thus resulting in better service to the veteran-buyer. Under existing law, however, only supervised lenders (e.g., banks, savings and loan associations, and insurance companies) have the privilege of automatic processing. All other lenders must submit loans to VA for prior approval.

Consumer credit and finance companies which are nonsupervised lenders have not been participating to any great extent in the VA mobile home loan program. Many such lenders have been reluctant to process loans on a prior approval basis, which entails more time to obtain commitments from VA than the time required for completing loans on a conventional basis. It is believed this provision will serve to stimulate greater participation in the mobile home loan program.

Under this subsection of the bill, VA would also be authorized to approve qualifying, nonsupervised lenders to process loans for automatic guarantees for veterans to finance conventionally built homes. Mortgage companies originate about two-thirds of the loans which VA guarantees on conventionally built homes. Some mortgage companies have consistently demonstrated the capability and expertise necessary for originating loans of satisfactory quality. Considering the fact that loans processed automatically entail substantially less workload demands on VA, it is shortsighted to deny qualified mortgage companies the opportunity to process loans in this manner. There is ample reason to expect as satisfactory performance from reliable mortgage companies originating large volumes of loans as from some supervised lenders which are relatively inactive in the program and, hence, unfamiliar with GI loan requirements.

Subsection (c) of section 2 of the bill would amend section 1803(c) of title 38 to permit veterans to pay discounts when they obtain loans to:

(a) Refinance delinquent indebtedness (pursuant to section 1810(a)(5) of title 38);

(b) Repair or improve a dwelling the veteran already owns;

(c) Construct a dwelling on land the veteran already owns; and

(d) Purchase property from a party the Administrator determines to be unable to pay such a discount.

Veterans are not permitted to pay discounts, since, if they were to do so, they might be paying an interest rate in excess of the permitted maximum. An exception of this rule is refinancing loans made pursuant to section 1810(a)(5) of title 38, since that section now specifically permits discounts to be paid by veterans. Section 3(1) of the bill deletes the discount provision relating to refinancing loans from section 1810(a)(5) of title 38 in favor of placing it into the proposed section 1803(c)(3), which will include all four situations where the veteran will be permitted to pay discounts.

As a general rule, veterans may not pay discounts since to do so would result in payment of interest in excess of the maximum rate authorized by law. Thus, the only party available to pay discounts is the seller. The proposed amendment to permit veterans to pay discounts in certain specified instances is in recognition of the fact that in the enumerated instances there is no builder or seller involved (or the seller is a party who is legally barred from paying a discount, e.g., a trustee in bankruptcy). Hence, either the veteran must pay the discount or he will not be able to obtain the loan he seeks.

Section 1810(a)(5) which authorizes the Administrator to guarantee refinancing loans recognizes this fact and permits the veteran to pay a discount when required by a lender. (VA, by regulation, requires that the discount not be in excess of that determined by VA to be "reasonable.") Section 3(i) of S. 3883 merely moves this provision from section 1810(a)(5) of title 38 to section 1803(c) of title 38.

Item (b), which refers to a loan to repair or improve a dwelling is included to cover the type of case wherein a veteran owns a home obtained with a GI loan, desires to improve or repair the dwelling, and the holder of the GI loan is willing to make the loan provided it is paid a discount. It could also include a case where a veteran owns his home free and clear and a lender is willing to make him a GI loan to repair or improve his home provided a discount is paid. Since no builder or seller is involved, the veteran ordinarily is unable to obtain the loan since he is not permitted to pay a discount. The incidence of such cases is very small.

Item (c), which refers to a loan to construct a dwelling on land the veteran already owns, is concerned with a situation which occurs only infrequently. In a typical case, the veteran owns his lot and acts as his own contractor in building his home, usually doing part of the work himself and perhaps hiring subcontractors for such things as plumbing or electrical work. He has a lender willing to make a GI loan when the house is completed but the lender requires payment of a discount. Unless the veteran legally is permitted to pay the discount required, he is unable to obtain his GI loan. We do not construe this provision in any way to constitute a device to permit builders to pass the payment of discounts on to veteran purchasers.

Lastly, item (d) concerns itself with the relatively rare case where the seller of an existing property is legally prohibited from paying discounts, e.g., a trustee in bankruptcy. Where a veteran desires to purchase such a home and is willing to pay the discount required by the lender, we believe he should not be denied GI financing.

In summary, we recommend adoption of the proposed amendment to section 1803(c) of title 38.

Subsection (d) of section 2 of the bill would amend section 1804(c) of title 38 to require only one occupancy certification, made at the time of the loan closing, on loans processed on an automatic basis. This section of title 38 currently requires veterans to certify, both at the time they apply for the loans and at the time the loans are closed, that they intend to occupy the properties securing the loans as their homes.

In the case of loans submitted to VA on a prior approval basis, compliance with this statute is no problem as the VA forms for loan guaranty applications and the VA loan closing reports contain the necessary certifications. On loans processed for automatic guaranty, VA does not receive the paperwork from the lender until after closing. The loan applications are made on the form used by lenders for all their loans and do not contain the special VA occupancy certification. The VA has distributed to automatic lenders VA Form 26-1820a which contains the occupancy certification. This form is supposed to be executed by veterans when they apply for loans. However, it is too often overlooked, especially with changes in lender personnel, and often when submitted it bears the same date as the loan closing. The administrative problem of getting lenders to have veterans sign this form at the appropriate time increases regional office workload with little apparent success.

In view of the administrative problems caused by this requirement on automatically processed loans, we consider this amendment appropriate.

Subsection (e) of section 2 of the bill would amend sections 1804 (b) and (d) of title 38 to remove the requirement that, when VA suspends a builder, lender or broker based upon disciplinary action taken by the Secretary of Housing and Urban Development, the HUD sanction must have been taken under section 512 of the National Housing Act. Under this same section of the National Housing Act, HUD can suspend a builder or lender when VA has suspended a party under section 1804 (b) or (d). This amendment would have the effect of permitting VA to refuse to do business with any party suspended by HUD, regardless of whether HUD's debarment is based on section 512 of the National Housing Act or some other authority in the Act.

The Veterans' Administration has often been placed in the embarrassing position of having to do business with a firm after it has been debarred by HUD for serious misconduct, because the Secretary of HUD has imposed a sanction against the party under authority other than section 512 of the National Housing Act. In these cases, VA often does not have sufficient evidence of its own which involves GI loans to prove similar misconduct in VA cases. We therefore recommend that this amendment be accepted.

Currently, sections 1804 (b) and (d) permit the Administrator to suspend parties from participation in the Loan Guaranty Program for various actions deemed to be contrary to the interests of veterans or

of the United States. It also permits the Administrator to suspend any party against whom a similar sanction is imposed by HUD under section 512 of the National Housing Act. HUD, however, has authority to suspend program participants under more than one statute, and often invokes an authority other than section 512 in taking disciplinary action. This often places VA in the embarrassing position of having to continue to do business with a firm after it has been debarred by HUD for serious misconduct.

Section 3 of the bill amends section 1810 of title 38, United States Code, in three ways. The first change is technical in nature. Section 3(1) deletes the discount provisions relating to refinancing loans from section 1810(a)(5) of title 38 in favor of placing it into the proposed section 1803(c)(3).

Section 3(2) of the bill would amend section 1810(c) of title 38 to increase the maximum loan guarantee amount from $12,500 to $17,500.

With the increases that have occurred in the prices in homes since May 7, 1968, the effective date of Public Law 90–301, which raised the maximum guaranty from $7,500 to $12,500, the present $12,500 guarantee does not afford an adequate safeguard for lenders on the larger loans that are now being processed. In fiscal year 1974, the average GI loan was $25,100; the maximum $12,500 guarantee, therefore, provided only 49.8 percent coverage. As the loan amount increases, the percentage that is guaranteed decreases. The average loan amount has been increasing each year. With continued increases in the size of the loans guaranteed, it is desirable to increase the maximum guarantee amount in order to maintain the 60 percent ratio indicated in section 1803 of title 38. Unless the maximum guarantee is increased, we believe that lenders will abandon GI loans in growing numbers. An increase in the maximum guarantee will not significantly increase the expenses and losses in the program. We, therefore, consider the proposed increase in the maximum guaranty appropriate.

Section 3(3) of the bill would amend section 1810(d) of title 38 to eliminate the provision which restricts the VA guarantee of condominium loans to those projects where the Secretary of Housing and Urban Development has insured at least one loan under section 234 of the National Housing Act. Because of the limited number of condominiums processed under section 234, veteran purchasers have been limited to a relatively narrow selection of units and have been precluded from using their loan benefits to finance condominium units from the total available market. Elimination of the requirement that one loan must be insured under section 234 would make one-family residential condominium properties generally available for VA guaranteed loan purposes and would be a desirable improvement.

Section 4 of the bill would amend section 1811(d)(2)(A) of title 38 which relates to direct loans, by changing the ratio for determining the amount of guarantee entitlement used when a direct loan is made to a veteran. The amendment would not change the maximum direct loan amount, but would provide for a lesser charge against entitlement for a comparable loan. This is a perfecting change, consistent with the increase in the maximum guarantee.

Section 5 of the bill would amend section 1819 of title 38, relating to mobile home loans. This section indefinitely extends the life of VA's mobile home loan guaranty program. Separate provisions are also

made in this section for maximum loan limitation for double-wide mobile homes, as contrasted with single-wide mobile homes. The maximum loan for single-wide mobile home loans would be increased from $10,000 to $12,500 and new loan maximums and maturities would be established for double-wide mobile home loans. Further, the bill would provide authority, for the first time, to guarantee a loan for the purpose of acquiring a lot and making necessary site preparations upon which to place a mobile home unit already owned by a veteran.

Section 1819(o) of title 38 provides that the VA mobile home program will end July 1, 1975. Section 5(10) of the bill repeals this termination provision. In recent years, mobile homes have represented a substantial share of all single family dwelling units available for purchase, and approximately 80 percent of all new homes sold for under $20,000. This program, therefore, is extremely important in providing lower income veterans with suitable housing.

The present $10,000 maximum loan amount is inadequate to finance better quality and the larger (14-foot to 16-foot wide) mobile homes. The proposed increase to $12,500 would alleviate this problem. Double-wide mobile homes also have found a more receptive market, but are even costlier, requiring maximum loans up to $15,000, and 15-year terms, as proposed.

These changes would permit veterans to finance the purchase of better quality and larger mobile homes with GI loans than is now possible. The present statutory maximum of $10,000 for mobile homes largely relegates the VA program to a level serving only the most modestly priced segment of the market. At present, any veteran who desires to buy a large single-wide or a double-wide mobile home would find it necessary to put up so much downpayment under the GI loan program that he is, in effect, deprived of the benefits of a VA guaranteed loan.

There are veterans who purchased mobile homes prior to the time authority was granted for VA to guarantee mobile home loans and others who have purchased, or will purchase, mobile homes without using VA loans to finance their homes. The guarantee of loans to purchase lots for mobile homes, usually at a cost significantly below that of renting sites, would grant to such veterans the same benefits presently available to veterans who finance their mobile homes with VA assistance. As a practical matter, the proposal, if enacted, is not likely to result in any significant volume of loans, because lenders generally will not be interested in such financing due to the small loan amounts that would be involved. Nonetheless, as the law now provides, the financing of just a mobile home site is precluded even if the veteran could make such arrangements with a lender. To the extent that such financing can be secured, we believe it would be desirable to have the authority to guarantee such purchases.

We propose one technical change. Section 5(1) of the bill calls for inserting the phrase "or the mobile home lot guaranty benefit, or both," in certain places in title 38. We believe the word "loan" should be placed between "lot" and "guaranty" in this insertion, since VA would be guaranteeing a loan for the purchase of a lot, not guaranteeing the lot itself.

Section 6(a) of the bill would amend title 38 by deleting sections 1812, 1813, 1814, and 1822. Neither the farm loan program (section 1812) nor the business loan program (section 1813) affords a viable

benefit to veterans. Due to the relatively restrictive terms of a VA guaranteed farm or business loan, and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration, lenders have not been making such loans. For example, in 1951, VA guaranteed 42,000 business loans. Since that time, the volume has dwindled to negligible proportions, and in fiscal year 1974 only two business loans were guaranteed. The peak year for guaranteed farm loans was 1947, when 20,000 were guaranteed. In the interval, there has been a steady sharp decline year after year through fiscal year 1974, when only eight farm loans were guaranteed.

The refinancing authority in title 38 in section 1810(a)(5), obviates the need for the similar provision in section 1814(a)(1). The deletions of sections 1812 and 1813, as proposed, will render section 1814(a)(2) meaningless. The remaining provision, section 1814(a)(3), which permits the guarantee of loans to pay delinquent taxes or assessments, does not afford a viable benefit since lenders are not willing to make such loans under the VA program. In this connection, it may be noted that taxes and assessments are liens on dwellings and, therefore, can be refinanced under section 1810(a)(5) of title 38.

Section 1810(b)(5) now limits the VA loan to the reasonable value of the property as determined by the Administrator. In effect, it now permits the veteran to pay a sales price in excess of such value. Formerly, a loan could not be guaranteed or insured when the sales price was in excess of the reasonable value thereof as determined by VA. Section 1822(a) was, therefore, amended by Public Law 90–301 to eliminate loans guaranteed under section 1810. With the proposed deletion of sections 1812 and 1813, as provided in this bill, section 1822 will become meaningless and should be deleted.

Sections 6(b) and 7 of the bill contain technical amendments to sections 1803(a)(1), 1803(b), 1803(d), 1815(b), 1818(a), and 1818(c), and the table of sections at the beginning of chapter 37 of title 38, required by the deletions of sections 1812, 1813, 1814, and 1822.

The deletion of the reference to section 1815 in sections 1818(a) and 1818(c) found in subsections (6) and (7) of section 7 of the bill would permit post-Korean veterans to obtain insured home loans which are now available only to World War II and Korean conflict veterans. Very few lenders, however, now have their loans insured rather than guaranteed. However, there is no valid reason for maintaining the existing unwarranted distinction between classes of veterans.

Section 8 of the bill would amend section 802 of title 38 to increase from $17,500 to $25,000 the maximum grant VA could make, pursuant to chapter 21 of this title, to certain disabled veterans to assist them in acquiring suitable housing units specially adapted to the nature of their disabilities.

The specially adapted housing grant is limited to 50 percent of the total cost of the house. Veterans may use their VA guaranteed or direct loan entitlement or obtain conventional financing to obtain the remainder of the money necessary to purchase or construct their homes.

