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APPROVED  
JUN 30 1976

86/30/16

THE WHITE HOUSE  
WASHINGTON  
June 29, 1976

ACTION  
Last Day: July 2

Postal  
6/30  
Jo Archib  
6/30

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

S. 2529 - Veterans Housing  
Amendments Act of 1976

Attached for your consideration is S. 2529, sponsored by Senator Hartke and ten others.

The enrolled bill amends VA housing statutes to continue the loan guaranty and direct loan programs indefinitely; extends eligibility under the VA home loan guaranty program to veterans who served between World War II and the Korean conflict; increases the maximum loan amount for the VA direct home loan program; increases the maximum mobile home loan guaranty; preempts certain State constitutional usury provisions concerning interest rates and makes technical amendments in VA housing law.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign S. 2529 at Tab B.







EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUN 25 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2529 - Veterans Housing  
Amendments Act of 1976  
Sponsor - Sen. Hartke (D) Indiana and 10  
others

Last Day for Action

July 2, 1976 - Friday

Recommend action before June 30, 1976  
to avoid termination of the direct  
loan program.

Purpose

Amends VA housing statutes to continue the loan guaranty and direct loan programs indefinitely; extends eligibility under the VA home loan guaranty program to veterans who served between World War II and the Korean conflict; increases the maximum loan amount for the VA direct home loan program; increases the maximum mobile home loan guaranty; preempts certain State constitutional usury provisions concerning interest rates; makes technical amendments in VA housing law.

Agency Recommendations

Office of Management and Budget

Approval

Veterans Administration

Approval

Department of Housing and

Urban Development

No objection

Department of the Treasury

No objection

Department of Agriculture

No objection

Department of Justice

Defers to VA and HUD

Discussion

S. 2529 combines a number of separate bills concerning the VA housing programs which the Congress has been considering since last year. As explained below, the Administration has opposed some of its provisions and deferred to the Congress on others. In its final form, this legislation

was apparently regarded as noncontroversial, since it passed both houses by voice vote following agreements which made a conference unnecessary.

Description of the bill. The following explains the major provisions of S. 2529 and agency views on these provisions.

Continuation of VA housing programs.--Along with your proclamation of May 7, 1975, designating that day as the last day of the "Vietnam Era," you submitted legislation to terminate the eligibility period for GI Bill education and training benefits. Consideration of that legislation by the Congress was expanded to include the question of whether the VA housing programs as well should be terminated for post-Vietnam era veterans. The Administration's position, conveyed in VA reports and testimony, was that it had no objection to either a congressional decision to terminate or to continue these programs.

S. 2529 reflects a decision by the Congress to continue housing benefits for post-Vietnam era veterans. It accomplishes this purpose by a technical amendment explicitly providing loan guarantee benefit eligibility for veterans who served in the armed forces after the end of the Korean conflict (January 31, 1955). Under present law, such eligibility is linked to eligibility for educational benefits; thus, without this provision, termination of the education program would terminate the loan guarantee program. VA and OMB favor this perfecting amendment.

The bill would also provide for the indefinite continuation of the Direct Loan Revolving Fund, which will have the effect of making the direct loan program permanent. Present law provides for the termination of the Fund not later than June 30, 1976. VA favors this amendment and recommends action on the enrolled bill prior to June 30, 1976 to prevent termination of the Fund.

The direct loan program is intended to extend credit to veterans to assist them in obtaining housing in rural areas and small cities and towns where private financing is not generally available. For the last few years, the Administration has been trying to encourage greater use of the guaranty program in place of direct loans. The Congress, however, has been leaning in the opposite direction, and has shown an interest in removing the rural-only restriction on direct loans, so that loans can be made in the inner cities. VA does not want to get into this type of lending activity. Disapproval of a bill extending the direct loan authority might prompt Congress to lift the restriction.

Expanded eligibility for loan guaranty benefits.--  
Effective October 1, 1976, S. 2529 would grant eligibility for housing loan guaranty benefits for the first time to the approximately 255,000 veterans whose entire active duty service occurred after the official termination of World War II, July 25, 1947, and before the Korean conflict, June 27, 1950. In reporting to the Congress on this provision, VA noted that if the Congress decided to terminate the loan guaranty program for post-Vietnam era veterans, it would be inconsistent to extend such entitlement to this group of veterans, and accordingly deferred to the Congress. VA now considers the provision appropriate since the Congress has indicated its desire to continue the loan guaranty program. VA states that the proposed new eligibility would eliminate the present inequity between the peacetime veterans who served between World War II and the Korean conflict, and those who served subsequent to the termination of the Vietnam era and are presently eligible for the home loan program.

We believe that, on the merits, this is an inappropriate provision. Coming, as it does, at least 26 years after the affected veterans have left the armed services--and with service confined to a totally peacetime period--this cannot be considered a readjustment benefit. It is, rather, purely a bonus. In addition, it may set a bad precedent and make it more difficult to terminate VA housing benefits for future entrants to the armed forces.

Direct loan maximum.--Effective October 1, 1976, the enrolled bill would increase the maximum direct loan amount from \$25,000 to \$33,000 on the basis that the current maximum, which was established several years ago, is inadequate.

A similar legislative proposal to raise the maximum direct loan to \$30,000 was opposed by the Administration because available data indicate that the present loan ceiling is sufficient to enable the average eligible individual to buy a home.

Mobile home loan guaranty.--Effective July 1, 1976, S. 2529 would increase from 30% to 50% the maximum loan guaranty for a mobile home, including amounts for lot acquisition and site preparation.

VA opposed this provision in reports to the Congress on the basis that the present maximum is sufficient to protect lenders and that increasing the guaranty would not result in any increase in mobile home loan activity. The committee reports take the view that the increased maximum guaranty

will result in greater participation by lenders in the program and a greater likelihood of secondary mortgage market participation. In its attached views letter, VA states that both of these features are highly desirable and it will carefully monitor the program to assure that lenders exercise necessary care in underwriting and servicing guaranteed mobile home loans.

OMB continues to oppose this amendment for two reasons. First, there is no evidence that an increase in the guaranty percentage would increase activity by mobile home lenders. Second, the increase could well lead to sloppy underwriting, since the collateral would have to lose half of its value before the lender could be hurt.

Federal preemption of certain State usury law.--The enrolled bill contains an amendment proposed by Senator Cranston to deal with a special problem that has arisen in California which, under certain circumstances, adversely affects FHA and VA mortgage activity in that State. Under the California constitution, a usury rate of 10% was established in 1934. Virtually all commercial lenders were specifically exempt (for example, banks and savings and loan associations), but the mortgage banking industry as the primary originator of FHA-insured and VA-guaranteed home mortgages developed later and has been interpreted as subject to the constitutional provision. Consequently, FHA-VA mortgage activity is severely restricted when the yield on such mortgages reaches the usury ceiling.

The amendment in S. 2529, introduced in response to a unanimous request by the California legislature, would exempt FHA and VA mortgages on one-to four-family dwellings from provisions of any State constitution or law which limits interest rates chargeable by certain classes of lenders while not imposing such limits on other lenders. Any State could subsequently enact legislation to make this Federal preemption inapplicable.