The grant for specially adapted housing was set at $10,000 by Public Law 702 (80th Congress) in 1948. It was increased to $12,500 in 1969 (P.L. 91–22) and to the present $17,500 in 1972 (P.L. 92–341).

In FY 1972, the average total cost to a veteran for a new, specially adapted house was $38,744. This cost rose to $45,155 for FY 1973 and $48,510 in FY 1974. In July 1974, the last month for which such data is available, this average was $53,500. We anticipate these costs will continue to increase. We, therefore, believe the proposed increase is warranted.

Section 9 of the bill provides that sections 2(b) (authorizing the Administrator to permit any lender to process loans for automatic guaranty) and 3(3) (relating to condominium loans) shall become effective 90 days after the bill's enactment. Since carrying out these two sections will require special administrative preparations, the delayed effective date is appropriate. This section further provides that the remainder of the bill should become effective on enactment.

The estimated total first-year cost of the bill, if enacted, would be $5,810,800, and the total 5-year cost would be $35,581,500. The annual cost for the first 5 years for each of the elements of the bill is reflected in an attachment to this report.

In view of the foregoing, the Veterans' Administration favors the enactment of S. 3883.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

RICHARD L. ROUDEBUSH,
Acting Administrator.

ESTIMATED COSTS OF S. 3883 FOR FISCAL YEARS 1975 THROUGH 1979

	General operating expense	Expenses and losses	Total
A. Restoration of entitlement:			
1975	−$280,000	$47,000	−$233,000
1976	−301,000	179,000	−122,000
1977	−308,000	348,000	+40,000
1978	−315,000	515,000	+200,000
1979	−322,000	702,000	+380,000
Total	−1,526,000	1,791,000	+265,000
B. Automatic processing:			
1975	−305,400	270,000	−35,400
1976	−326,700	270,000	−56,700
1977	−332,800	270,000	−62,800
1978	−339,800	270,000	−69,800
1979	−345,700	270,000	−75,700
Total	−1,650,400	1,350,000	−300,400
C. $17,500 guaranty:			
1975	0	0	0
1976	0	10,000	10,000
1977	0	50,000	50,000
1978	0	125,000	125,000
1979	0	180,000	180,000
Total	0	365,000	365,000
D. Condominiums:			
1975	544,200	0	544,200
1976	549,600	0	549,600
1977	555,100	0	555,100
1978	560,700	0	560,700
1979	566,300	0	566,300
Total	2,775,900	0	2,775,900
E. Mobile home loans (increase in loan amounts and elimination of 1975 termination date):			
1975	100,000	$60,000	660,000
1976	535,000	642,000	1,177,000
1977	581,000	934,000	1,515,000
1978	642,000	1,841,000	2,483,000
1979	698,000	2,600,000	3,298,000
Total	2,556,000	6,577,000	9,133,000
F. Increase SAH grants to $25,000:			
1975	0	4,875,000	4,875,000
1976	0	4,875,000	4,875,000
1977	0	4,689,000	4,689,000
1978	0	4,590,000	4,590,000
1979	0	4,314,000	4,314,000
Total	0	23,343,000	23,343,000
Total estimated cost:			
1st year			5,810,800
2d year			6,432,900
3d year			6,786,300
4th year			7,888,900
5th year			8,662,600
5-year total			35,581,500

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., April 18, 1974.

Hon. WM. JENNINGS BRYAN DORN,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 9578, 93d Congress.

The purpose of the bill is to amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes.

Subsection (a) of section 2 of the bill would amend subsection 1802(b) of title 38, United States Code, which provides for restoration of loan entitlement, first, by removing the requirement for a determination that the veteran has disposed of property financed with guaranteed, insured, or direct loans for "compelling reasons devoid of fault" on his part, and second, by incorporating into the statute the regulatory requirement that the veteran's previous GI loan has been paid in full or the Administrator has been released from liability as to the loan.

The law presently provides, with respect to a veteran, that the Veterans' Administration may restore entitlement previously used to obtain a guaranteed, insured, or direct loan if the property is taken, through condemnation or otherwise, by a governmental body, or is lost or destroyed through a natural hazard, or is disposed of *for some compelling reason devoid of fault on the part of the veteran*, and with respect to a serviceman, the Veterans' Administration is required to restore entitlement used to purchase a home which the serviceman must dispose of because of a transfer by the service department, provided the loan is paid in full. In the administration of the statutory authority, VA regulations have always required that the Government's liability on a veteran's loan must have been extinguished, which requires for all practical purposes that the loan must have been paid in full. The amendment regarding restoration only upon payment in full, in effect, codifies the regulatory practice.

The removal of "compelling reasons devoid of fault" would eliminate a statutory requirement that is susceptible to varying interpretations and, hence, uneven application throughout the system of VA field stations. Furthermore, determinations of the validity of the reasons for the disposal of properties by veterans entail a substantial expenditure of resources on the part of VA staff.

The bill would tend to desirably increase the availability of loan benefits to veterans, but would not affect their availability to servicemen. As to veterans, the impact would be largely confined to those who have used substantially all of their $12,500 entitlement for the purchase of a home and who did not have a "compelling reason" for disposing of their homes. Many desire or find a need for a different or larger house for personal reasons. If the prior loans of these veterans have been paid off, they would be granted new entitlement in full for the purchase of another home. And, this extended availability of GI loan financing for such veterans will not substantially escalate the Government's exposure to loss.

We note, this proposed amendment to subsection 1802(b) requires that both of the two conditions be satisfied before the Administrator may restore entitlement; first, that the property has been disposed of by the veteran, or has been destroyed by fire or other natural hazard, and second, that the loan has been repaid in full or the Administrator has been released from liability, or, if the Administrator has suffered a loss, such loss has been paid in full. Heretofore, under the current law the Administrator has had authority to exercise a measure of discretion and has authorized waiver of the repayment in full requirements in certain circumstances. For example, waivers have been granted where the property was disposed of because of having been substantially damaged by flood, landslide, subsidence, or other unusual circumstance, or the builder is unable to correct construction defects upon the veteran's request therefor and purchases the property from the veteran but is unable to pay off the VA guaranteed loan in connection with such purchase. By making these revised conditions mandatory, the amendment would remove such discretion and preclude restoration of entitlement in a number of deserving situations. We believe that occasions will continue to arise when it would be appropriate for the Administrator to restore a veteran's entitlement even though the above conditions cannot be met. Accordingly, we recommend that subsection 2(a) of the bill be amended by adding a new subparagraph (3) as follows:

> (3) Notwithstanding the foregoing, the Administrator may, in any case involving circumstances he deems appropriate, waive either or both of the above-named requirements.

Subsection (b) of section 2 of the bill would amend present subsection 1802(d) by deleting clause (3) thereof, which has become obsolete since the Department of Housing and Urban Development program for certified agents has been inoperative for years. In lieu thereof, a new clause (3) would be inserted to authorize the Administrator to permit any lender to process GI conventional home or mobile home loans on an automatic guaranty basis pursuant to standards established by the Administrator.

The automatic loan procedure facilitates the closing of a loan, which is then reported to the VA for guaranty, as opposed to the lender submitting a loan application, with supporting documents, to the VA, which then issues to the lender a commitment to guarantee the loan when closed. Under the automatic procedure, the flow of the transaction, from application to a lender for a loan to actual closing, can be greatly expedited, thus resulting in better service to the veteran-buyer. Under existing law, however, only supervised lenders (e.g., banks, savings and loan associations, and insurance companies) have the privilege of automatic processing. All other lenders must submit loans to VA for prior approval.

Consumer credit and finance companies which are non-supervised lenders have not been participating to any great extent in the VA mobile home loan program. Many such lenders have been reluctant to process loans on a prior approval basis, which entails more time to obtain commitments from VA than the time required for completing loans on a conventional basis. It is believed this provision will serve to stimulate greater participation in the mobile home loan program.

Under this subsection of the bill, VA would also be authorized to approve qualifying non-supervised lenders to process loans for automatic guarantees for veterans to finance conventionally built homes. Mortgage companies originate about two-thirds of the loans which VA guarantees on conventionally built homes. Some mortgage companies have consistently demonstrated the capability and expertise necessary for originating loans of satisfactory quality. Considering the fact that loans processed automatically entail substantially less workload demands on VA, it is shortsighted to deny qualified mortgage companies the opportunity to process loans in this manner. There is ample reason to expect as satisfactory performance from reliable mortgage companies originating large volumes of loans as from some supervised lenders which are relatively inactive in the program and, hence, unfamiliar wth GI loan requirements.

Subsection (a) of section 3 of the bill would amend subsection 1810(c) of title 38 to increase the maximum loan guarantee amount from $12,500 to $15,000.

With the increases that have occurred in the prices of homes since May 7, 1968, the effective date of Public Law 90–301, which raised the maximum guarantee from $7,500 to $12,500, the present $12,500 guarantee does not afford an adequate safeguard for lenders on the larger loans that are now being processed. In fiscal year 1973, the average GI loan was $23,450; the maximum $12,500 guarantee, therefore, provided only 53.3-percent coverage. As the loan amount increases, the percentage that is guaranteed decreases. The average loan amount has been increasing in the area of 5 to 7 percent each year. With continued increases in the size of loans guaranteed, it is desirable to increase the maximum guarantee amount in order to maintain the 60-percent ratio indicated in section 1803 of chapter 37. Unless the maximum guarantee is increased, we believe that lenders will abandon GI loans in growing numbers. An increase in the maximum guarantee will not significantly increase the expenses and losses in the program.

Subsection (b) of section 3 of the bill would amend subsection 1810(d) of title 38 to eliminate the provision which restricts the VA guarantee of condominium loans to those projects where the Secretary of Housing and Urban Development has insured at least one loan under section 234 of the National Housing Act. Because of the limited number of condominiums processed under section 234, veteran purchasers have been limited to a relatively narrow selection of units and have been precluded from using their loan benefits to finance condominium units from the total available market. Elimination of the requirement that one loan must be insured under section 234 would make one-family residential condominium properties generally available for VA guaranteed loan purposes and would be a desirable improvement.

Section 4 of the bill would amend subsection 1811(d)(2)(A) of title 38, United States Code, which relates to direct loans, by changing the ratio for determining the amount of guarantee entitlement used when a direct loan is made to a veteran. The amendment would not change the maximum direct loan amount, but would provide for a lesser charge against entitlement for a comparable loan. This is a perfecting change, consistent with the increase in the maximum guarantee from $12,500 to $15,000 under section 3 of the bill.

Section 5 of the bill would amend section 1819 of title 38 relating to mobile home loans. The maximum guarantee would be increased

from 30 to 50 percent of the loan. Separate provisions are made in the bill or maximum loan limitation for double-wide mobile homes, as contrasted with single-wide mobile homes. The maximum loan for single-wide mobile home loans would be increased from $10,000 to $12,500 and new loan maximums and maturities would be established for double-wide mobile home loans. Further, the bill would provide authority, for the first time, to guarantee a loan for the purpose of acquiring a lot and making necessary site preparations upon which to place a mobile home unit already owned by a veteran.

The present $10,000 maximum loan amount is inadequate to finance better quality and larger (14-foot to 16-foot wide) mobile homes. The proposed increase to $12,500 would alleviate this problem. Double-wide mobile homes also have found a more receptive market, but are even costlier, requiring maximum loans up to $15,000, and 15-year terms, as proposed.

These changes would permit veterans to finance the purchase of better quality and larger mobile homes with GI loans than is now possible. The present statutory maximum of $10,000 for mobile homes largely relegates the VA program to a level serving only the most modestly priced segment of the market. At present, any veteran who desires to buy a large single-wide or a double-wide mobile home would find it necessary to put up so much downpayment under the GI loan program that he is, in effect, deprived of the benefits of a VA guaranteed loan.

There are veterans who purchased mobile homes prior to the time authority was granted for VA to guarantee mobile home loans and others who have purchased, or will purchase, mobile homes without using VA loans to finance their homes. The guarantee of loans to purchase lots for mobile homes, usually at a cost significantly below that of renting sites, would grant to such veterans the same benefits presently available to veterans who finance their mobile homes with VA assistance. As a practical matter, the proposal, if enacted, is not likely to result in any significant volume of loans, because lenders generally will not be interested in such financing due to the small loan amounts that would be involved. Nonetheless, as the law now provides, the financing of just a mobile home site is precluded even if the veteran could make such arrangements with a lender. To the extent that such financing can be secured, we believe it would be desirable to have the authority to guarantee such purchases.

As mentioned, section 5 of the bill also would provide for a change in paragraph (3) of subsection (c) of section 1819 to increase the maximum guarantee on mobile home loans from 30 percent to 50 percent. The guarantee of a loan by VA serves as a substitute for the safeguard afforded lenders by the substantial downpayments made by borrowers incident to obtaining conventional loans. In other words, the 30-percent guarantee by VA stands in the place of a 30-percent downpayment and, if the guarantee were to be increased to 50 percent, such action would afford lenders and holders with a security equivalent to that which would be derived from 50 percent downpayments. There has been no indication that in the financing of mobile homes lenders generally are demanding 30 percent downpayments, much less 50 percent. On the other hand, some lenders appear to believe that a guarantee larger than 30 percent is desirable, presumably in the belief that an increase would improve the security of investments in VA guaranteed mobile home loans currently yielding 12 percent. An examination

of most of the guarantee claims paid to date, however, demonstrates that in the vast majority of cases the present 30-percent guarantee has adequately insulated the holders of the loans against loss. In view of the foregoing, there appears to be no need for an increase in the maximum guarantee.

Section 6 of the bill would amend the structural defects provisions of section 1827, title 38, United States Code, by including existing dwelling units where owners request assistance within 2 years from date their loans were made, guaranteed, or insured. Under the present law, the responsibility of the VA for the correction of major defects is applicable only to new homes which have been subject to required VA or FHA compliance inspections during the course of construction.

The present liability with respect to new construction, is limited and mitigated by a series of inspections during construction by qualified staff or fee personnel to insure quality construction in compliance with previously submitted plans and specifications conforming to prescribed minimum property standards. Further, each veteran purchaser must be furnished with a 1-year warranty from the builder, in accordance with section 1804(a) of title 38. Such warranty gives the purchaser a direct remedy against the builder-seller should major structural deficiencies develop. If the builder fails to honor the warranty, the VA can apply sanctions against the builder in accordance with section 1804(b) of title 38, and be subrogated to any legal rights the borrower may have.

These safeguards would not apply to existing properties which are appraised for the purpose of establishing their market values for determination of the maximum loans that the VA can guarantee or insure. On a completed building, defects can seldom be readily detected where the "bone" structure is covered from view. While the appraiser does report any readily observable conditions which affect the safety, durability, and sanitation of the dwelling, as well as obvious structural deficiencies, latent defects more often than not cannot be detected or predicted by an appraiser unless he indulges in sheer speculation. In order to safeguard against losses, the VA would have to consider requiring sellers or purchasers to stand the delay and expense of examinations by qualified building inspectors or technicians, to include plumbing, heating, electrical, and roofing items. Warranties backed by surety bonds or cash escrows from sellers would also be desirable, but many sellers would be unwilling or lack the resources to agree thereto. Consequently, the opportunities to purchase existing properties would be much less available to veterans.

Section 6 would be a substantial departure from the fact that appraisals on existing properties are intended only to establish values for loan purposes. Enactment of the section would have the effect of adding a new concept of insurance against major defects. We are opposed to such an extension.

Section 7 of the bill would amend chapter 37 of title 38, United States Code, by deleting sections 1812, 1813, 1814, and 1822.

Neither the farm loan program nor the business loan program affords a viable benefit to veterans. Due to the relatively restrictive terms of a VA guaranteed farm or business loan, and the availability of more attractive programs administered by the Small Business Administration and the Farmers Home Administration, lenders have not been making such loans. For example, in 1951, VA guaranteed 42,000 business loans under section 1813. Since that time, the volume has

dwindled to negligible proportions, and in fiscal year 1973 only three business loans were guranteed. The peak year for guaranteed farm loans was 1947, when 20,000 were guaranteed. In the interval, there has been a steady sharp decline year after year through fiscal year 1973, when only seven farm loans were guaranteed.

The refinancing authority in title 38, United States Code, section 1810(a)(5), obviates the need for the similar provision in section 1814(a)(1). The deletions of sections 1812 and 1813, as proposed, will render section 1814(a)(2) meaningless. The remaining provision, section 1814(a)(3), which permits the guarantee of loans to pay delinquent taxes or assessments, does not afford a viable benefit since lenders are not willing to make such loans under the VA program. In this connection, it may be noted that taxes and assessments are liens on dwellings and therefore, can be refinanced under 38 United States Code 1810(a)(5).

Section 1810(b)(5) now limits the VA loan to the reasonable value of the property as determined by the Administrator. In effect, it now permits the veteran to pay a sales price in excess of such value. Formerly, a loan could not be guaranteed or insured when the sales price in excess of the reasonable value thereof as determinedby VA. Section 1822(a) was, therefore, amended by Public Law 90–301 to eliminate loans guaranteed under section 1810. With the proposed deletion of sections 1812 and 1813, as provided in this bill, section 1822 will become meaningless and should be deleted.

Section 8 of the bill contains technical amendments to sections 1803(a)(1), 1803(b), 1803(d), 1815(b), 1818(a), and 1818(c) required by the deletions of sections 1812, 1813, 1814, and 1822.

The deletion of the reference to section 1815 in sections 1818(a) and 1818(c) found in subsections (f) and (g) of section 8, would permit post-Korean veterans to obtain insured home loans which are now available only to World War II and Korean conflict veterans. Very few lenders now have their loans insured rather than guaranteed. Further, there is no reason for maintaining the existing unwarranted distinction between classes of veterans.

The estimated total first-year cost of the bill, if enacted, would be $817,300, and the total 5-year cost would be $6,069,400. The annual cost for the first 5 years for each of the major elements of the bill is reflected in an attachment to this report.

With the exception of the provision of section 5 of the bill, which increases the guarantee on mobile home loans from 30 to 50 percent, and the exception to the provision of section 6, which provides for correction of structural defects in existing dwellings, and with the inclusion of the proposed amendment to subsection 2(a), to grant discretionary waiver authority, the Veterans' Administration favors enactment of H.R. 9578.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

R. Roudebush,
Deputy Administrator
(In the absence of
Donald E. Johnson, Administrator)

Enclosure.

ESTIMATED COSTS OF H.R. 9578 FOR FISCAL YEARS 1975 THROUGH 1979

[Note: Committee has adopted updated costs—see p. 5, infra.]

	General operating expense	Expenses and losses	Total
A. Reinstatement:			
1975	−$280,000	$47,000	−$233,000
1976	−301,000	179,000	−122,000
1977	−308,000	348,000	+40,000
1978	−315,000	515,000	+200,000
1979	−322,000	702,000	−380,000
Total	−1,526,000	1,791,000	+265,000
B. Automatic processing:			
1975	−305,400	270,000	
1976	−326,700	270,000	
1977	−322,800	270,000	
1978	−339,800	270,000	
1979	−345,700	270,000	
Total	−1,650,400	1,350,000	
C. $15,000 guaranty:			
1975			
1976		5,000	
1977		25,000	
1978		62,500	
1979		90,000	
Total		182,500	
D. Condominiums:			
1975	544,200		
1976	549,600		
1977	555,100		
1978	560,700		
1979	566,300		
Total	2,775,900		
E. Mobile home loans:[1]			
1975	100,000	359,000	
1976		604,000	
1977		613,000	
1978		621,000	
1979		388,500	
Total	100,000	2,585,500	
F. Structural defects:			
1975		82,500	
1976		84,000	
1977		91,000	
1978		98,000	
1979		105,000	
Total		460,500	
Total 5-year estimated cost			6,069,400

[1] Increases in loan amounts.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 1, 1974.

Hon. WM. JENNINGS BRYAN DORN,
Chairman, Committee on Veterans' Affairs, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans Administration on H.R. 15293, 93d Congress, a bill "To amend title 38, United States Code, to increase the maximum amount of the grant payable for specially adapted housing for disabled veterans."

The bill would increase from $17,500 to $20,000 the maximum grant VA could make pursuant to chapter 21 of title 38, United States Code, to certain disabled veterans to assist them in acquiring suitable housing units specially adapted to the nature of their disabilities.

The grant for specially adapted housing was set at $10,000 by Public Law 702 (80th Congress) in 1948. The Congress increased the maximum grant to $12,500 in 1969 (Public Law 91-22) and again increased it to the present maximum of $17,500 in 1972 (Public Law 92-341). In FY 1971, the average total cost to a veteran for a new, specially adapted house was $35,990. This cost rose to $38,744 for FY 1972 and to $45,155 for FY 1973. We anticipate that the average cost for FY 1974 will be even higher.

Veterans eligible for specially adapted housing usually can also qualify for a direct loan of up to $25,000 to supplement the specially adapted housing grant. However, even if a veteran were to receive the current maximum grant and maximum direct loan, the total would fall short of the average cost of a specially adapted house. In view thereof, an increase in the maximum grant to $20,000 for this especially deserving group would appear fully warranted.

We estimate that the maximum cost for the first five years of this bill, if enacted, would be $7,781,000. This amount assumes an effective date of july 1, 1974. A breakdown of the total cost is as follows:

	Number of grants	Costs
Fiscal year:		
1975	650	$1,625,000
1976	650	1,625,000
1977	625	1,563,000
1978	612	1,530,000
1979	575	1,438,000
Total		7,781,000

For the foregoing reasons, the Veterans Administration favors enactment of H.R. 15293.

We were advised by the Office of Management and Budget in connection with a report to the Senate Committee on Veterans' Affairs on S. 3077, a bill identical to H.R. 15293, that there was no objection to the presentation of the report from the standpoint of the Administration's program.

Sincerely,

R. L. ROUDEBUSH,
Deputy Administrator
(In the absence of
Donald E. Johnson, Administrator).

[No. 108]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., March 25, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on S. 3058, 93d Congress, a bill to amend chapter 37 of title 38, United States Code, to permit interest on loans under section 1810 of the chapter to be as agreed upon by the lender and borrower, and for other purposes.

This measure is identical to a draft bill which I forwarded to the President of the Senate and the Speaker of the House of Representatives with the request that it be introduced. A copy of my letter, dated January 21, 1974, explaining the proposal and urging its enactment, is enclosed.

The Office of Management and Budget advised the Veterans' Administration in connection with the draft legislation that its enactment would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH,
Deputy Administrator
(In the absence of
Donald E. Johnson, Administrator).

Enclosure.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., January 21, 1974.

Hon. GERALD R. FORD,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to amend chapter 37 of title 38, United States Code, to permit interest on loans under section 1810 of the chapter to be as agreed upon by the lender and borrower, and for other purposes, with the request that it be introduced in order that it may be considered for enactment.

On August 3, 1973, the President submitted to the Congress a message proposing "A Program for Reform of Our Financial System." In his message the President pointed out that he would propose to the Congress legislation designed to strengthen and revitalize our country's financial institutions and that these proposals would be divided into seven major subject areas. One of the subject areas provided for the removal of FHA and VA interest ceilings in order to help insure more adequate funds for housing.

At the Administration's request, S. 2591 was introduced in the Congress to implement the President's message of August 3, 1973. The bill, cited as the "Financial Institutions Act of 1973," was referred to the Committee on Banking, Housing and Urban Affairs.

That part of the bill which directly relates to the Veterans' Administration is set out as section 602, title VI, which together with section 601, is designed to remove maximum interest controls from both VA and HUD/FHA housing programs. Section 602 also would prevent a mortgagee from charging discounts or points, and would make perfecting amendments to section 1811 of title 38 (the direct loan program) to remove reference in that section to interest rates authorized for guaranteed and mobile home loans.

Since section 602 would amend title 38, United States Code, which pertains to veterans benefits, this draft bill, identical to section 602, is submitted as a separate proposal to insure its referral to the Committee on Veterans' Affairs. This would avoid any jurisdictional conflict between Committees which could ensue if the measure relating to our program is retained solely as a part of the overall Financial Institutions bill.

Maintaining an interest ceiling on VA mortgage loans has failed to keep costs down, as evidenced in part by the widespread use of discount points. At the same time, the ceilings have restricted the flow of private funds into mortgage markets. The removal of the interest ceiling will help to ensure more adequate funds for veteran housing.

We do not foresee the enactment of this proposal resulting in any appreciable additional cost.

We are advised by the Office of Management and Budget that there is no objection to the submission of this draft legislation to the Congress and that its enactment would be in accord with the program of the President.

Sincerely,

DONALD E. JOHNSON,
Administrator.

Enclosure.

A BILL To amend chapter 37 of title 38, United States Code, to permit interest on loans under section 1810 of the chapter to be as agreed upon by the lender and borrower, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 37 of title 38, United States Code, is amended as follows:

(1) Subsection (c) (1) of section 1803 is amended by putting a period after the phrase "pursuant to this chapter", striking out all that follows thereafter, and inserting in lieu thereof the following:

"The interest rate on loans guaranteed or insured under section 1810 of this chapter shall be as agreed to by the lender and borrower, unless the Administrator determines that such rate is excessive in view of the current interest rates in the mortgage or loan market in the areas involved. The Administrator shall prescribe such regulations as may be necessary to assure that lenders do not, directly or indirectly, make any charges in the nature of discounts or points in connection with loans guaranteed under section 1810 or insured under section 1815 of this chapter."

(2) Subsection (a) (5) of section 1810 is amended by deleting the second sentence thereof.

(3) Subsection (c) (1) of section 1811 is amended by read as follows:

"he is unable to obtain from a private lender in such housing credit shortage area a loan for which he is qualified under section 1810 or 1819 of this chapter as may be appropriate; and".

(4) Subsection (d) (1) of section 1811 is amended to read as follows:

"Loans made under this section shall bear interest at a rate determined by the Administrator, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this chapter as may be applicable."

[No. 124]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., April 10, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of March 5, 1974, for the views of this Office on S. 3058, a bill to amend chapter 37 of title 38, United States Code, to permit interest on loans under section 1810 of the chapter to be agreed upon by the lender and borrower, and for other purposes.

This bill is identical to draft legislation which the Veterans' Administration transmitted to the Congress on January 21, 1974.

It would carry out, with respect to VA insured housing, the recommendation of the President in his message to the Congress of September 19, 1973, on Federal housing policy that the statutory interest ceiling on FHA and VA insured mortgages be removed. In his message, the President noted that the Congress has limited the interest rates on mortgages eligible for FHA and VA insurance in an effort to hold down the cost of borrowing, but that setting the rate below market rates does not accomplish its intended purpose. In practice, it reduces the flow of private funds into mortgage markets. Moreover, lenders who do put money into housing supplement the artificially low interest rate by requiring a special additional payment commonly called "points," with unfortunate side effects.

The President stated: "* * * the ceiling on interest rates does just the reverse of what it was intended to do * * * I again urge the Congress to allow the FHA and VA to insure mortgages carrying market rates of interest. This proposal would end the need for charging points; indeed, it would prohibit charging such prepaid interest points on these insured mortgages."

We recommend favorable action on S. 3058, enactment of which would be in accord with the program of the President.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

OCTOBER 1, 1974.

Mr. A. OAKLEY HUNTER,
President, Federal National Mortgage Association,
Washington, D.C.

DEAR MR. HUNTER: Our Committee is presently considering proposals to amend the Veterans' Administration loan guarantee program contained in Title 38, United States Code. Among them is a proposed amendment to S. 3883, "Veterans Housing Act of 1974", to increase the percentage of Veterans' Administration guarantee on its mobile home loans from 30% to 50%. Proponents of this amendment have indicated that such a change might lead your association to approve such loans for inclusion in your secondary market operations. We understand that presently you do not buy mobile home loans guaranteed or insured by government agencies under your secondary market programs.

Inasmuch as the experience of the Veterans' Administration mobile home loan program to date shows a very low risk of loss to the holders of such mortgage loans, we see no reason to increase the guarantee percentage other than to provide a secondary market for such loans. For that reason we would appreciate it if you could advise the Committee whether an increase in the guarantee to 50% would lead FNMA to approve Veterans' Administration mobile home loans as eligible for purchase under your secondary market programs.

I would appreciate receiving your views on this matter within two weeks.

Sincerely,

VANCE HARTKE, *Chairman.*

FEDERAL NATIONAL MORTGAGE ASSOCIATION,
Washington, D.C., November 13, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your recent letter asking for our comments regarding a proposed amendment to S. 3883, the "Veterans Housing Act of 1974", which amendment would increase the percentage of the VA guarantee on its mobile home loans from 30 percent to 50 percent.