As a general principle, problems of this type are better left to the States to rectify, rather than having the Federal Government intervene with special purpose legislation. In this instance, Justice and HUD have no objection and VA reported to the Senate Veterans Affairs Committee that it had no objection to the provision. Agriculture's views letter on the enrolled bill states that the Farmers Home Administration may seek similar coverage for its guaranteed loan program.

Budget impact

Cost estimates for S. 2529 are provided in detail in the table attached to VA's letter on the enrolled bill. Briefly, only two provisions of S. 2529 carry significant costs.

	(\$ in millions)	
	<u>FY 1977</u>	<u>5-Year</u>
	<u>Cost</u>	<u>Cost</u>
Increase in direct loan maximum to \$33,000	2.7	23.9
Increase in mobile home guaranty from 30% to 50%	2.6	27.6
All other	<u>.2</u>	<u>1.2</u>
Total	5.5	52.7

The costs of the bill likely will level out close to the estimated fiscal year 1981 amount of \$15.1 million annually for subsequent years. Nearly all of the costs will return to VA in the form of loan repayments or loan sales.

Recommendations

VA recommends approval of S. 2529. Although VA opposed increases in the maximum direct loan amount and the maximum loan guaranty amount for mobile homes, the agency concludes that its opposition to these provisions is not such as would warrant a recommendation of a Presidential veto.

OMB has additional concerns about S. 2529, as indicated above, but we do not believe they are sufficiently serious to warrant disapproval in light of the bill's strong congressional support and the problems which would arise if the direct loan program were allowed to lapse on June 30, 1976.

*James M. Frey*  
Assistant Director for  
Legislative Reference

Enclosures

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

JUN 25 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2529 - Veterans Housing  
Amendments Act of 1976  
Sponsor - Sen. Hartke (D) Indiana and 10  
others

Last Day for Action

July 2, 1976 - Friday

Recommend action before June 30, 1976  
to avoid termination of the direct  
loan program.

Purpose

Amends VA housing statutes to continue the loan guaranty and direct loan programs indefinitely; extends eligibility under the VA home loan guaranty program to veterans who served between World War II and the Korean conflict; increases the maximum loan amount for the VA direct home loan program; increases the maximum mobile home loan guaranty; preempts certain State constitutional usury provisions concerning interest rates; makes technical amendments in VA housing law.

Agency Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of Housing and Urban Development	No objection
Department of the Treasury	No objection
Department of Agriculture	No objection
Department of Justice	Defers to VA and HUD

Discussion

S. 2529 combines a number of separate bills concerning the VA housing programs which the Congress has been considering since last year. As explained below, the Administration has opposed some of its provisions and deferred to the Congress on others. In its final form, this legislation

THE WHITE HOUSE  
WASHINGTON

June 29, 1976

MEMORANDUM FOR: JIM CAVANAUGH  
FROM: MAX L. FRIEDERSDORF *M.L.F.*  
SUBJECT: S. 2529 - Veterans Housing Amendments Act of 1976

The Office of Legislative Affairs concurs with the agencies  
that the subject bill be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 28

Time: 1000am

FOR ACTION: David Llssy  
Lynn May  
Ted Marrs  
Ken Lazarus  
Max Friedersdorf

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: June 28

Time: 400pm

SUBJECT:

S. 2529 - veterans housing amendments act of 1976

ACTION REQUESTED:

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

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

No objection -- Ken Lazarus 6/28/76

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.

James M. Cannon  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 28

Time: 1000am

FOR ACTION: David LISSY  
Lynn May  
Ted Marrs  
Ken Lazarus  
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Jim Cavanaugh  
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REMARKS:

please return to Judy Johnston, Ground Floor West Wing

*Sigm  
WMB*

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

James M. Cannon  
For the President

THE WHITE HOUSE  
WASHINGTON

Note: President must sign before  
June 30 to avoid termination of  
loan program.

Judy 6/29

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 28

Time: 1000am

FOR ACTION:

David Lissy *sh*

Lynn May *ak*

Ted Marrs *sh*

Ken Lazarus *sh*

Max Friedersdorf

*Bill Seidman sh*

cc (for information):

Jack Marsh

Jim Cavanaugh

Ed Schulte *sh*

FROM THE STAFF SECRETARY

DUE: Date: June 28

Time: 400pm

SUBJECT:

S. 2529 - veterans housing amendments act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

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



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



June 18, 1976

The Honorable  
James T. Lynn  
Director, Office of  
Management and Budget  
Washington, D.C. 20503

Dear Mr. Lynn:

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 S. 2529, 94th Congress, entitled the "Veterans Housing Amendments Act of 1976."

This omnibus measure would make a number of amendments to chapter 37 of title 38, United States Code, which pertains to the VA loan guaranty program. The major provisions of the enrolled enactment are: (1) increasing the percentage of the VA mobile home loan guaranty from 30 percent to 50 percent; (2) increasing the maximum VA direct loan amount to \$33,000; (3) writing into chapter 37 of title 38 loan guaranty eligibility for post-Korean veterans; (4) granting eligibility for loan guaranty benefits to veterans whose entire active service occurred between World War II and the Korean conflict; (5) providing for the continuation of the Direct Loan Revolving Fund; (6) exempting certain federally related housing loans from the provisions of the constitution of any State which expressly limit the rate of interest charged by certain classes of lenders.

Section 4 of S. 2529 spells out in chapter 37 of title 38, United States Code (section 1818), loan benefit eligibility requirements for veterans who served

after the end of the Korean conflict (January 31, 1955). As currently worded, section 1818 of title 38 grants eligibility for loan guaranty benefits to those persons defined as eligible veterans by paragraphs (1) and (2) of section 1652(a) of title 38. Section 1652 is in chapter 34, which pertains to educational benefits. Thus, unless this change is made, termination of the education program would terminate the loan guaranty program.

In our report to the Senate on S. 2529 (reprinted beginning on page 24 of Senate Report No. 94-806, a copy of which is enclosed), we noted that a number of bills have been introduced in the Congress to either continue or terminate eligibility for educational and loan guaranty benefits for post-Vietnam era veterans. We deferred to the Congress on whether or not these veterans should continue to receive loan guaranty entitlement.

The Congress has now concluded that the loan guaranty program should continue and be made permanent (see page 9 of Senate Report No. 94-806).

In view of this legislative determination, we think it logical to have all eligibility requirements for loan guaranty benefits contained in chapter 37 of title 38, rather than relying by reference upon eligibility criteria for educational benefits. Accordingly, we favor section 4. This is a perfecting change, and its enactment would not result in any additional cost to the VA.

Section 2 of the enrolled enactment would add a new section 1807 to title 38, which would grant eligibility for loan guaranty benefits to the approximately 255,000 veterans whose entire active duty occurred during the period after the end of World War II and prior to the Korean conflict (after July 25, 1947, and before June 27, 1950). To be eligible, such veterans either must have

served on active duty for a period of more than 180 days and been released or discharged under conditions other than dishonorable, or been discharged after a shorter period of active duty for a service-connected disability. This would be the first time these veterans would receive eligibility for GI loan benefits.

In our report on S. 2529, we deferred to the Congress on the enactment of this proposal, pending a determination on whether or not the loan guaranty program would be continued.