As you state, FNMA does not now have a program to purchase mobile home loans. This decision, made in 1971, was based on the FHA and VA mobile home programs as they existed at that time. We are, however, again looking into this matter in light of the changes already made in the government backed mobile home loans programs as well as the changes in these programs presently being considered.

Because of our present workload it may be several months before we are able to complete our study and make a decision on whether FNMA will institute a secondary market program for mobile home loans.

In response to your specific question, if the Congress were to increase the VA guarantee to 50 percent such a change would be a favorable factor as far as we are concerned, but it would not necessarily be the sole determining one in our decision to begin such a program.

We appreciate your giving us the opportunity to comment on this matter.

Sincerely,

LESTER P. CONDON,
(For Oakley Hunter).

OCTOBER 1, 1974.

MR. DANIEL KEARNEY,
President, Government National Mortgage Association, Department of Housing and Urban Development, Washington, D.C.

DEAR KEARNEY: Our Committee is presently considering proposals to amend the Veterans' Administration loan guarantee programs contained in Title 38, United States Code. Among them is a proposed amendment to S. 3883, "Veterans Housing Act of 1974", to increase the percentage of Veterans' Administration guarantee on its mobile home loans from 30% to 50%. Proponents of this amendment have indicated that such a change would probably encourage your association to declare such loans eligible for your participation pools. We understand that presently loans under the Veterans' Administration mobile home program are not eligible for your participation program.

The statistics regarding the Veterans' Administration mobile home loan program to date indicate the risk of loss to the investor under the 30% guarantee is well within the tolerance of most mortgage investment programs. Because of this the Committee is somewhat at a loss to understand why VA mobile home loans are presently ineligible for your participation pools.

We realize the advantage to the veteran of having these loans eligible in a secondary market program such as yours. However, we see no compelling reason to increase the government's guarantee obligation to 50% of the loan amount unless it would produce eligibility for your secondary market participation program.

Accordingly the Committee would appreciate it if you would provide us with information explaining why the present Veterans' Administration mobile home loans are not eligible for your program and a statement of whether an increase in the government guarantee to 50% would make such loans eligible under GNMA standards.

I would appreciate receiving your position on these questions within two weeks.

Sincerely,

VANCE HARTKE, *Chairman.*

OCTOBER 18, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your October 1, 1974, letter concerning the inclusion of Veterans' Administration mobile home loans in the Government National Mortgage Association Mortgage-Backed Securities Program. You have asked for an explanation as to why VA mobile home loans are not eligible at present, and for a statement as to whether an increase in the Government guarantee to 50% would make them eligible under GNMA standards.

The decision not to include VA loans in the mobile home program was made originally to allow GNMA a sufficient learning period and an opportunity to observe the development of a mobile home program made up of FHA Title I mobile home loans only. On the basis of current estimates, which are based on only two years experience, the mobile home pool program is operating at a slight loss. We are making changes in the program to improve this position; however, more time is needed to determine the efficacy of these changes and whether others should be made.

For these reasons—the loss situation, the need for more experience with the program, and the fact that an entirely separate program would have to be set up for VA loans—we do not consider that it is in the best interest of GNMA at this time to establish a VA mobile home loan pool program regardless of the extent of the VA guarantee.

Sincerely,

DANIEL P. KEARNEY,
President.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In accordance with subsection 4 of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—UNITED STATES CODE

* * * * * * *

PART II. GENERAL BENEFITS

* * * * * * *

Chapter 21—Specially Adapted Housing for Disabled Veterans

* * * * * * *

§ 802. Limitations on assistance furnished

The assistance authorized by section 801 of this title shall be limited in the case of any veteran to one housing unit, and necessary land therefor, and shall be afforded under one of the following plans, at the option of the veteran but shall not exceed [$17,500] *$25,000* in any one case—

(1) where the veteran elects to construct a housing unit on land to be acquired by him, the Administrator shall pay not to exceed 50 per centum of the total cost to the veteran of (A) the housing unit and (B) the necessary land upon which it is to be situated;

(2) where the veteran elects to construct a housing unit on land acquired by him prior to application for assistance under this chapter, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the cost of the veteran of the housing unit and the land necessary for such housing unit, or (B) 50 per centum of the cost of the veteran of the housing unit plus the full amount of the unpaid balance, if any, of the cost of the veteran of the land necessary for such housing unit;

(3) Where the veteran elects to remodel a dwelling which is not adapted to the requirements of his disability, acquired by him prior to application for assistance under this chapter, the Administrator shall pay not to exceed (A) the cost of the veteran of such remodeling; or (B) 50 per centum of the cost of the veteran of such remodeling; plus the smaller of the following sums: (i) 50 per centum of the cost to the veteran of such dwelling and the necessary land upon which it is situated, or (ii) the full amount of the unpaid balance, if any, of the cost to the veteran of such dwelling and the necessary land upon which it is situated; and

(4) where the veteran has acquired a suitable housing unit, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the cost of the veteran of such housing unit and the necessary land upon which it is situated, or (B) the full amount of the unpaid balance, if any, of the cost to the veteran of such housing unit and the necessary land upon which it is situated.

* * * * * *

PART III. READJUSTMENT AND RELATED BENEFITS

Chapter 37—Home, [Farm, and Business] CONDOMINIUM, AND MOBILE HOME Loans

SUBCHAPTER I—GENERAL

SUBCHAPTER II—LOANS

SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

Subchapter I—General

§ 1801. Definitions

(a) For the purposes of this chapter—

(1) The term "World War II" (A) means the period beginning on September 16, 1940, and ending on July 25, 1947, and (B) includes, in the case of any veteran who enlisted or reenlisted in a Regular component of the Armed Forces after October 6, 1945, and before October 7, 1946, the period of the first such enlistment or reenlistment.

(2) The term "veteran" includes the widow of any veteran (including a person who died in the active military, naval, or air service) who died from a service-connected disability, but only if such widow is not eligible for benefits under this chapter on the basis of her own active duty. The active duty of her husband shall be deemed to have been active duty by such widow for purposes of this chapter.

(3) The term "veteran" also includes, for purposes of home loans, the wife of any member of the Armed Forces serving on active duty who is listed, pursuant to section 556 of title 37, United States Code, and regulations issued thereunder, by the Secretary concerned in one or more of the following categories and has been so listed for a total of more than ninety days: (A) missing in action, (B) captured in line of duty by a hostile force, or (C) forcibly detained or interned in line of duty by a foreign government or power. The active duty of her husband shall be deemed to have been active duty by such wife for the purposes of this chapter. The loan eligibility of such wife under this paragraph shall be limited to one loan guaranteed or made for the acquisition of a home, and entitlement to such loan shall terminate automatically, if not used, upon receipt by such wife of official notice that her husband is no longer listed in one of the categories specified in the first sentence of this paragraph.

(b) Benefits shall not be afforded under this chapter to any individual on account of service as a commissioned officer of the Coast and Geodetic Survey, or of the Regular or Reserve Corps of the Public Health Service, unless such service would have qualified such individual for benefits under title III of the Servicemen's Readjustment Act of 1944.

§ 1802. Basic entitlement

(a) Each veteran who served on active duty at any time during World War II or the Korean conflict and whose total service was for ninety days or more, or who was discharged or released from a period of active duty, any part of which occurred during World War II or the Korean conflict, for a service-connected disability, shall be eligible for the benefits of this chapter. Entitlement derived from service during the Korean conflict (1) shall cancel any unused entitlement derived from service during World War II, and (2) shall be reduced by the amount by which entitlement from service during World War II, has been used to obtain a direct, guaranteed, or insured loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness of the veteran to the United States has been paid in full.

[(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter—

[(1) the Administrator may exclude the initial use of the veteran's entitlement for any loan with respect to which the security has been (A) taken (by condemnation or otherwise) by the United States or any State, or by any local government agency for public use, (B) destroyed by fire or other natural hazard, or (C) disposed of because of other compelling reasons devoid of fault on the part of the veteran; and

[(2) the Administrator shall exclude the amount of guaranty or insurance entitlement previously used for any guaranteed or insured home loan which has been repaid in full, and with respect to which the real property which served as security for the loan has been disposed of because the veteran, while on active duty, was transferred by the service department with which he was serving.]

(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter, the Administrator may exclude the amount of guaranty or insurance entitlement used for any guaranteed, insured, or direct loan, if—

(1) the property which secured the loan has been disposed of by the veteran or has been destroyed by fire or other natural hazard; and

(2) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on such loan, the loss has been paid in full; or

(3) an immediate veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of his entitlement, to the extent that the entitlement of the veteran-transferor had been used originally, in place of the veteran-transferor's for the guaranteed, insured, or direct loan, and the veteran-transferee otherwise meets the requirements of this chapter.

The Administrator may, in any case involving circumstances he deems appropriate, waive one or more of the conditions prescribed in clauses (1) and (2) above.

(c) An honorable discharge shall be deemed to be a certificate of eligibility to apply for a guaranteed loan. Any veteran who does not have a discharge certificate, or who received a discharge other than honorable, may apply to the Administrator for a certificate of eligibility. Upon making a loan guaranteed or insured under this chapter, the lender shall forthwith transmit to the Administrator a report thereon in such detail as the Administrator may, from time to time, prescribe. Where the loan is guaranteed, the Administrator shall provide the lender with a loan guaranty certificate or other evidence of the guaranty. He shall also endorse on the veteran's discharge, or eligibility certificate, the amount and type of guaranty used, and the amount, if any, remaining. Nothing in this chapter shall preclude the assignment of any guaranteed loan or the security therefor.

(d) Loans will be automatically guaranteed under this chapter only if made (1) by any Federal land bank, national bank, State bank, private bank, building and loan association, insurance company, credit union, or mortgage and loan company, that is subject to examination and supervision by an agency of the United States or of any State, (2) by any State, or [(3) by any mortgagee approved by the Secretary of Housing and Urban Development and designated by him as a certified agent and which is acceptable to the Administrator] *(3) by any lender approved by the Administrator pursuant to standards established by him.* Any loan proposed to be made to a veteran pursuant to this chapter by any lender not of a class specified in the preceding sentence may be guaranteed by the Administrator if he finds that it is in accord otherwise with the provisions of this chapter.

(e) The Administrator may at any time upon thirty days' notice require loans to be made by any lender or class of lenders to be submitted to him for prior approval. No guaranty or insurance liability shall exist with respect to any such loan unless evidence of guaranty or insurance is issued by the Administrator.

(f) Any loan at least 20 per centum of which is guaranteed under this chapter may be made by any national bank or Federal savings and loan association, or by any bank, trust company, building and loan association, or insurance company, organized or authorized to do business in the District of Columbia. Any such loan may be so made without regard to the limitations and restrictions of any other law relating to—

(1) ratio of amount of loan to the value of the property;
(2) maturity of loan;
(3) requirement for mortgage or other security;
(4) dignity of lien; or
(5) percentage of assets which may be invested in real estate loans.

(g) A veteran's entitlement under this chapter shall not be reduced by any entitlement used by his wife which was based upon the provisions of paragraph (3) of section 1801(a) of this title.

§ 1803. Basic provisions relating to loan guaranty

(a)(1) Any loan to a World War II or Korean conflict veteran, if made for any of the purposes, and in compliance with the provisions, specified in this chapter is automatically guaranteed by the United States in an amount not more than 60 per centum of the loan if the loan is made for any of the purposes specified in section 1810 of this title [and not more than 50 per centum of the loan if the loan is for any of the purposes specified in section 1812, 1813, or 1814 of this title].

(2) Any unused entitlement of World War II or Korean conflict veterans which expired under provisions of law in effect prior to the date of enactment of the Veterans' Housing Act of 1970 is hereby restored and shall not expire until used.

(b) [Except as provided in sections 1810, 1811, and 1819 of this title, the aggregate amount guaranteed shall not be more than $2,000 in the case of non-real-estate loans, nor $4,000 in the case of real-estate loans, or a prorated portion thereof on loans of both types or combination

thereof.] The liability of the United States under any guaranty, within the limitations of this chapter, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(c)(1) Loans guaranteed or insured under this chapter shall be payable upon such terms and conditions as may be agreed upon by the parties thereto, subject to the provisions of this chapter and regulations of the Administrator issued pursuant to this chapter, and shall bear interest not in excess of such rate as the Administrator may from time to time find the loan market demands, except that in establishing the rate of interest that shall be applicable to such loans, the Administrator shall consult with the Secretary of Housing and Urban Development regarding the rate of interest the Secretary considers necessary to meet the mortgage market for home loans insured under section 203(b) of the National Housing Act, and, to the maximum extent practicable, carry out a coordinated policy on interest rates on loans insured under such section 203(b) and on loans guaranteed or insured under this chapter.

(2) The provisions of the Servicemen's Readjustment Act of 1944 which were in effect before April 1, 1958, with respect to the interest chargeable on loans made or guaranteed under such Act shall, notwithstanding the provisions of paragraph (1) of this subsection, continue to be applicable—

(A) to any loan made or guaranteed before April 1, 1958; and

(B) to any loan with respect to which a commitment to guarantee was entered into by the Administrator before April 1, 1958.

(3) This section shall not be construed to prohibit a veteran from paying to a lender any reasonable discount required by such lender, when the proceeds from the loan are to be used:

(A) to refinance indebtedness pursuant to section 1810(a)(5);

(B) to repair, alter, or improve a farm residence or other dwelling pursuant to section 1810(a)(4);

(C) to construct a dwelling or farm residence on land already owned or to be acquired by the veteran except where the land is directly or indirectly acquired from a builder or developer who has contracted to construct such dwelling for the veteran; or

(D) to purchase a dwelling from a class of sellers which the Administrator determines are legally precluded under all circumstances from paying such a discount if the best interest of the veteran would be so served.

(d)(1) The maturity of any [non-real-estate] loan shall not be more than [ten years except as provided in section 1819 of this title. The maturity of any real-estate loan (other than a loan on farm realty) shall not be more than thirty years, and in the case of a loan on farm realty, shall not be more than forty years.] *thirty years and thirty-two days.*

(2) Any loan for a term of more than five years shall be amortized in accordance with established procedure.

(3) Any real estate loan (other than for repairs, alterations, or improvements) shall be secured by a first lien on the realty. In determining whether a loan for the purchase or construction of a home is so secured, the Administrator may disregard a superior lien created

by a duly recorded covenant running with the realty in favor of a private entity to secure an obligation to such entity for the homeowner's share of the costs of the management, operation, or maintenance of property, services or programs within and for the benefit of the development or community in which the veteran's realty is located, if he determines that the interests of the veteran borrower and of the Government will not be prejudiced by the operation of such covenant. In respect to any such superior lien to be created after the effective date of this amendment, the Administrator's determination must have been made prior to the recordation of the covenant. [Any non-real-estate loan (other than for working or other capital, merchandise, goodwill, and other intangible assets) shall be secured by personalty to the extent legal and practicable.]

§ 1804. Restrictions on loans

(a) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the property meets or exceeds minimum requirements for planning, construction, and general acceptability prescribed by the Administrator; however, this subsection shall not apply to a loan for the purchase of residential property on which construction is fully completed more than one year before such loan is made.

(b) Subject to notice and opportunity for a hearing, the Administrator may refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person identified with housing previously sold to veterans under this chapter as to which substantial deficiencies have been discovered, or as to which there has been a failure or indicated inability to discharge contractual liabilities to veterans, or as to which it is ascertained that the type of contract of sale or the methods or practices pursued in relation to the marketing of such properties were unfair or unduly prejudicial to veteran purchasers. The Administrator may also refuse to appraise any dwelling or housing project owned, sponsored, or to be constructed by any person refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development [under section 512 of that Act].

(c) No loan for the purchase or construction of residential property shall be financed through the assistance of this chapter unless the veteran applicant, at the time that he applies for the loan, and also at the time that the loan is closed, certifies in such form as the Administrator may require, that he intends to occupy the property as his home. No loan for the repair, alteration, or improvement of residential property shall be financed through the assistance of the provisions of this chapter unless the veteran applicant, at the time that he applies to the lender for the loan, and also at the time the loan is closed, certifies, in such form as may be required by the Administrator, that he occupies the property as his home. *Notwithstanding the foregoing provisions of this subsection, in the case of a loan automatically guaranteed under this chapter, the veteran shall be required to make the certification only at the time the loan is closed.* For the purposes of this chapter the requirement that the veteran recipient of a guaranteed or direct home loan must occupy or intend to occupy the property as his home means that the veteran as of the date of his certification actually

lives in the property personally as his residence or actually intends upon completion of the loan and acquisition of the dwelling unit to move into the property personally within a reasonable time and to utilize such property as his residence. Notwithstanding the foregoing requirements of this subsection, the provisions for certification by the veteran at the time he applies for the loan and at the time the loan is closed shall be considered to be satisfied if the Administrator finds that (1) in the case of a loan for repair, alteration, or improvement the veteran in fact did occupy the property at such times, or (2) in the case of a loan for construction or purchase the veteran intended to occupy the property as his home at such times and he did in fact so occupy it when, or within a reasonable time after, the loan was closed.

(d) Subject to notice and opportunity for a hearing, whenever the Administrator finds with respect to guaranteed or insured loans that any lender or holder has failed to maintain adequate loan accounting records, or to demonstrate proper ability to service loans adequately or to exercise proper credit judgment or has willfully or negligently engaged in practices otherwise detrimental to the interest of veterans or of the Government, he may refuse either temporarily or permanently to guarantee or insure any loans made by such lender or holder and may bar such lender or holder from acquiring loans guaranteed or insured under this chapter; however, the Administrator shall not refuse to pay a guaranty or insurance claim on loans theretofore entered into in good faith between a veteran and such lender. The Administrator may also refuse either temporarily or permanently to guarantee or insure any loans made by a lender or holder refused the benefits of participation under the National Housing Act pursuant to a determination of the Secretary of Housing and Urban Development [under section 512 of that Act].

(e) No loan for the purchase or construction of new residential property (other than property served by a water and sewerage system approved by the Secretary of Housing and Urban Development pursuant to title X of the National Housing Act) shall be financed through the assistance of this chapter, except pursuant to a commitment made prior to the date of the enactment of the Housing and Urban Development Act of 1965, if such property is not served by a public or adequate community water and sewerage system and is located in an area where the appropriate local officials certify that the establishment of such systems is economically feasible. For purposes of this subsection, the economic feasibility of establishing public or adequate community water and sewerage systems shall be determined without regard to whether such establishment is authorized by law or is subject to approval by one or more local governments or public bodies.

§ 1805. Warranties

(a) The Administrator shall require that in connection with any property upon which there is located a dwelling designed principally for not more than a four-family residence and which is approved for guaranty or insurance before the beginning of construction, the seller or builder, and such other persons as may be required by the Administrator to become warrantor, shall deliver to the purchaser or

owner of such property a warranty that the dwelling is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein, which have been approved in writing by the Administrator) on which the Administrator based his valuation of the dwelling. The Administrator shall deliver to the builder, seller, or other warrantor his written approval (which shall be conclusive evidence of such approval) of any amendment of, or change or variation in, such plans and specifications which the Administrator deems to be a substantial amendment thereof, or change or variation therein, and shall file a copy of such written approval with such plans and specifications. Such warranty shall apply only with respect to such instances of substantial nonconformity to such approved plans and specifications (including any amendments thereof, or changes or variations therein which have been approved in writing, as provided in this section, by the Administrator) as to which the purchaser or home owner has given written notice to the warrantor within one year from the date of conveyance of title to, or initial occupancy of, the dwelling, which ever first occurs. Such warranty shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument. The provisions of this section shall apply to any such property covered by a mortgage insured or guaranteed by the Administrator on and after October 1, 1954, unless such mortgage is insured or guaranteed pursuant to a commitment therefor made before October 1, 1954.

(b) The Administrator shall permit copies of the plans and specifications (including written approvals of any amendments thereof, or changes or variations therein, as provided in this section) for dwellings in connection with which warranties are required by subsection (a) of this section to be made available in their appropriate local offices for inspection or for copying by any purchaser, home owner, or warrantor during such hours or periods of time as the Administrator may determine to be reasonable.

§ 1806. Escrow of deposits and downpayments

(a) Any deposit or downpayment made by an eligible veteran in connection with the purchase of proposed or newly constructed and previously unoccupied residential property in a project on which the Administrator has issued a Certificate of Reasonable Value, which purchase is to be financed with a loan guaranteed, insured, or made under the provisions of this chapter, shall be deposited forthwith by the seller, or the agent of the seller, receiving such deposit or payment, in a trust account to safeguard such deposit or payment from the claims of creditors of the seller. The failure of the seller or his agent to create such trust account and to maintain until the deposit or payment has been disbursed for the benefit of the veteran purchaser at settlement or, if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract, may constitute an unfair marketing practice within the meaning of section 1804(b) of this chapter.

(b) If an eligible veteran contracts for the construction of a property in a project on which the Administrator has issued a Certificate

of Reasonable Value and such construction is to be financed with the assistance of a construction loan to be guaranteed, insured, or made under the provisions of this chapter, it may be considered an unfair marketing practice under section 1804(b) of this chapter if any deposit or downpayment of the veterans is not maintained in a special trust account by the recipient until it is either (1) applied on behalf of the veteran to the cost of the land or to the cost of construction or (2), if the transaction does not materialize, is otherwise disposed of in accordance with the terms of the contract.

Subchapter II—Loans

§ 1810. Purchase or construction of homes

(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by him as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by him as his home.

(3) To construct on land owned by him a farm residence to be occupied by him as his home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by him and occupied by him as his home.

If there is an indebtedness which is secured by a lien against land owned by the veteran, the proceeds of a loan guaranteed under this section or made under section 1811 of this title for construction of a dwelling or farm residence on such land may be used also to liquidate such lien, but only if the reasonable value of the land is equal to or greater than the amount of the lien.

(5) To refinance existing mortgage loans or other liens which are secured of record on a dwelling or farm residence owned and occupied by him as his home. [Nothing in this chapter shall preclude a veteran from paying to a lender any discount required by such lender in connection with such refinancing.]

(6) To purchase a one-family residential unit in a new condominium housing development or project, or in a structure built and sold as a condominium, provided such development, project or structure is approved by the Administrator under such criteria as he shall prescribe.

(b) No loan may be guaranteed under this section or made under section 1811 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veterans' present and anticipated income and expenses;

(3) the veteran is a satisfactory credit risk;

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator; and,

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property.

After the reasonable value of any property, construction, repairs, or alterations is determined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination.

(c) The amount of guaranty entitlement available to a veteran under this section shall not be more than [$12,500] *$17,500* less such entitlement as may have been used previously under this section and other sections of this chapter.

[(d) Nothing in this chapter shall be deemed to preclude the guaranty of a loan to an eligible veteran to purchase a one-family residential unit to be owned and occupied by him as a home in a condominium housing development or project as to which the Secretary of Housing and Urban Development has issued, under section 234 of the National Housing Act, as amended (12 U.S.C. 1715y), evidence of insurance on at least one loan for the purchase of a one-family unit. The Administrator shall guarantee loans to veterans on such residential units when such loans meet those requirements of this chapter which he shall, by regulation, determine to be applicable to such loans.]

§ 1811. Direct loans to veterans

(a) The Congress finds that housing credit under section 1810 or 1819 of this title is not and has not been generally available to veterans living in rural areas, or in small cities and towns not near large metropolitan areas. It is therefore the purpose of this section to provide housing credit for veterans living in such rural areas and such small cities and towns.

(b) Whenever the Administrator finds that private capital is not generally available in any rural area or small city or town for the financing of loans guaranteed under section 1810 or 1819 of this title, he shall designate such rural area or small city or town as a "housing credit shortage area". He shall, with respect to any such area, make, or enter into commitments to make, to any veteran eligible under this title, a loan for any or all of the purposes described in section 1810(a) or 1819 of this title.

(c) No loan may be made under this section to a veteran unless he shows to the satisfaction of the Administrator that

(1) he is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans or mobile home loans, as appropriate, a loan for such purpose for which he is qualified under section 1810 or 1819 of this title, as appropriate; and

(2) he is unable to obtain a loan for such purpose from the Secretary of Agriculture under sections 1000–1029 of title 7 or under sections 1471–1483 of title 42.

(d) (1) Loans made under this section shall bear interest at a rate determined by the Administrator, not to exceed the rate authorized for guaranteed home loans or mobile loans, as appropriate, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2) (A) Except for any loan made under this chapter for the purposes described in section 1819 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to $21,000 as the amount of guaranty to which the veteran is entitled under section 1810 of this title at the time the loan is made bears to [$12,500] *$17,500*; and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to [$12,500] *$17,500* as the amount of the loan bears to $21,000; except that the Administrator may increase the $21,000 limitations specified in this paragraph to an amount not to exceed $25,000 where he finds that cost levels so require.

(B) The original principal amount of any loan made under this section for the purposes described in section 1819 of this title shall not exceed the amount specified by the Administrator pursuant to subsection (d) of such section.

(3) No veteran may obtain loans under this section aggregating more than $21,000; except that the Administrator may increase such aggregate amount to an amount not to exceed $25,000 where he finds that cost levels so require.

(e) Loans made under this section shall be repaid in monthly installments, except that in the case of any such loan made for any of the purposes described in paragraph (2), (3), or (4) of section 1810 (a) of this title, the Administrator may provide that such loan shall be repaid in quarterly, semiannual, or annual installments.

(f) In connection with any loan under this section, the Administrator may make advances in cash to pay taxes and assessments on the real estate, to provide for repairs, alterations, and improvements, and to meet the incidental expenses of the transaction. The Administrator shall determine the expenses incident to origination of loans made under this section, which expenses, or a reasonable flat allowance in lieu thereof, shall be paid by the veteran in addition to the loan closing costs.

(g) The Administrator may sell, and shall offer for sale, to any person or entity approved for such purpose by him, any loan made under this section at a price which he determines to be reasonable under the conditions prevailing in the mortgage market when the agreement to sell the loan is made; and shall guarantee any loan thus sold subject to the same conditions, terms, and limitations which would be applicable were the loan guaranteed under section 1810 or 1819 of this title, as appropriate.

(h) The Administrator may exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements prescribed pursuant to subsection (a)

of section 1804 of this title, and with respect to such dwellings may prescribe special minimum land planning and subdivision requirements which shall be in keeping with the general housing facilities in the locality but shall require that such dwellings meet minimum requirements of structural soundness and general acceptability.

(i) The Administrator is authorized without regard to the provisions of subsections (a), (b), and (c) of this section, to make or enter into a commitment to make a loan to any veteran to assist the veteran in acquiring a specially adapted housing unit authorized under chapter 21 of this title, if the veteran is determined to be eligible for the benefits of such chapter 21, and is eligible for loan guaranty benefits under this chapter.

(j) (1) If any builder or sponsor proposes to construct one or more dwellings in a housing credit shortage area, or in any area for a veteran who is determined to be eligible for assistance in acquiring a specially adapted housing unit under chapter 21 of this title, the Administrator may enter into commitment with such builder or sponsor, under which funds available for loans under this section will be reserved for a period not in excess of three months, or such longer period as the Administrator may authorize to meet the needs in any particular case, for the purpose of making loans to veterans to purchase such dwellings. Such commitment may not be assigned or transferred except with the written approval of the Administrator. The Administrator shall not enter into any such commitment unless such builder or sponsor pays a nonrefundable commitment fee to the Administrator in an amount determined by the Administrator, not to exceed 2 per centum of the funds reserved for such builder or sponsor.

(2) Whenever the Administrator finds that a dwelling with respect to which funds are being reserved under this subsection has been sold, or contracted to be sold, to a veteran eligible for a direct loan under this section, the Administrator shall enter into a commitment to make the veteran a loan for the purchase of such dwelling. With respect to any loan made to an eligible veteran under this subsection, the Administrator may make advances during the construction of the dwelling, up to a maximum in advances of (A) the cost of the land plus (B) 80 per centum of the value of the construction in place.

(k) Without regard to any other provision of this chapter, the Administrator may take or cause to be taken such action as in his judgment may be necessary or appropriate for or in connection with the custody, management, protection, and realization or sale of investments under this section, may determine his necessary expenses and expenditures, and the manner in which the same shall be incurred, allowed and paid, may make such rules, regulations, and orders as he may deem necessary or appropriate for carrying out his functions under this section and section 1823 of this title and except as otherwise expressly provided in this chapter, may employ, utilize, compensate, and, to the extent not inconsistent with his basic responsibilities under this chapter, delegate any of his functions under this section and section 1823 of this title to such persons and such corporate or other agencies, including agencies of the United States, as he may designate.

[§ 1812. Purchase of farms and farm equipment

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To purchase any lands, buildings, livestock, equipment, machinery, supplies or implements, or to repair, alter, construct, or improve any land, equipment, or building, including a farmhouse, to be used in farming operations conducted by the veteran involving production in excess of his own needs.