Inasmuch as the Congress has now indicated they desire the loan guaranty program continued, we consider extension of loan guaranty benefits to this class of veterans appropriate. Doing this eliminates the present inequity between the peacetime veterans who served between World War II and the Korean conflict, and those who served subsequent to the termination of the Vietnam era, who presently enjoy the advantage of entitlement to the home loan program.

This provision would become effective October 1, 1976.

Due to the relatively small class of eligible participants, the 5-year cost of section 2 would be approximately \$214,000 in general operating expenses, plus outlays of approximately \$271,000 from the Loan Guaranty Revolving Fund and \$750,000 from the Direct Loan Revolving Fund, which will be recouped through repayment or sale of loans.

Section 3 of the enrolled enactment would increase the maximum direct loan the Administrator is authorized to make under section 1811 of title 38,

United States Code, to \$33,000. This increase will become effective October 1, 1976. In our report to the Senate on S. 2529, we commented on a similar proposal which would have increased the maximum direct loan amount to \$30,000. We opposed that proposal on the grounds that our data indicated that the present direct loan ceiling of \$25,000 is sufficient, in our opinion, to enable the average eligible individual to buy a home. Senate Report No. 94-806, at page 17, however, cites data to support the contention "...that nearly one-quarter of the veterans living in credit shortage areas are unable to purchase suitable housing for themselves and their families under the current maximum restriction." Our opposition to this proposal is not such as would warrant a recommendation of a Presidential veto.

Section 5 of the bill would increase the guaranty on mobile home loans from 30 percent to 50 percent, effective July 1, 1976. This proposal is identical to H. R. 9063, 94th Congress. On October 15, 1975, the VA furnished the House Veterans' Affairs Committee with a report setting forth our opposition to H.R. 9063. This report is found on page 6 of House Report No. 94-1129, which we enclose for your reference. This opposition was reiterated in our report to the Senate in S. 2529.

In the past, the VA has taken the position that the 30 percent guaranty on mobile home loans was sufficient to protect lenders exercising reasonable care on mobile home loans to veterans, and that increasing the guaranty would not result in any increase in mobile home loan activity.

The Congress, after reviewing pertinent testimony and material submitted by the mobile home industry and lenders, has concluded that the increased

guaranty amount is appropriate. This decision is apparently based upon a finding that the higher guaranty would result in greater participation by lenders in the VA mobile home program and a greater likelihood of secondary mortgage market participation in the program by either, or both, the Government National Mortgage Association and the Federal National Mortgage Association (see page 14 of Senate Report No. 94-806).

An increase in lender participation in the VA mobile home program and a secondary market for such loans are both highly desirable features which cannot be ignored. We will carefully monitor the activities of lenders to assure that they exercise the expected degree of care in credit underwriting and in the servicing of guaranteed mobile home loans. Accordingly, while we do not favor this proposal, our opposition is not such as would warrant a recommendation of a Presidential veto.

Section 6 of the enrolled enactment would amend section 1823 of title 38, United States Code, to provide for the indefinite continuation of the Direct Loan Revolving Fund. In our report on H. R. 10944, the similar proposal (that report is contained on page 8 of House Report No. 94-1129), we noted that such an amendment would be a perfecting change and its enactment would not result in any additional cost to the VA. Accordingly, we favored enactment of that amendment.

Section 7 of S. 2529 would make a number of editorial changes to chapter 37 of title 38, United States Code, to reflect the governmental policy of using terms not denoting gender. We consider these



changes to be appropriate. They will not, however, result in any substantive change in the loan guaranty program or involve any cost.

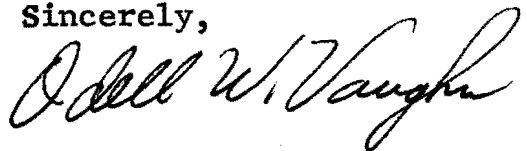
Section 8 of the enrolled enactment would exempt VA loans, and certain loans insured by the Department of Housing and Urban Development, from usury restrictions of certain States which set limits on interest in their constitutions, but only if the State constitutional provisions apply to only certain classes of lenders. This proposal was specifically designed to apply to the State of California (see page 17 of Senate Report No. 94-806), and we believe only one or two States would actually be affected by section 8. In our report to the Senate dated June 1, 1976, on the proposal now incorporated as section 8 (a copy of the report is enclosed), we stated that this proposal would apply to a small geographic area for only a limited time period, and thus the cost impact upon the VA would be minimal.

We voiced no objection to the enactment of that proposal.

The estimated cost of enrolled enactment S. 2529 for Fiscal Year 1977 would be \$5,506,100, and the total 5-year cost of this measure would be \$52,694,200. A more detailed cost estimate by fiscal year and by section is enclosed.

For the foregoing reasons, I recommend that the President approve S. 2529.

Sincerely,



Deputy Administrator - in the absence of

RICHARD L. ROUDEBUSH  
Administrator

Enclosures (4)

**COST ESTIMATE FOR ENROLLED ENACTMENT S. 2529,  
94TH CONGRESS**

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The total 5-year costs of S. 2529 are as follows:

<u>Fiscal Year</u>	<u>General Operating Expenses</u>	<u>Loan Gty. Revolving Fund</u>	<u>Direct Loan Revolving Fund</u>	<u>Total</u>
1977	\$ 35,500	\$ 2,617,600	\$ 2,853,000	\$ 5,506,100
1978	38,700	4,273,200	3,934,000	8,245,900
1979	43,400	5,445,400	5,038,000	10,526,800
1980	46,600	7,429,400	5,870,000	13,346,000
1981	49,900	8,109,500	6,910,000	15,069,400
<b>Total</b>	<b><u>\$214,100</u></b>	<b><u>\$27,875,100</u></b>	<b><u>\$24,605,000</u></b>	<b><u>\$52,694,200</u></b>

The costs of implementing Section 2, which would extend the benefits of Chapter 37 to veterans who served between July 25, 1947 and June 27, 1950, based upon an estimated 255,000 newly eligible veterans, are as follows:

<u>Fiscal Year</u>	<u>General Operating Expenses</u>	<u>Outlays</u>		<u>Total</u>
		<u>Loan Gty. Revolving Fund</u>	<u>Direct Loan Revolving Fund</u>	
1977	\$ 35,500	\$ 4,600	\$150,000	\$ 190,100
1978	38,700	26,200	150,000	214,900
1979	43,400	55,400	150,000	248,800
1980	46,600	79,400	150,000	276,000
1981	49,900	105,500	150,000	305,400
<b>Total</b>	<b><u>\$214,100</u></b>	<b><u>\$271,100</u></b>	<b><u>\$750,000</u></b>	<b><u>\$1,235,200</u></b>

Section 3, which would increase the maximum direct loan to \$33,000 would involve the following costs:

<u>Fiscal Year</u>	<u>General Operating Expenses</u>	<u>Outlays Direct Loan Revolving Fund</u>	<u>Total</u>
1977	\$0	\$ 2,703,000	\$ 2,703,000
1978	0	3,784,000	3,784,000
1979	0	4,888,000	4,888,000
1980	0	5,720,000	5,720,000
1981	0	6,760,000	6,760,000
<b>Total</b>	<b><u>\$0</u></b>	<b><u>\$23,855,000</u></b>	<b><u>\$23,855,000</u></b>

Section 4, which merely changes the placement of a definition of eligibility for loan benefits, involves no costs in and of itself.

The costs of increasing the guaranty on mobile home loans to 50 per centum in Section 5 are as follows:

<u>Fiscal Year</u>	<u>General Operating Expenses</u>	<u>Outlays Loan Gty. Revolving Fund</u>	<u>Total</u>
1977	\$0	\$ 2,613,000	\$ 2,613,000
1978	0	4,247,000	4,247,000
1979	0	5,390,000	5,390,000
1980	0	7,350,000	7,350,000
1981	0	8,004,000	8,004,000
<b>Total</b>	<b><u>\$0</u></b>	<b><u>\$27,604,000</u></b>	<b><u>\$27,604,000</u></b>

Section 6, which is a technical amendment to permit the continuance of the Direct Loan Revolving Fund, would involve no costs.

Section 7, which is an editorial change to remove gender references from chapter 37, would involve no costs.

Section 8 would exempt certain federally related housing loans from the interest limitations imposed by the constitutions of certain states. It would only apply to a small geographic area for only a limited time period. Thus, it would have minimum cost impact.



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

June 1, 1976

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

Dear Mr. Chairman:

This will reply to your request for a report on the amendment to S. 2529 proposed by Senator Cranston.

Subsequent to your letter of November 12 requesting this report, we received, by messenger, a revised text of this amendment. Our report will be on this revised amendment.

The proposed amendment provides that the provisions of the constitution of any State which expressly limit the rate of interest charged by certain classes of lenders, and the provisions of any law of that State which expressly limit the rate of interest, shall not apply to (a) any loan or mortgage secured by a one to four-family dwelling, when such loan or mortgage is insured by HUD under title I or title II of the National Housing Act, or insured, guaranteed, or made by the Veterans Administration under chapter 37 of title 38, United States Code; or (b) any temporary construction loan or interim financing if, at the time such loan is made, the intention is declared to obtain permanent financing substantially by means of loans or mortgages so insured, guaranteed, or made.

This amendment would only apply to those States which expressly provide interest ceilings in their State constitutions, and only if such constitutional provisions apply to "certain classes of lenders." It would not apply to State constitutions which do not exempt any classes of

lenders from their usury provisions. In addition, current State usury statutes which are not based on constitutional interest ceilings would also not be affected.

Any State affected by the proposed amendment may, however, enact a law which reimposes the interest rate limitations made inapplicable by the proposed amendment, provided the State statute is enacted subsequent to the passage of S. 2529.

We are not certain how many States would actually be affected by this measure, but we believe it would be only one or two States.

In addition, we believe the language of the proposed amendment is somewhat ambiguous. As currently drafted, the amendment applies to State constitutions "expressly limiting the amount of interest...certain classes of lenders" may charge. The constitution of the State of California (Article XX, section 22), for example, sets a 10 percent interest ceiling for all loans, except for those made by certain enumerated types of lenders. It is not clear whether the language of the proposed amendment would cover the California situation, though it is understood the amendment is specifically designed to apply to that State.

Although this measure may cover only a few States, many of the States which define usury by statute rather than in their constitution provide an exemption for VA loans.

The proposed amendment would only affect the Veterans Administration's loan guaranty program during such periods of time that the Administrator found the loan market demanded an interest rate in excess of the interest ceiling contained in the constitutions of affected states. We have no way of determining whether these conditions would ever exist, or, if they should occur, how long they would last.

Should, however, these circumstances come into being, the proposed amendment may help insure more sources of both construction financing and VA guaranteed home loans than would otherwise be available in affected States for the duration of such periods.

In view of the fact that the proposed amendment would only apply to a small geographic area for only a limited time period, this amendment, if enacted, would have minimum cost impact upon the Veterans Administration.

For the foregoing reasons, the Veterans Administration has no objection to the enactment of the proposed amendment to S. 2529. To the extent that this measure would affect programs under the National Housing Act, however, we defer to the Department of Housing and Urban Development.

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  
Administrator



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

JUN 22 1976

Mr. James M. Frey  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

Attention: Ms. Martha Ramsey

Dear Mr. Frey:

Subject: S. 2529, 94th Congress  
Enrolled Enactment

This is in response to your request for our views on the enrolled enactment of S. 2529, an Act "To amend chapter 37 of title 38, United States Code, to increase the maximum Veterans' Administration's guaranty for mobile home loans from 30 to 50 percent, to make permanent the direct loan revolving fund, to extend entitlement under chapter 38 to those veterans who served exclusively between World War II and the Korean conflict, and for other purposes."

The enrolled enactment would amend provisions of law relating to veterans housing, in part, to: increase the maximum amount of a direct home loan from \$21,000 to \$33,000, make the direct loan program permanent, and increase the maximum VA mobile home loan guarantee from 30 to 50 percent. This Department is primarily concerned with section 8 of the enrolled enactment which would provide for Federal preemption of a State constitutional provision which limits the interest rates chargeable on FHA mortgages and on VA mortgages by certain classes of lenders while not imposing such limits on other lenders.

The intent of the measure with respect to title I loans is not clear. The enrolled enactment would apply to a loan or mortgage secured by a one- to four-family dwelling. Usually home improvement loans are not so secured.

The legislative history of section 8 clearly indicates that it is intended to apply only in California. Article XX, section 22 of that State's constitution establishes a usury rate of ten percent but exempts virtually all commercial lenders except mortgage bankers from its provisions. The amendment was introduced in response to a unanimous request by the California Legislature on April 16, 1975, Senate Joint Resolution No. 12, that the United States Congress provide relief from that State's constitutional usury limitation.

This Department has no objection to the approval of this enrolled enactment.

Sincerely,



Robert R. Elliott





THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

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

JUN 21 1976

Attention: Assistant Director for Legislative  
Reference

Sir:

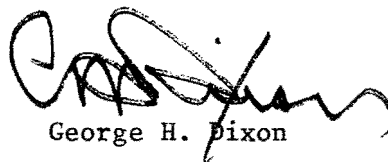
Reference is made to your request for the views of this Department on the enrolled enactment of S. 2529, the "Veterans Housing Amendments Act of 1976."

The enrolled enactment would amend chapter 37 of title 38, United States Code, to make the following changes in the veterans housing program:

- (1) Section 2 would extend entitlement under chapter 37 to veterans who served between World War II and the Korean conflict;
- (2) Section 3 would increase the maximum direct loan amounts under the program from \$21,000 to \$33,000;
- (3) Section 4 would amend 38 U.S.C. 1818(a) to directly define veterans housing eligibility within chapter 37 (a technical amendment);
- (4) Section 5 would increase the maximum Veterans' Administration mobile home loan guaranty from 30 to 50 percent;
- (5) Section 6 would make the direct loan program permanent;
- (6) Section 7 would make technical amendments to chapter 37, mainly to remove gender references; and
- (7) Section 8 would preempt any State constitutional usury provision which limits the interest rates chargeable on FHA/VA mortgages by certain classes of lenders -- at present section 8 would only apply to California.