[(2) For working capital requirements necessary for such farming operations.

[(3) To purchase stock in a cooperative association where the purchase of such stock is required by Federal law as an incident to obtaining the loan.

[(b) No loan may be guaranteed under this section unless—

[(1) the proceeds of the loan will be used for one of the purposes listed in subsection (a) in connection with bona fide farming operations conducted by the veteran;

[(2) such property will be useful in and reasonably necessary for efficiently conducting such operations;

[(3) the ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful; and

[(4) the price paid or to be paid by the veteran for such property, or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator.

[(c) For the purpose of encouraging the construction and improvement of farm housing, the Administrator may guarantee a loan for the construction or improvement of a farmhouse which loan is secured by a first lien on a portion of the farm suitable in size and location as an independent home site, and may permit payment out of the proceeds of such loan any sum required to obtain the release of such site from existing indebtedness. The Administrator may, in his discretion, except any loan for the construction or improvement of a farmhouse from the first lien requirement imposed by section 1803 (d) (3) of this title.

[§ 1813. Purchase of business property

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To be used for the purpose of engaging in business or pursuing a gainful occupation.

[(2) For the cost of acquiring for such purpose land, buildings, supplies, equipment, machinery, tools, inventory, or stock in trade.

[(3) For the cost of the construction, repair, alteration, or improvement of any realty or personalty used for such purpose.

[(4) To provide the funds needed for working capital for such purpose.

[(b) No loan may be guaranteed under this section unless—

[(1) the proceeds of such loan will be used by the veteran for any of the specified purposes in connection with bona fide pursuit of a gainful occupation by the veteran;

[(2) such property will be useful in and reasonably necessary for the efficient and successful pursuit of such business or occupation;

[(3) the ability and experience of the veteran, and the conditions under which he proposes to pursue such business or occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such business or occupation; and

[(4) the price paid or to be paid by the veteran for such property, or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator.

[§ 1814. Loans to refinance delinquent indebtedness

[(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

[(1) To refinance any indebtedness of the veteran which is secured of record on property to be used or occuppied by him as a home or for farming purposes.

[(2) To refinance any indebtedness incurred by him in the pursuit of a gainful occupation which he is pursuing or which he proposes in good faith to pursue.

[(3) To pay any delinquent taxes or assessments on such property or business.

[(b) No loan may be guaranteed under this section unless—

[(1) such refinancing will aid the veteran in his economic readjustment; and

[(2) the amount of the loan does not exceed the reasonable value of the property or business as determined by the Administrator.]

§ 1815. Insurance of loans

(a) Any loan which might be guaranteed under the provisions of this chapter, when made or purchased by any financial institution subject to examination and supervision by an agency of the United States or of any State may, in lieu of such guaranty, be insured by the Administrator under an agreement whereby he will reimburse any such institution for losses incurred on such loan up to 15 per centum of the aggregate of loans so made or purchased by it.

(b) Loans insured under this section shall be made on such other terms, conditions, and restrictions as the Administrator may prescribe within the limitations set forth in this chapter. [The Administrator may fix the maximum rate of interest payable on any class of non-real-estate loans insured under this section at a figure not in excess of a 3 per centum discount rate or an equivalent straight interest rate on nonamortized loans.]

§ 1816. Procedure on default

(a) In the event of default in the payment of any loan guaranteed under this chapter, the holder of the obligation shall notify the Ad-

ministrator who shall thereupon pay to such holder the guaranty not in excess of the pro rata portion of the amount originally guaranteed, and shall be subrogated to the rights of the holder of the obligation to the extent of the amount paid on the guaranty. Before suit or foreclosure the holder of the obligation shall notify the Administrator of the default, and within thirty days thereafter the Administrator may, at his option, pay the holder of the obligation the unpaid balance of the obligation plus accrued interest and receive an assignment of the loan and security. Nothing in this section shall preclude any forbearance for the benefit of the veteran as may be agreed upon by the parties to the loan and approved by the Administrator. The Administrator may establish the date, not later than the date of judgment and decree of foreclosure or sale, upon which accrual of interest or charges shall cease.

(b) With respect to any loan made under section 1811 which has not been sold as provided in subsection (g) of such section if the Administrator finds, after there has been a default in the payment of any installment of principal or interest owing on such loan, that the default was due to the fact that the veteran who is obligated under the loan has become unemployed as the result of the closing (in whole or in part) of a Federal installation, he shall (1) extend the time for curing the default to such time as he determines is necessary and desirable to enable such veteran to complete payments on such loan, including an extension of time beyond the stated maturity thereof, or (2) modify the terms of such loan for the purpose of changing the amortization provisions thereof by recasting, over the remaining term of the loan, over such longer period as he may determine, the total unpaid amount then due with the modification to become effective currently or upon the termination of an agreed-upon extension of the period for curing the default.

§ 1817. Release from liability under guaranty

(a) Whenever any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by him, the Administrator, upon application made by such veteran and by the transferee incident to such disposal, shall issue to such veteran in connection with such disposal a release relieving him of all further liability to the Administrator on account of such loan (including liability for any loss resulting from any default of the transferee or any subsequent purchaser of such property) if the Administrator has determined, after such investigation as he may deem appropriate, that (1) the loan is current, and (2) the purchaser of such property from such veteran (A) has obligated himself by contract to purchase such property and to assume full liability for the repayment of the balance of the loan remaining unpaid, and has assumed by contract all of the obligations of the veteran under the terms of the instruments creating and securing the loan, and (B) qualifies from a credit standpoint, to the same extent as if he were a veteran eligible under section 1810 of this title, for a guaranteed or insured or direct loan in an amount equal to the unpaid balance of the obligation for which he has assumed liability.

(b) If any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by him under this chapter

without receiving a release from liability with respect to such loan under subsection (a), and a default subsequently occurs which results in liability of the veterans to the Administrator on account of the loan, the Administrator may relieve the veterans of such liability if he determines, after such investigation as he deems appropriate, that the property was disposed of by the veteran in such a manner, and subject to such conditions, that the Administrator would have issued the veteran a release from liability under subsection (a) with respect to the loan if the veteran had made application therefor incident to such disposal. Failure of a transferee to assume by contract all of the liabilities of the original veteran-borrower shall bar such release of liability only in cases in which no acceptable transferee, either immediate or remote, is legally liable to the Administrator for the indebtedness of the original veteran-borrower arising from termination of the loan. The failure of a veteran to qualify for release from liability under this subsection does not preclude relief from being granted under subsection 3102(b) of this title, if eligible thereunder.

§ 1818. Veterans who serve after January 31, 1955

(a) Each eligible veteran, as defined in paragraphs (1) and (2) of subsection (a) of section 1652 of this title, shall be eligible for the benefits of this chapter [(except sections 1813 and 1815, and business loans under section 1814, of this title)], subject to the provisions of this section.

(b) Entitlement under subsection (a), (1) shall cancel any unused entitlement under other provisions of this chapter derived from service during World War II or the Korean conflict, and (2) shall be reduced by the amount by which entitlement from service during World War II or the Korean conflict has been used to obtain a direct, guaranteed, or insured loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness has been paid in full.

[(c) Notwithstanding the exception in subsection (a) of this section, entitlement derived under such subsection (a) shall include eligibility for any of the purposes specified in sections 1813 and 1815, and business loans under section 1814 of this title, if (1) the veteran previously derived entitlement to the benefits of this chapter based on service during World War II or the Korean conflict, and (2) he has not used any of his entitlement derived from such service.]

[(d)](*c*) Any entitlement to the benefits of this section which had not expired as of the date of enactment of the Veterans' Housing Act of 1970 and any entitlement to such benefits accruing after such date shall not expire until used.

§ 1819. Loans to purchase mobile homes and mobile home lots

(a) Notwithstanding any other provision of this chapter, any veteran eligible for loan guaranty benefits under this chapter who has maximum home loan guaranty entitlement available for use shall be eligible for the mobile home loan guaranty benefit *or the mobile home*

lot loan guaranty benefit, or both, under this section. Use of the mobile home loan guaranty benefit *or the mobile home lot loan guaranty benefit, or both,* provided by this section shall preclude the use of any home loan guaranty entitlement under any other section of this chapter until the [mobile home] loan guaranteed under this section has been paid in full.

(b)(*1*) Subject to the limitations in subsection (d) of this section, a loan to purchase a mobile home under this section may include (or be augmented by a separate loan for) [(1)] (*A*) an amount to finance the acquisition of a lot on which to place such home, and [(2)] (*B*) an additional amount to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities and paving, and the construction of a suitable pad.

(*2*) *Subject to the limitations in subsection (d) of this section, a loan may be made to purchase a lot on which to place a mobile home if the veteran already has such a home. Such a loan may include an amount sufficient to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad.*

(c)(1) Any loan to a veteran eligible under subsection (a) shall be guaranteed by the Administrator if [(1)] (*A*) the loan is for the purpose of purchasing a new mobile home [or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency,] *or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,* [and] *or the loan is for the purpose of purchasing a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed, insured or made by another Federal agency, and* [(2)] (*B*) the loan complies in all other respects with the requirements of this section. Loans for such purpose (including those which will also finance the acquisition of a lot or site preparation as authorized by subsection (b) of this section) shall be submitted to the Administrator for approval prior to loan closing except that the Administrator may exempt any lender of a class listed in section 1802(d) of this title from compliance with such prior approval requirement if he determines that the experience of such lender or class of lenders in mobile home financing warrants such exemption.

(2) Upon determining that a loan submitted for prior approval is eligible for guaranty under this section, the Administrator shall issue a commitment to guarantee such loan and shall thereafter guarantee the loan when made if such loan qualifies therefor in all respects.

(3) The Administrator's guaranty shall not exceed 30 per centum of the loan, including any amount for lot acquisition and site preparation, and payment of such guaranty shall be made only after liquidation of the security for the loan and the filing of an accounting with the Administrator. In any such accounting the Administrator shall permit to be included therein accrued unpaid interest from the

date of the first uncured default to such cutoff date as the Administrator may establish, and he shall allow the holder of the loan to charge against the liquidation or resale proceeds, accrued interest from the cutoff date established to such further date as he may determine and such costs and expenses as he determines to be reasonable and proper. The liability of the United States under the guaranty provided for by this section shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation.

(d)(1) The Administrator shall establish a loan maximum for each type of loan authorized by this section. In the case of a new mobile home, the Administrator may establish a maximum loan amount based on the manufacturer's invoice cost to the dealer and such other cost factors as the Administrator considers proper to take into account. In the case of a used mobile home, the Administrator shall establish a maximum loan amount based on his determination of the reasonable value of the property. In the case of any lot on which to place a mobile [home financed through the assistance of this section] *home, whether or not the mobile home was financed with assistance under this section,* and in the case of necessary site preparation, the loan amount [shall not be increased by an amount in excess of] *for such purposes may not exceed* the reasonable value of such lot or an amount appropriate to cover the cost of necessary site preparation or both, as determined by the Administrator.

(2) The maximum permissible loan amounts and the term for which the loans are made shall not exceed—

(A) [$10,000] *$12,500* for twelve years and thirty-two days in the case of a loan covering the purchase of a *single-wide* mobile home only [,] and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

(B) [$15,000 (but not to exceed $10,000 for the mobile home)] *$20,000* for [fifteen] *twenty* years and thirty-two days in the case of a loan covering the purchase of a *double-wide* mobile home [and an undeveloped lot on which to place such home.] *only* and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation *where the veteran owns the lot,* or

(C) [$17,500] *$20,000* (but not to exceed [$10,000] *$12,500* for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a *single-wide* mobile home and [a suitably developed lot on which to place such home.] *an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or*

(*D*) *$27,500 (but not to exceed $20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or*

(E) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home and a suitably developed lot on which to place such home, or

(F) $27,500 (but not to exceed $20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and a suitably developed lot on which to place such home, or

(G) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of only an undeveloped lot on which to place a mobile home owned by the veteran, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

(H) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a suitably developed lot on which to place a mobile home owned by the veteran.

(3) Such limitations set forth in paragraph (2) of this subsection on the amount and term of any loan shall not be deemed to preclude the Administrator, under regulations which he shall prescribe, from consenting to necessary advances for the protection of the security or the holder's lien, or to a reasonable extension of the term or reamortization of such loan.

(e) No loan shall be guaranteed under this section unless—

(1) the loan is repayable in approximately equal monthly installments;

(2) the terms of repayment bear a proper relationship to the veteran's present and anticipated income and expenses, and the veteran is a satisfactory credit risk, taking into account the purpose of this program to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged or released from active military, naval, or air service, who may not have previously established credit ratings;

(3) the loan is secured by a first lien on the mobile home *purchased with the proceeds of the loan* and *on* any lot acquired or improved with the proceeds of the loan;

(4) the amount of the loan, subject to the maximums established in subparagraph (d) of this section, is not in excess of the maximum amount prescribed by the Administrator;

(5) the veteran certifies, in such form as the Administrator shall prescribe, that he will personally occupy the property as his home;

(6) the mobile home is or will be placed on a site which meets specifications which the Administrator shall establish by regulation; and

(7) the interest rate to be charged on the loan does not exceed the permissible rate established by the Administrator.

(f) The Administrator shall establish such rate of interest for mobile home loans *and mobile home lot loans* as he determines to be necessary in order to assure a reasonable supply of mobile home loan financing for veterans under this section.

(g) Entitlement to the loan guaranty benefit used under this section shall be restored a single time for any veteran by the Administrator provided the first loan has been repaid in full.

(h) The Administrator shall promulgate such regulations as he determines to be necessary or appropriate in order to fully implement the provisions of this section, and such regulations may specify which provisions in other sections of this chapter he determines should be applicable to loans guaranteed or made under this section. The Administrator shall have such powers and responsibilities in respect to matters arising under this section as he has in respect to loans made or guaranteed or under other sections of this chapter.

(i) No loan for the purchase of a mobile home shall be guaranteed under this section unless the mobile home and lot, if any, meet or exceed standards for planning, construction, and general acceptability as prescribed by the Administrator *and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards prescribed for mobile home lots.* Such standards shall be designed to encourage the maintenance and development of sites for mobile homes which will be attractive residential areas and which will be free from, and not substantially contribute to, adverse scenic or environmental conditions. For the purpose of assuring compliance with such standards, the Administrator shall from time to time inspect the manufacturing process of mobile homes to be sold to veterans and conduct random onsite inspections of mobile homes purchased with assistance under this chapter.