The Department has no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,



George H. Dixon



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

June 22, 1976

Mr. James M. Frey  
Assistant Director for  
Legislative Reference  
Office of Management  
and Budget  
Washington, DC

Dear Mr. Frey:

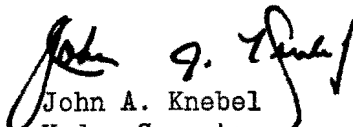
This will reply to your request for our views and recommendations on enrolled bill S. 2529, "Veterans Housing Amendments Act of 1976." Since this bill does not directly affect the Department of Agriculture, we will confine our comments to Section 8 of the bill which addresses a subject of mutual interest.

Section 8 would exempt certain Department of Housing and Urban Development and Veterans Administration housing programs from state usury laws limiting the amount of interest which may be charged.

The Farmers Home Administration (FmHA) has reviewed Section 8 of S. 2529, as amended, and may seek similar coverage for FmHA guaranteed loan programs. We are concerned that the language of the bill is ambiguous. For example, we note that while the constitution of the State of California contains the usury law for that State, the State of Maryland set its usury rate by State statute which may not be affected by this Section.

The Department does not object to the approval of the bill.

Sincerely,

  
John A. Knebel  
Under Secretary

**Department of Justice**  
**Washington, D.C. 20530**

June 21, 1976

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill, S. 2529, "To amend chapter 37 of title 38, United States Code, to increase the maximum Veterans' Administration's guaranty for mobile home loans from 30 to 50 percent, to make permanent the direct loan revolving fund, to extend entitlement under chapter 37 to those veterans who served exclusively between World War II and the Korean conflict, and for other purposes."

The proposed S. 2529 would extend to veterans who served exclusively between World War II and the Korean conflict, home, farm and business loan benefits now available to veterans who served during World War II, the Korean conflict or the period after January 1, 1955. The bill also would increase the principal amount of direct loan a qualified veteran may receive. In addition, S. 2529 would increase from 30 to 50 the authorized percentum of a mobile home loan to a veteran which the Administrator of the Veterans Administration may guarantee. Under the bill, the direct loan revolving fund established by the Servicemen's Readjustment Act of 1944, would be made permanent. The bill would also render certain state constitutional and statutory usury restrictions inapplicable to loans on mortgages where the loan or mortgage is insured under Title I or Title II of the National Housing Act or insured guaranteed or made under chapter 37 of title 38 of the United States Code.

The bill does not appear to present any enforcement problems not present in the existing statutory scheme of loan benefits for veterans.

Therefore, the Department of Justice defers to the Veterans' Administration and the Department of Housing and Urban Development as to whether this bill should receive executive approval.

Sincerely,

A handwritten signature in cursive script, reading "Michael M. Uhlmann". The signature is written in dark ink and is positioned above the typed name.

MICHAEL M. UHLMANN  
Assistant Attorney General

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 28

Time: 1000am

FOR ACTION: David Lissy  
Lynn May  
Ted Marre ✓  
Ken Lazarus  
Max Friedersdorf

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: June 28

Time: 400pm

SUBJECT:

S. 2529 - veterans housing amendments act of 1976

ACTION REQUESTED:

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

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

*Approved  
- Marre*

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.

James M. Cannon  
For the President

VETERANS HOUSING AMENDMENTS  
ACT OF 1976

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REPORT  
OF THE  
COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES SENATE

TO ACCOMPANY

S. 2529



MAY 11, 1976.—Ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1976

VETERANS HOUSING AMENDMENTS  
ACT OF 1976

COMMITTEE ON VETERANS' AFFAIRS

VANCE HARTKE, Indiana, *Chairman*

HERMAN E. TALMADGE, Georgia  
JENNINGS RANDOLPH, West Virginia  
ALAN CRANSTON, California  
RICHARD (DICK) STONE, Florida  
JOHN A. DURKIN, New Hampshire

CLIFFORD P. HANSEN, Wyoming  
STROM THURMOND, South Carolina  
ROBERT T. STAFFORD, Vermont

FRANK J. BRIZZI, *Staff Director*  
GUY H. MCMICHAEL III, *General Counsel*

SUBCOMMITTEE ON HOUSING AND INSURANCE

RICHARD (DICK) STONE, Florida, *Chairman*

HERMAN E. TALMADGE, Georgia  
ALAN CRANSTON, California  
VANCE HARTKE, Indiana

ROBERT T. STAFFORD, Vermont  
CLIFFORD P. HANSEN, Wyoming

(II)



MAY 11, 1976—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

585-10

VETERANS HOUSING AMENDMENTS ACT OF 1976

MAY 11, 1976.—Ordered to be printed

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

REPORT

[To accompany S. 2529]

The Committee on Veterans' Affairs, to which was referred the bill (S. 2529) to amend chapter 37 of title 38, United States Code, to increase the maximum Veterans' Administration's guaranty for mobile home loans from 30 to 50 percent, to make permanent the direct loan revolving fund, to extend entitlement under chapter 37 to those veterans who served exclusively between World War II and the Korean conflict, and for other purposes having considered the same, reports favorably thereon with an amendment in the nature of a committee substitute, and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENT

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That this Act may be cited as the "Veterans Housing Amendments Act of 1976".

SEC. 2. (a) Subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 1807. Service after July 25, 1947, and prior to June 27, 1950

"Each veteran whose only active duty service occurred after July 25, 1947, and prior to June 27, 1950, and who—

"(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable; or

"(2) served for a period of less than 180 days and was discharged for a service-connected disability;

shall be eligible for benefits of this chapter."

(b) The table of sections for subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following new item:

"1807. Service after July 25, 1947, and prior to June 27, 1950."

(1)



Sec. 3. Paragraphs (2)(A) and (3) of section 1811(d) of title 38, United States Code, are amended—

(1) by striking out "\$21,000" wherever it appears and inserting in lieu thereof "\$30,000"; and

(2) by striking out "\$25,000" wherever it appears and inserting in lieu thereof "\$35,000".

Sec. 4. Section 1818(a) of title 38, United States Code, is amended to read as follows:

"(a) Each veteran who served on active duty, any part of which occurred after January 31, 1955, and who—

"(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable;

"(2) has served more than 180 days in an active duty status and continues on active duty without a break therein; or

"(3) was discharged or released from active duty after such date for a service-connected disability;

shall be eligible for the benefits of this chapter, subject to the provisions of this section."

Sec. 5. Section 1819(c) (3) of title 38, United States Code, is amended by striking out "30 per centum" and inserting in lieu thereof "50 percent" in the first sentence.

Sec. 6. Section 1823(c) of title 38, United States Code, is amended by striking out before the period at the end of the last sentence ", 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 section 1820(e) of this title".

Sec. 7. Chapter 37 of title 38, United States Code, is amended—

(1) by striking out in section 1801(a) (2) "widow", "her own", and "her husband" wherever they appear and inserting in lieu thereof "surviving spouse", "the spouse's own", and "the spouse", respectively;

(2) by striking out in section 1801(a) (3) "wife" and "her husband" wherever they appear and inserting in lieu thereof "spouse" and "the spouse", respectively;

(3) by striking out in section 1802(b), including clause (3), "he" and "his" and inserting in lieu thereof "the Administrator" and "the veteran-transferee's", respectively;

(4) by striking out in subsections (c) and (d) of section 1802 "He", "him", and "he" wherever they appear and inserting in lieu thereof "The Administrator", "the Administrator", and "the Administrator", respectively;

(5) by striking out in subsections (e) and (g) of section 1802 "him" and "his wife" wherever they appear and inserting in lieu thereof "the Administrator" and "the veteran's spouse", respectively;

(6) by striking out in section 1803(d) (3) "he" and inserting in lieu thereof "the Administrator";

(7) by striking out in section 1804(c) "he" and "his" wherever they appear and inserting in lieu thereof "the veteran" and "the veteran's", respectively;

(8) by striking out in section 1804(d) "he" and inserting in lieu thereof "the Administrator";

(9) by striking out in section 1805(a) "his" wherever it appears and inserting in lieu thereof "the Administrator's";

(10) by striking out in section 1806(a) "his" and inserting in lieu thereof "the seller's";

(11) by striking out in section 1810(a) "him", "his", and "he" wherever they appear and inserting in lieu thereof "the veteran", "the veteran's", and "the Administrator", respectively;

(12) by striking out in section 1811(b) "he" and "He" and inserting in lieu thereof "the Administrator" and "The Administrator", respectively;

(13) by striking out in section 1811(c) "he" wherever it appears and inserting in lieu thereof "the veteran";

(14) by striking out in paragraphs (2)(A) and (3) of section 1811(d) "he" wherever it appears and inserting in lieu thereof "the Administrator";

(15) by striking out in section 1811(g) "him" and "he" and inserting in lieu thereof "the Administrator";

(16) by striking out in section 1811(k) "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(17) by striking out in section 1815(a) "he" and inserting in lieu thereof "the Administrator";

(18) by striking out in subsections (a) and (b) of section 1816 "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(19) by striking out in section 1817(a) "him" wherever it appears and inserting in lieu thereof "the veteran", by striking out "he" the first time it appears and inserting in lieu thereof "the Administrator", by striking out "has obligated himself" and inserting in lieu thereof "is obligated", and by striking out "he" the second and third time it appears and inserting in lieu thereof "the transferee";

(20) by striking out in section 1817(b) "him" and "he" and inserting in lieu thereof "the veteran" and "the Administrator", respectively;

(21) by striking out in paragraphs (1) and (3) of section 1819(c) "he" wherever it appears and inserting in lieu thereof "the Administrator";

(22) by striking out in paragraphs (1) and (3) of section 1819(d) "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(23) by striking out in paragraphs (4) and (5) of section 1819(e) "subparagraph", "he", and "his" and inserting in lieu thereof "subsection", "the veteran", and "the veteran's", respectively;

(24) by striking out in subsections (f), (h), and (i) of section 1819 "he" wherever it appears and inserting in lieu thereof "the Administrator";

(25) by striking out in clauses (1) and (5) of section 1820(a) "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(26) by striking out in section 1820(a) (6) "him" and inserting in lieu thereof "the Administrator";

(27) by striking out in paragraphs (1) and (2) of section 1820(e) "he", "him", and "his" wherever they appear and inserting in lieu thereof "the Administrator", "the Administrator", and "the Administrator's", respectively;

(28) by striking out in subsections (a) and (c) of section 1823 "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's", respectively;

(29) by striking out in section 1824(d) "his" and inserting in lieu thereof "the Administrator's";

(30) by striking out in section 1825 "he" and inserting in lieu thereof "said person";

(31) by striking out in section 1826 "he" and "widow" wherever they appear and inserting in lieu thereof "the Administrator" and "surviving spouse", respectively; and

(32) by striking out in subsections (a) and (b) of section 1827 "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's", respectively.

Sec. 8. (a) The provisions of the constitution of any State expressly limiting the amount of interest which may be charged, taken, received, or reserved by certain classes of lenders and the provisions of any law of that State expressly limiting the amount of interest which may be charged, taken, received, or reserved shall not apply to—

(1) any loan or mortgage which is secured by a one- to four-family dwelling and which is (A) insured under title I or II of the National Housing Act, or (B) insured, guaranteed, or made under chapter 37 of title 38, United States Code; or

(2) any temporary construction loan or other interim financing if at the time such loan is made or financing is arranged, the intention to obtain permanent financing substantially by means of loans or mortgages so insured, guaranteed, or made is declared.

(b) The provisions of this section shall apply to such loans, mortgages, or other interim financing made or executed in any State until the effective date (after the date of enactment of this section) of a provision of law of that State limiting the amount of interest which may be charged, taken, received, or reserved on such loans, mortgages, or financing.



INTRODUCTION AND SUMMARY OF S. 2529, AS REPORTED

The Subcommittee on Housing and Insurance conducted hearings on veterans' housing programs on November 12, 1975. The hearings reviewed Veterans' Administration housing programs in general and the operation of the Veterans Housing Act of 1974 (Public Law 93-569), in particular, to determine whether or not veterans' housing benefits were being provided and administered as intended by Congress. The hearing also examined pending legislation which included Chairman Hartke's bill, S. 2529, the Veterans Housing Amendments Act of 1976 as well as S. 2159 and S. 2200.

The Subcommittee received testimony both in person and by submission from representatives of a number of interested organizations. Testimony for the administration was received from spokesmen representing the Veterans' Administration. Witnesses from veterans' organizations included representatives of The American Legion, Veterans of Foreign Wars, Disabled American Veterans, National Association of Concerned Veterans, and the Non Commissioned Officers Association of the United States.

Other interested parties testifying or submitting testimony included the Mortgage Bankers Association of America, Manufactured Housing Institute, National Association of Home Builders, National Association of Mutual Savings Banks, United States League of Savings Associations, and the National Savings and Loan League.

On March 10, 1976, the full Committee met in open executive session to consider housing legislation.

After adopting a number of amendments, the Committee unanimously ordered S. 2529, with an amendment in the nature of a substitute favorably reported to the Senate for action. The basic provisions of the Veterans Housing Amendments Act of 1976, as reported, would:

- (1) Extend eligibility for housing benefits for the first time to veterans whose service was exclusively following the official termination of World War II and prior to the commencement of the Korean conflict (after July 25, 1947, and prior to June 27, 1950);
- (2) Increase the Veterans' Administration direct home loan program maximum loan from \$21,000 to \$30,000 and further increase the maximum amount for a direct home loan in "excess cost" areas from \$25,000 to \$35,000;
- (3) Amend the Veterans' Administration loan guaranty and direct home loan programs into ongoing permanent programs;
- (4) Increase the maximum Veterans' Administration mobile home loan guaranty provisions for the purchase of mobile homes from 30 to 50 percent;
- (5) Make technical amendments to the Housing chapter (chapter 37) of title 38, United States Code, to correct grammatical errors and to remove unnecessary or unwarranted gender references; and
- (6) Preempt, under certain conditions, State constitutional usury provisions which limit interest rates chargeable on FHA and VA mortgages by a certain class of lenders but which do not impose such rate limits on mortgages made by another class of lenders.

A general discussion of the more major provisions of the reported bill are 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 designed to aid veterans and their families is the Veterans' Administration housing assistance program.

Housing or property assistance to veterans dates back to the early days of our Nation. During the Revolutionary War, the Continental Congress authorized land grants ranging from 100 to 1,100 acres.

During the Civil War, the Government established veterans' preference under the newly authored homestead laws. Veterans were allowed to deduct certain time spent in military service from the total period of time necessary to perfect title to land under the homestead acts. Up to 4 years of credit for military service was granted to the veteran. Thus, a veteran qualifying for the maximum 4-year credit would only be required to live on his land for 1 year to perfect title. Although there are no records regarding the amount of land homesteaded by Civil War veterans, it seems likely in view of the westward movement following the war, that this preference was a significant aid to veterans.