(j) The Administrator shall require the manufacturer to become a warrantor of any new mobile home which is approved for purchase with financing through the assistance of this chapter and to furnish to the purchaser a written warranty in such form as the Administrator shall require. Such warranty shall include (1) a specific statement that the mobile home meets the standards prescribed by the Administrator pursuant to the provisions of subsection (i) of this section; and (2) a provision that the warrantor's liability to the purchaser or owner is limited under the warranty to instances of substantial nonconformity to such standards which become evident within one year from date of purchase and as to which the purchaser or owner gives written notice to the warrantor not later than ten days after the end of the warranty period. The warranty prescribed herein shall be in addition to, and not in derogation of, all other rights and privileges which such purchaser or owner may have under any other law or instrument and shall so provide in the warranty document.

(k) Subject to notice and opportunity for a hearing, the Administrator is authorized to deny guaranteed or direct loan financing in the case of mobile homes constructed by any manufacturer who refuses to permit the inspections provided for in subsection (i) of this section; or in the case of mobile homes which are determined by the Administrator not to conform to the aforesaid standards; or where the manufacturer of mobile homes fails or is unable to discharge his obligations under the warranty.

(l) Subject to notice and opportunity for a hearing, the Administrator may refuse to approve as acceptable any site in a mobile home park or subdivision owned or operated by any person whose rental or sale methods, procedures, requirements, or practices are determined by the Administrator to be unfair or prejudicial to veterans renting or purchasing such sites. The Administrator may also refuse to guar-

antee or make direct loans for veterans to purchase mobile homes offered for sale by any dealer if substantial deficiencies have been discovered in such homes, or if he determines that there has been a failure or indicated inability of the dealer to discharge contractual liabilities to veterans, or that the type of contract of sale or methods, procedures, or practices pursued by the dealer in the marketing of such properties have been unfair or prejudicial to veteran purchasers.

(m) The Administrator's annual report to Congress, shall, beginning 12 months following the date of enactment of the Veterans' Housing Act of 1970, include a report on operations under this section, including the results of inspections required by subsection (i) of this section, experience with compliance with the warranty required by subsection (j) of this section and the experience regarding the defaults and foreclosures.

(n) The provisions of section 1804(d) and section 1821 of this chapter shall be fully applicable to lenders making guaranteed mobile home loans *and mobile home lot loans* and holders of such loans.

[(o) No loans shall be guaranteed or made by the Administrator under the provisions of this section on and after July 1, 1975, except pursuant to commitments issued prior to such date.]

Subchapter III—Administrative Provisions

§ 1820. Powers of Administrator

(a) Notwithstanding the provisions of any other law, with respect to matters arising by reasons of this chapter, the Administrator may—

(1) sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal;

(2) subject to specific limitations in this chapter, consent to the modification, with respect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage or other instrument securing a loan which has been guaranteed, insured, made or acquired under this chapter;

(3) pay, or compromise, any claim on, or arising because of, any such guaranty or insurance;

(4) pay, compromise, waive or release any right, title, claim, lien or demand, however acquired, including any equity or any right of redemption;

(5) purchase at any sale, public or private, upon such terms and for such prices as he determines to be reasonable, and take title to, property, real, personal or mixed; and similarly sell, at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this chapter. The acquisition of any such property shall not deprive any State or political subdivision thereof its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property. Without regard to section 3617, Revised Statutes (31 U.S.C. 484), or any other provision

of law not expressly in limitation of this paragraph, the Administrator may permit brokers utilized by him in connection with such properties to deduct from rental collections amounts covering authorized fees, costs, and expenses incurred in connection with the management, repair, sale, or lease of any such properties and remit the net balances to the Administrator.

(b) The powers granted by this section may be exercised by the Administrator without regard to any other provision of law not enacted expressly in limitation of this section, which otherwise would govern the expenditure of public funds; however, section 5 of title 41 shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds $1,000.

(c) The financial transactions of the Administrator incident to, or arising out of, the guaranty or insurance of loans pursuant to this chapter, and the acquisition, management, and disposition of property, real, personal, or mixed, incident to such activities and pursuant to this section, shall be final and conclusive upon all officers of the Government.

(d) The right to redeem provided for by section 2410(c) of title 28 shall not arise in any case in which the subordinate lien or interest of the United States derives from a guaranteed or insured loan.

(e)(1) The Administrator is authorized from time to time, as he determines advisable, to set aside first mortgage loans, and installment sale contracts, owned and held by him under this chapter as the basis for the sale of participation certificates as herein provided. For this purpose the Administrator may enter into agreements, including trust agreements, with the Government National Mortgage Association, and any other Federal agency, under which the Association as fiduciary may sell certificates of participation based on principal and interest collections to be received by the Administrator and the Association or any other such agency on first mortgage loans and installment sale contracts comprising mortgage pools established by them. The agreement may provide for substitution or withdrawal of mortgage loans, or installment sale contracts, or for substitution of cash for mortgages in the pool. The agreement shall provide that the Government National Mortgage Association shall promptly pay for the Administrator the entire proceeds of any sale of certificates of participation to the extent such certificates are based on mortgages, including installment sale contracts, set aside by the Administrator and he shall periodically pay to the Association, as fiduciary, such funds as are required for payment of interest and principal due on outstanding certificates of participation to the extent of the pro rata amount allocated to the Administrator pursuant to the agreement. The agreement shall also provide that the Administrator shall retain ownership of mortgage loans and installment sale contracts set aside by him pursuant to the agreement unless transfer of ownership to the fiduciary is required in the event of default or probable default in the payment of participation certificates. The Administrator is authorized to purchase outstanding certificates of participation to the extent of the amount of his commitment to the fiduciary or participations outstanding and to pay his proper share of the costs and expenses incurred by the Government National Mortgage Association as fiduciary pursuant to the agreement.

(2) The Administrator shall proportionately allocate and deposit the entire proceeds received from the sale of participations into the funds established pursuant to section 1823 and 1824 of this chapter, as determined on an estimated basis, and the amounts so deposited shall be available for the purposes of the funds. The Administrator may nevertheless make such allocations of that part of the proceeds of participation sales representing anticipated interested collections on mortgage loans, including installment sale contracts, on other than an estimated proportionate basis if determined necessary to assure payment of interest on advances theretofore made to the Administrator by the Secretary of the Treasury for direct loan purposes. The Administrator shall set aside and maintain necessary reserves in the funds established pursuant to section 1823 and 1824 of this chapter to be used for meeting commitments pursuant to this subsection and, as he determines to be necessary, for meeting interest payments on advances by the Secretary of the Treasury for direct loan purposes.

(f) Whenever loss, destruction, or damage to any residential property securing loans guaranteed, insured, made, or acquired by the Administrator under this chapter occurs as the result of a major disaster as determined by the President under the Disaster Relief Act of 1974, the Administrator shall (1) provide counseling and such other service to the owner of such property as may be feasible and shall inform such owner concerning the disaster assistance available from other Federal agencies and from State or local agencies, and (2) pursuant to subsection (a) (2) of this section, extend on an individual case basis such forbearance or indulgence to such owner as the Administrator determines to be warranted by the facts of the case and the circumstances of such owner.

§ 1821. Incontestability

Any evidence of guaranty or insurance issued by the Administrator shall be conclusive evidence of the eligibility of the loan for guaranty or insurance under the provisions of this chapter and of the amount of such guaranty or insurance. Nothing in this section shall preclude the Administrator from establishing, as against the original lender, defenses based on fraud or material misrepresentation. The Administrator shall not, by reason of anything contained in this section, be barred from establishing, by regulations in force at the date of such issuance or disbursement, whichever is the earlier, partial defenses to the amount payable on the guaranty or insurance.

[§ 1822. Recovery of damages

[(a) Whoever knowingly makes, effects, or participates in a sale of any property to a veteran for a consideration in excess of the reasonable value of such property as determined by the Administrator, shall, if the veteran pays for such property in whole or in part with the proceeds of a loan guaranteed by the Veterans' Administration under section 1812 or 1813 of this title, or insured under section 1815 of this title, be liable for three times the amount of such excess consideration irrespective of whether such person has received any part thereof.

[(b) Actions pursuant to the provisions of this section may be instituted by the veteran concerned, in any United States district court, which court may, as a part of any judgment, award costs and reasonable attorneys' fees to the successful party. If the veteran does not

institute an action under this section within thirty days after discovering he has overpaid, or having instituted an action shall fail diligently to prosecute the same, or upon request by the veteran, the Attorney General, in the name of the Government of the United States, may proceed therewith, in which event one-third of any recovery in said action shall be paid over to the veteran and two-thirds thereof shall be paid into the Treasury of the United States.

[(c) The remedy provided in this section shall be in addition to any and all other penalties imposed by law.]

§ 1823. Direct loan revolving fund

(a) For the purposes of section 1811 of this title the revolving fund theretofore established by section 513 of the Servicemen's Readjustment Act of 1944 is continued in effect. For the purposes of further augmenting the revolving fund, the Secretary of the Treasury is authorized and directed to advance to the Administrator from time to time after December 31, 1958, and until June 30, 1961, such sums (not in excess of $150,000,000 in any one fiscal year, including prior advances in fiscal year 1959) as the Administrator may request except that the aggregate so advanced in any one quarter annual period shall not exceed the sum of $50,000,000, less that amount which has been returned to the revolving fund during the preceding quarter annual period from the sale of loans pursuant to section 1811(g) of this title. In addition to the sums authorized in this subsection the Secretary of the Treasury shall also advance to the Administrator such additional sums, not in excess of $100,000,000, as the Administrator may request, and the sums so advanced shall be made available without regard to any limitation contained in this subsection with respect to the amount which may be advanced in any one quarter annual period. The Secretary of the Treasury shall also advance to the Administrator from time to time such additional sums as the Administrator may request, not in excess of $100,000,000 to be immediately available, plus an additional amount not in excess of $400,000,000 after June 30, 1961, plus $200,000,000 after June 30, 1962, plus $150,000,000 after June 30, 1963, plus $150,000,000 after June 30, 1964, plus $100,000,000 after June 30, 1965, plus $100,000,000 after June 30, 1966. Any such authorized advance which is not requested by the Administrator in the fiscal year in which the advance may be made shall be made thereafter when requested by the Administrator, except that no such request or advance may be made after June 30, 1967. Such authorized advances are not subject to the quarter annual limitation in the second sentence of this subsection, but the amount authorized to be advanced in any fiscal year after June 30, 1962, shall be reduced only by the amount which has been returned to the revolving fund during the preceding fiscal year from the sale of loans pursuant to section 1811(g) of this title. In addition the Secretary is authorized and directed to make available to the Administrator for this purpose from time to time as he may request the amount of any funds which may have been deposited to the credit of miscellaneous receipts under this subsection or subsection (c) of this section. After the last day on which the Administrator may make loans under section 1811 of this title, he shall cause to be deposited with the Treasurer of the United States, to the credit of miscellaneous receipts, that part of all

sums in such revolving fund, and all amounts thereafter received, representing unexpended advances or the repayment or recovery of the principal of direct home loans, retaining, however, a reasonable reserve for making loans with respect to which he has entered into commitments with veterans before such last day, and a reasonable reserve for meeting commitments pursuant to subsection 1820(e) of this title.

(b) On advances to such revolving fund by the Secretary of the Treasury, less those amounts deposited in miscellaneous receipts under subsections (a) and (c) the Administrator shall pay semiannually to the Treasurer of the United States interest at the rate or rates determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the advance. The Administrator shall not be required to pay interest on transfers made pursuant to the Act of February 13, 1962 (76 Stat. 8), from the capital of the "direct loans to veterans and reserves revolving fund" to the "loan guaranty revolving fund" and adjustments shall be made for payments of interest on such transfers before the date of enactment of this sentence.

(c) In order to make advances to such revolving fund, as authorized by law to effectuate the purposes and functions authorized in section 1811 of this title, the Secretary of the Treasury may use, as a public debt transaction, the proceeds of the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under the Second Liberty Bond Act include such purposes. Such sums, together with all receipts under this section and section 1811 of this title, shall be deposited with the Treasurer of the United States, in a special deposit account, and shall be available, respectively, for disbursement for the purposes of section 1811 of this title. Except as otherwise provided in subsection (a) of this section, the Administrator shall from time to time cause to be deposited into the Treasury of the United States, to the credit of miscellaneous receipts, such of the funds in such account as in his judgment are not needed for the purposes for which they were provided, including the proceeds of the sale of any loans, and not later than June 30, 1976, he shall cause to be so deposited all sums in such account and all amounts received thereafter in repayment of outstanding obligations, or otherwise, except so much thereof as he may determine to be necessary for purposes of liquidation of loans made from the revolving fund and for the purposes of meeting commitments under subsection 1820 (e) of this title.

§ 1824. Loan guaranty revolving fund

(a) There is hereby established in the Treasury of the United States a revolving fund known as the Veterans' Administration Loan Guaranty Revolving Fund (hereinafter called the Fund).

(b) The Fund shall be available to the Administrator when so provided in appropriation Acts and within such limitations as may be included in such Acts, without fiscal year limitation, for all loan guaranty and insurance operations under this chapter, except administrative expenses.

(c) There shall be deposited in the Fund (1) by transfer from current and future appropriations for readjustment benefits such amounts as may be necessary to supplement the Fund in order to meet the requirements of the Fund, and (2) all amounts now held or hereafter received by the Administrator incident to loan guaranty and insurance operations under this chapter, including but not limited at all collections of principal and interest and the proceeds from the use of property held or the sale of property disposed of.

(d) The Administrator shall determine annually whether there has developed in such Fund a surplus which, in his judgment, is more than necessary to meet the needs of the Fund, and such surplus, if any, shall immediately be transferred into the general fund receipts of the Treasury.

§ 1825. Waiver of discharge requirements for hospitalized persons

The benefits of this chapter may be afforded to any person who is hospitalized pending final discharge from active duty, if he is qualified therefor in every respect except for discharge.

§ 1826. Withholding of payments, benefits, etc.

(a) The Administrator shall not, unless he first obtains the consent in writing of an individual, set off against, or otherwise withhold from, such individual any benefits payable to such individual under any law administered by the Veterans' Administration because of liability allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such individual under this chapter.