Still another example of housing assistance was provided during World War II under the loan guaranty program. An integral part of the original Servicemen's Readjustment Act of 1944 (better known as the GI bill of rights) provided veterans, upon release from active military service, with federally guaranteed or insured assistance in purchasing suitable housing. These provisions, the foundation of the current housing assistance program were motivated, in part, by the memories of the difficulties that veterans in the World War I postwar era encountered and the determination by Congress that the veterans of World War II should not suffer similar housing hardships. Accordingly, the Servicemen's Readjustment Act of 1944 provided means whereby the veteran could obtain sufficient favorable credit to enable him to shelter his family.

Many veterans, by serving in the Armed Forces, had missed opportunities to establish themselves in business. Many, by serving, had not been able to establish a credit rating which could be the basis for borrowing the money needed to acquire a home. With the enactment of the GI bill veterans were placed on a more even par with their nonveteran counterparts.

Under the 1944 GI bill, the total guarantee could not exceed \$2,000 in any one case. Interest on principal loans guaranteed by the Administrator could not exceed 4 percent per annum. Interest on that part of the loan guaranteed by the Administrator was paid for the first year out of available appropriations.

Various shortcomings in the Act became evident during the first year of operation. Thus, Public Law 79-268, enacted in 1946, amended the housing program to correct the observed deficiencies. Public Law 79-268 doubled the maximum amount of guaranty and extended the maximum maturities for real estate loans to 25 years. Other provisions included measures designed to speed up the processing of applications.

Certain supervised lenders were authorized to make VA guaranteed loans without obtaining prior approval.

Various other changes in the law have been made from time to time as warranted. For example, Federal money was made available to support the market for veterans' loans by providing for repurchase of such mortgages by the National Mortgages Associations. The lender was protected by making any evidence of guaranty or insurance issued by the Administrator conclusive evidence of the eligibility of the loan for guaranty or insurance entitlement under existing laws.

#### Current Program

Generally, all eligible veterans who served during World War II or thereafter are entitled to VA housing assistance provisions except for those veterans who served exclusively after July 25, 1947, and prior to June 27, 1950. Under the current program, as of January 31, 1976, the Veterans' Administration had guaranteed 9,298,960 loans in an aggregate principal amount of \$120.2 billion. In addition, more than 322,000 veterans have bought homes with the assistance of VA direct loans totaling almost \$3.2 billion; and nearly 14,000 severely disabled veterans have received specially adapted housing grants from VA totaling over \$158 million. Under the VA loan guaranty program, the Veterans' Administration inspects new houses during and after completion. All houses securing guaranteed mortgages are appraised and a 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 the price of houses in recent years, nearly 70 percent of veteran home buyers in 1975 obtained no downpayment loans.

Veterans also have the option of prepaying the mortgage without penalty. Further, the veteran may be released from liability when he sells his home. Amendments made by the Veterans Housing Act of 1974 (Pub. L. 93-569) make it possible for a veteran who has used his GI loan benefits to regain entitlement, provided the veteran has disposed of that property and the loan has been paid in full, or another veteran has agreed to assume the outstanding balance on a GI loan and has consented to the use of his entitlement.

Restoration of entitlement was previously restricted by a requirement for a compelling reason for the veteran's disposition of the property, or loss of the property by condemnation or hazard. As a consequence of the elimination of the "compelling reason" requirement, nearly 4.8 million veterans whose GI home loans have been paid in full are now potentially eligible for new loans.

Under the current program, veterans who are experiencing difficulty in meeting mortgage payments are counseled by VA representatives who work with the veteran to resolve the difficulties that have arisen or may arise. Nearly 85 percent of all defaults are cured and withdrawn.

The last major changes in provisions governing the current housing program were made by the Veterans Housing Act of 1974. In addition to the restoration of entitlement previously noted, the Act, recognizing the increased costs of housing, increased the maximum home loan

guaranty by 40 percent. Similarly, the specially adapted housing grant (made to assist severely disabled veterans in constructing or modifying their homes), was increased from \$17,500 to \$25,000.

Prior to Public Law 93-569, the law provided that only supervised lenders (those subject to State or Federal supervision and examination, such as savings and loan associations, banks and insurance companies), could make VA loans without prior VA approval. The Act authorized VA to extend the automatic processing privilege to nonsupervised lenders who meet standards prescribed by VA. These amendments substantially reduced the VA loan processing time for institutions that handle nearly 70 percent of such home loans.

The ability to purchase condominiums with VA guaranteed loans was greatly expanded by removing the previous requirement that the Department of Housing and Urban Development have issued insurance on at least one loan in the project. The mobile home program was also significantly expanded and improved as discussed more fully hereafter.

Under the current program, the VA guaranty generally results in a veteran obtaining a loan at a more favorable interest rate. The maximum permissible interest rates on GI loans since 1950 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
4 1/4	April 1950 to May 1953.
4 1/2	May 1953 to December 1956.
6	December 1956 to August 1957.
5 1/4	August 1957 to September 1959.
5 3/4	September 1959 to February 1961.
5 1/2	February 1961 to May 1961.
5 1/4	May 1961 to February 1966.
5 1/2	February 1966 to April 1966.
5 3/4	April 1966 to October 1966.
6	October 1966 to May 1968.
6 3/4	May 1968 to January 1969.
7 1/2	January 1969 to January 1970.
8 1/2	January 5, 1970 to December 1, 1970.
8	December 2, 1970 to January 12, 1971.
7 1/2	January 13, 1971 to February 17, 1971.
7	February 18, 1971 to July 6, 1973.
7 3/4	July 7, 1973 to August 24, 1973.
8 1/2	August 25, 1973 to January 22, 1974.
8 3/4	January 23, 1974 to April 14, 1974.
8 1/2	April 15, 1974 to May 12, 1974.
8 3/4	May 12, 1974 to July 7, 1974.
9	July 8, 1974 to August 13, 1974.
9 1/2	August 14, 1974 to November 24, 1974.
9 1/4	November 25, 1974 to January 20, 1975.
8 1/2	January 21, 1975 to March 2, 1975.
8	March 3, 1975 to April 27, 1975.
8 1/4	April 28, 1975 to September 1, 1975.
9	September 2, 1975 to January 4, 1976.
8 3/4	January 5, 1976 to March 29, 1976.
8 1/2	March 30, 1976 to . . .