(b) No officer, employee, department, or agency of the United States shall set off against, or otherwise withhold from, any veteran or the widow of any veteran any payments (other than benefit payments under any law administered by the Veterans' Administration) which such veteran or widow would otherwise be entitled to receive because of any liability to the Administrator allegedly arising out of any loan made to, assumed by, or guaranteed or insured on account of, such veteran or widow under this chapter, unless (1) there is first received the consent in writing of such veteran or widow, as the case may be, or (2) such liability and the amount thereof was determined by a court of competent jurisdiction in a preceding to which such veteran or widow was a party.

§ 1827. Expenditures to correct or compensate for structural defects in mortgaged homes

(a) The Administrator is authorized, with respect to any property improved by a one- to four-family dwelling inspected during construction by the Veterans' Administration or the Federal Housing Administration which he finds to have structural defects seriously affecting the livability of the property, to make expenditures for (1) correcting such defects, (2) paying the claims of the owner of the property arising from such defects, or (3) acquiring title to the property; except that such authority of the Administrator shall exist only (A) if the owner requests assistance under this section not later than four years (or such shorter time as the Administrator may prescribe) after the mortgage loan was made, guaranteed, or insured, and

(B) if the property is encumbered by a mortgage which is made, guaranteed, or insured under this chapter after the date of enactment of this section.

(b) The Administrator shall by regulation prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section, and his decisions regarding such expenditures or payments, and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive, and shall not be subject to judicial review.

(c) The Administrator is authorized to make expenditures for the purposes of this section from the funds established pursuant to sections 1823 and 1824 of this title, as applicable.

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TITLE 12—BANKS AND BANKING

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Chapter 14—Federal Credit Unions

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Subchapter I. General Provisions

§ 1757. Powers

A Federal credit union shall have succession in its corporate name during its existence and shall have power—

(1) to make contracts;

(2) to sue and be sued;

(3) to adopt and use a common seal and alter the same at pleasure;

(4) to purchase, hold, and dispose of property necessary or incidental to its operations;

(5) to make unsecured loans with maturities not exceeding five years, and secured loans with maturities not exceeding ten years, *except that loans made in accordance with section 2(b) of the National Housing Act and section 1819 of title 38, United States Code, may be for the maturities specified therein*, to its members for provident or productive purposes upon such terms and conditions as this chapter and its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan; except that no loans to a director or member of the supervisory or credit committee may be made except as authorized under paragraph (6) of this section. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this subsection, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carriers with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in

the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Administrator after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Administrator deems relevant, but such rules and regulations shall not require payments more frequently than annually;

(6) to make loans to its own directors and to members of its own supervisory or credit committee provided that any such loan or aggregate of loans to one director or committee member which exceeds $2,500 plus pledged shares must be approved by the board of directors, and to permit directors and members of its own supervisory or credit committee to act as guarantor or endorser of loans to other members, except that when such a loan standing alone or when added to any outstanding loan or loans of the guarantor exceeds $2,500, approval by the board of directors is required;

(7) to receive from its members or other federally insured credit unions payments on shares, shares certificates, or share deposits, and, in the case of credit unions serving predominantly low-income members (as defined by the Administrator), to receive payments on shares, share certificates, or share deposits from nonmembers and to receive from an officer, employee, or agent of those nonmember units of Federal, State, or local governments and political subdivisions thereof enumerated in section 207 of this Act (12 U.S.C. 1757) and in the manner so prescribed payments on shares, share certificates, and share deposits;

(8) to invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby: (C) in accordance with rules and regulations prescribed by the Administrator, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (D) in shares or accounts of savings and loan associations or mutual savings banks, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation; (E) in obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks, Federal home loan banks, the Federal Home Loan Bank Board, or any corporation designated in section 846 of Title 31 as a wholly owned Government corporation; or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act; or in obligations or other instruments or securities of the Student Loan Marketing Association; (F) in participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more Government agencies

to a trust or trusts for which any executive department, agency, or instrumentality of the United States (or the head thereof) has been named to act as trustee; (G) in shares or deposits of any central credit union in which such investments are specifically authorized by the board of directors of the Federal credit union making the investment; and (H) in shares, share certificates, or share deposits of federally insured credit unions;

(9) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business, and for Federal credit unions or credit unions authorized by the Department of Defense operating suboffices on American military installations in foreign countries or trust territories of the United States to maintain demand deposit accounts in banks located in those countries or trust territories, subject to such regulations as may be issued by the Administrator and provided such banks are correspondents of banks described in this paragraph;

(10) to borrow, in accordance with such rules and regulations as may be prescribed by the Administrator, from any source, in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: Provided, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

(11) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

(12) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

(13) in accordance with rules and regulations prescribed by the Administrator, to sell to members negotiable checks (including travelers checks) and money orders, and to cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing such service;

(14) in accordance with rules and regulations prescribed by the Administrator, to purchase from any liquidating credit union notes made by individual members of the liquidating credit union at such prices as may be agreed upon by the board of directors of the liquidating credit union and the board of directors of the purchasing credit union, but no purchase may be made under authority of this paragraph if, upon the making of that purchase, the aggregate of the unpaid balances of notes purchased under authority of this paragraph would exceed 5 per centum of the unimpaired capital and surplus of the credit union; and

(15) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

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H. R. 15912

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To amend chapter 37 of title 38, United States Code, to improve the basic provisions of the veterans home loan programs and to eliminate those provisions pertaining to the dormant farm and business loans, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans Housing Act of 1974".

SEC. 2. (a) Section 1802(b) of title 38, United States Code, is amended to read as follows:

"(b) In computing the aggregate amount of guaranty or insurance entitlement available to a veteran under this chapter, the Administrator may exclude the amount of guaranty or insurance entitlement used for any guaranteed, insured, or direct loan, if—

"(1) the property which secured the loan has been disposed of by the veteran or has been destroyed by fire or other natural hazard; and

"(2) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on such loan, the loss has been paid in full; or

"(3) an immediate veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of his entitlement, to the extent that the entitlement of the veteran-transferor had been used originally, in place of the veteran-transferor's for the guaranteed, insured, or direct loan, and the veteran-transferee otherwise meets the requirements of this chapter.

The Administrator may, in any case involving circumstances he deems appropriate, waive one or more of the conditions prescribed in clauses (1) and (2) above.".

(b) Clause (3) of section 1802(d) of title 38, United States Code, is amended to read as follows: "(3) by any lender approved by the Administrator pursuant to standards established by him.".

(c) Section 1803(c) of title 38, United States Code, is amended by adding at the end thereof a new paragraph as follows:

"(3) This section shall not be construed to prohibit a veteran from paying to a lender any reasonable discount required by such lender, when the proceeds from the loan are to be used:

"(A) to refinance indebtedness pursuant to section 1810(a)(5);

"(B) to repair, alter, or improve a farm residence or other dwelling pursuant to section 1810(a)(4);

"(C) to construct a dwelling or farm residence on land already owned or to be acquired by the veteran except where the land is directly or indirectly acquired from a builder or developer who has contracted to construct such dwelling for the veteran; or

"(D) to purchase a dwelling from a class of sellers which the Administrator determines are legally precluded under all circumstances from paying such a discount if the best interest of the veteran would be so served.".

(d) Section 1804(c) of title 38, United States Code, is amended by inserting immediately after the second sentence a new sentence as follows: "Notwithstanding the foregoing provisions of this subsection, in the case of a loan automatically guaranteed under this chapter, the veteran shall be required to make the certification only at the time the loan is closed.".

(e) Section 1804 of title 38, United States Code, is amended by striking out in subsections (b) and (d) "under section 512 of that Act".

SEC. 3. Section 1810 of title 38, United States Code, is amended as follows:

(1) by striking out in subsection (a) (5) the second sentence;

(2) by adding at the end of subsection (a) a new paragraph as follows:

"(6) To purchase a one-family residential unit in a new condominium housing development or project, or in a structure built and sold as a condominium, provided such development, project or structure is approved by the Administrator under such criteria as he shall prescribe.";

(3) by striking out in subsection (c) "$12,500" and inserting in lieu thereof "$17,500"; and

(4) by striking out subsection (d) in its entirety.

SEC. 4. Section 1811(d)(2)(A) of title 38, United States Code, is amended by striking out "$12,500" wherever it appears and inserting in lieu thereof "$17,500".

SEC. 5. Section 1819 of title 38, United States Code, is amended as follows:

(1) by inserting in subsection (a) "or the mobile home lot loan guaranty benefit, or both," immediately after "loan guaranty benefit" each time it appears therein and by striking out "mobile home" immediately before "loan guaranteed" in the second sentence of such subsection;

(2) by amending subsection (b) as follows:

(A) by inserting "(1)" immediately after "(b)";

(B) by redesignating clauses (1) and (2) as clauses (A) and (B), respectively; and

(C) by adding at the end thereof a new paragraph as follows:

"(2) Subject to the limitations in subsection (d) of this section, a loan may be made to purchase a lot on which to place a mobile home if the veteran already has such a home. Such a loan may include an amount sufficient to pay expenses reasonably necessary for the appropriate preparation of such a lot, including, but not limited to, the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad.";

(3) by redesignating clauses (1) and (2) of the first sentence of subsection (c)(1) as clauses (A) and (B), respectively, and by striking out the word "and" at the end of clause (A), as redesignated, and inserting in lieu thereof "or the loan is for the purpose of purchasing a lot on which to place a mobile home previously purchased by the veteran, whether or not such mobile home was purchased with a loan guaranteed, insured or made by another Federal agency, and";

(4) by further amending paragraph (1) of subsection (c) by deleting in the first sentence the clause "or for the purchase of a used mobile home which is the security for a prior loan guaranteed or made under this section or for a loan guaranteed, insured or made by another Federal agency," and inserting in lieu thereof the following: "or for the purchase of a used mobile home which meets or exceeds minimum requirements for construction, design, and general acceptability prescribed by the Administrator,";

(5) by amending the last sentence of paragraph (1) of subsection (d) to read as follows: "In the case of any lot on which to place a mobile home, whether or not the mobile home was financed with assistance under this section, and in the case of necessary site preparation, the loan amount for such purposes may not exceed the reasonable value of such lot or an amount appropriate to cover the cost of necessary site preparation or both, as determined by the Administrator.";

(6) by striking out in subsection (d)(2) all of the paragraph after "exceed—" and inserting in lieu thereof the following:

"(A) $12,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

"(B) $20,000 for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home only and such additional amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation where the veteran owns the lot, or

"(C) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

"(D) $27,500 (but not to exceed $20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and an undeveloped lot on which to place such home, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

"(E) $20,000 (but not to exceed $12,500 for the mobile home) for fifteen years and thirty-two days in the case of a loan covering the purchase of a single-wide mobile home and a suitably developed lot on which to place such home, or

"(F) $27,500 (but not to exceed $20,000 for the mobile home) for twenty years and thirty-two days in the case of a loan covering the purchase of a double-wide mobile home and a suitably developed lot on which to place such home, or

"(G) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of only an undeveloped lot on which to place a mobile home owned by the veteran, which includes such amount as is determined by the Administrator to be appropriate to cover the cost of necessary site preparation, or

"(H) $7,500 for twelve years and thirty-two days in the case of a loan covering the purchase of a suitably developed lot on which to place a mobile home owned by the veteran.";

(7) by amending clause (3) of subsection (e) to read as follows:

"(3) the loan is secured by a first lien on the mobile home purchased with the proceeds of the loan and on any lot acquired or improved with the proceeds of the loan;";

(8) by inserting in subsection (f) "and mobile home lot loans" after "loans";

(9) by inserting in the first sentence of subsection (i) "and no loan for the purchase of a lot on which to place a mobile home owned by a veteran shall be guaranteed under this section unless the lot meets such standards prescribed for mobile home lots" after "Administrator";

(10) by inserting in subsection (n) "and mobile home lot loans" immediately after "mobile home loans"; and

(11) by striking out subsection (o) in its entirety.

SEC. 6. Paragraph (5) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting after the words "ten years," the words "except that loans made in accordance with section 2(b) of the National Housing Act and section 1819 of title 38, United States Code, may be for the maturities specified therein,".

SEC. 7. (a) Chapter 37 of title 38, United States Code, is amended by deleting sections 1812, 1813, 1814, and 1822.

(b) The table of sections at the beginning of chapter 37 of title 38, United States Code, is amended by striking out the following:

"1812. Purchase of farms and farm equipment.
"1813. Purchase of business property.
"1814. Loans to refinance delinquent indebtedness."

and

"1822. Recovery of damages.";

(c) The title of chapter 37 of title 38, United States Code, is amended by striking out

"CHAPTER 37—HOME, FARM, AND BUSINESS LOANS".

and inserting in lieu thereof

"CHAPTER 37—HOME, CONDOMINIUM, AND MOBILE HOME LOANS"; and

(d) The table of chapters at the beginning of title 38, United States Code, and the table of chapters at the beginning of part III of such title are each amended by striking out

"37. Home, Farm, and Business Loans..... 1801"

and inserting in lieu thereof

"37. Home, Condominium, and Mobile Home Loans..... 1801".

SEC. 8. Chapter 37 of title 38, United States Code, is amended as follows:

(1) by striking out in section 1803(a)(1) "and not more than 50 per centum of the loan if the loan is for any of the purposes specified in section 1812, 1813, or 1814 of this title";

(2) by striking out the first sentence in section 1803(b);

(3) by amending paragraph (1) of section 1803(d) to read as follows:

"(1) The maturity of any loan shall not be more than thirty years and thirty-two days.";

(4) by striking out the last sentence in paragraph (3) of section 1803(d);

(5) by striking out the last sentence in section 1815(b);

(6) by striking out in section 1818(a) "(except sections 1813 and 1815, and business loans under section 1814, of this title)"; and

(7) by striking out section 1818(c) in its entirety and redesignating subsection (d) as subsection (c).

SEC. 9. Section 802 of title 38, United States Code, is amended by striking out "$17,500" and inserting in lieu thereof "$25,000".

SEC. 10. The provisions of this Act shall become effective on the date of enactment except that the amendments made by sections 2(a)(3) and 2(b) and sections 3(2) and 3(4) shall become effective ninety days after such date of enactment.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

December 19, 1974

Dear Mr. Director:

The following bills were received at the White House on December 19th:

S.J. Res. 234	S. 2838	S. 3578
S. 184	S. 3341	S. 3615
S. 194	S. 3397	H.R. 3538
S. 1283	S. 3418	H.R. 14401
S. 1357	S. 3489	H.R. 15912
S. 2125	S. 3518	H.R. 16609
S. 2594	S. 3574	H.R. 16901

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.