Today, the maximum interest rate on GI loans is  $8\frac{1}{2}$  percent. During calendar year 1975, the Veterans' Administration guaranteed 301,443 loans with a cumulative loan value of \$8.9 billion as reflected comparatively in the following table:

TABLE 2.—GUARANTEED OR INSURED LOANS, DIRECT LOANS, PROPERTY MANAGEMENT

Item	Cumulative through June 30, 1975	Fiscal year—		
		1975	1974	1973
Number of loans, total (guaranteed or insured)	9,107,433	290,195	311,260	365,132
Home	8,789,351	288,163	306,168	359,266
Mobile home	17,653	2,028	5,092	5,856
Farm	71,168	2	8	7
Business	229,261	2	2	3
Amount of loans (thousands), total	\$114,399,991	\$8,091,382	\$7,709,564	\$8,357,618
Home	118,307,066	8,072,101	7,663,716	8,396,047
Mobile home	156,769	19,264	45,725	51,459
Farm	283,984	11	102	70
Business	652,172	6	21	42
Amount of guaranty and insurance (thousands), total	\$58,083,301	\$3,701,702	\$3,540,166	\$4,051,064
Home	57,731,221	3,695,888	3,526,442	4,035,625
Mobile home	46,980	5,795	18,688	15,406
Farm	120,137	6	29	24
Business	184,963	3	6	9
Defaults and claims:				
Defaults reported	2,359,260	118,653	103,433	92,204
Loans in default—end of period	47,310	47,310	39,118	37,211
Defaults disposed of, total	2,296,287	110,461	101,526	93,240
Cured or withdrawn	1,961,818	97,571	85,947	78,377
Percent	85.4	85.6	84.7	84.1
Claims vouchered for payment	334,562	15,890	15,579	14,863
Rate per 1,000 loans outstanding		4.15	4.19	4.01
Average number of loans outstanding		3,829,296	3,717,364	3,708,529
Direct loans:				
Number of loans fully disbursed	322,554	2,665	2,608	2,930
Number of loans fully disbursed (thousands)	\$3,190,005	\$49,582	\$43,890	\$45,861
Property management:				
Number acquired	365,464	17,060	17,610	17,221
Number sold	350,634	17,001	17,664	16,182
Number redeemed	9,994	358	268	238
Number on hand—end of period	10,836	10,836	11,135	11,457

On a cumulative basis, more than 60 percent of all loans that have been guaranteed by the VA were made to World War II veterans, 17.5 percent Korean conflict veterans, and 20 percent to post-Korean and Vietnam era veterans. These figures reflect, of course, the larger number of World War II veterans and the longer period of time World War II veterans have been eligible for the VA loans. During calendar year 1975, however, of the loans guaranteed, about 75 percent went to post-Korean and Vietnam era veterans and servicemen with less than 11 percent going to World War II veterans and 4.4 percent to Korean conflict veterans.

The following table depicts the cumulative and calendar year loans to veterans in the various periods and the percentage of the total loans guaranteed:

TABLE 3.—VETERANS LOANS IN VARIOUS PERIODS

	Cumulative	Percent	1975	Percent
World War II	5,500,000	60.1	33,000	11.0
Korean conflict	1,600,000	17.5	13,041	4.4
Post-Korean and Vietnam era	1,860,000	20.1	225,485	75.2
Service persons	214,197	2.3	28,224	9.4

Considering the large proportion of VA loans made with no down-payments, the overall foreclosure rate of 3.6 percent through calendar year 1975 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, 374,568 properties have been acquired and 368,865 have been disposed of, leaving an inventory as of December 31, 1975, of 11,203 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 December 31, 1975, more than \$4.1 billion of vendee accounts and \$87.9 million of direct loans have been sold.

The Veterans' Administrations 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. The reported bill would make the direct loan program permanent as discussed, *infra*.

#### Veterans of 1947 to 1950

Since its creation in 1944, the VA housing assistance program has been available to all eligible veterans who served during World War II or thereafter with one exception: those veterans who served in the military exclusively after the official termination of World War II, July 25, 1947, and prior to the commencement of the Korean conflict, June 27, 1950. The period is 28 days short of 3 years and involves only a few of the nearly 30 million men and women who have served their country.

The previous compelling qualification of service during a period of war or conflict was eliminated by Congress with establishment of entitlement for all veterans who honorably served after January 31, 1955 (Pub. L. 89-358). Thus, S. 2529 as reported, would extend entitlement under the veterans housing assistance program to those veterans who served only during this 1947 to 1950 period. The Veterans' Administration estimates this provision will extend housing assistance entitlement to 254,000 veterans who otherwise have not been allowed to participate in the program.

#### Veterans' Administration Loan Guaranty Program Made Permanent

With the official termination of the Vietnam era on May 5, 1975, by Presidential Proclamation, the Committee was asked by the Administration to consider whether or not the veterans housing assistance program should be continued and made permanent for all those who enter military service after that date.

After careful deliberation, the Committee has concluded that the loan guaranty program should be continued and made permanent:

Over the past 30 years the VA loan guaranty program has in fact been transformed from a short term readjustment assistance program into a permanent on-going housing program. Through a series of

amendments enacted by Congress; the most recent being the Veterans Housing Act of 1974 (Pub. L. 93-569), the home loan program has been converted to a lifetime housing benefit program for generally all veterans released since September 16, 1940.

This group of more than 27 million veterans now have their entire life to utilize this home loan benefit and can use the benefit as many times as they wish if the property has been disposed of and the loan has been paid in full (or another eligible veteran has assumed it). Testimony received by the Committee strongly urged that the housing program be continued. (The Administration by contrast had no recommendation favorable or unfavorable.) The condition of the housing industry, and the labor market are but two reasons why the veterans housing program should be continued. The increased cost of materials, escalating land values, labor costs, environmental conditions, and slow growth policies among other things, have driven the price of existing homes and new homes out of range of many people. Many veterans have been nearly priced out of the market and without the VA home loan program, their prospects for purchasing a home would be further diminished.

*Improvements in Mobile Home Loan Guaranty Program*

S. 2529 would increase the maximum Veterans' Administration mobile home loan guaranty from 30 percent to 50 percent. This amendment, coupled with numerous changes made by Public Law 93-569, should further improve and strengthen the VA mobile home loan program. The Veterans Housing Act of 1974 (Pub. L. 93-569) significantly changed the Veterans' Administration mobile home loan program. Among other things, the act increased the maximum loan guarantee for single-wide mobile home loans from \$10,000 to \$12,500 and increased the maximum loan for double-wide mobile home units from \$15,000 to \$20,000 with a maximum guarantee of \$27,500 for combination of a double-wide mobile home and an undeveloped lot. Also, the loan maturity for a double-wide home was extended from 15 to 20 years.

In addition, the act authorized the guarantee of used mobile home units which meet Veterans' Administration minimum requirements for construction, design, and general acceptability. Public Law 93-569 also amended the Federal Credit Union Act to increase the maximum maturity of loans applicable to mobile homes from 10 years to the maximum maturities which are specified in section 1819, title 38, United States Code, and section 2(b) of the National Housing Act. This amendment was intended to allow greater participation by Federal credit unions in the Veterans' Administration guaranteed mobile home loan market. In addition, the act also provided the VA authority to guarantee a loan for the acquisition of a lot when the veteran is making necessary site preparations for the placement of a mobile

home unit which the veteran already owns. By removing the termination date in the law which prohibited guaranty of mobile home loans after July 1, 1975, the act made the mobile home loan guaranty program permanent.

Finally, the 1974 Veterans Housing Act granted additional entitlement to any eligible veteran who satisfactorily discharges his VA obligation on previous loans. Thus, millions of veterans who served in World War II or thereafter have renewed VA loan guaranty eligibility which, among other things, can be utilized to purchase mobile homes in retirement communities.

Additional amendments in the Veterans Housing Amendments Act of 1976 discussed previously, would add to the pool of those eligible for VA mobile home loans in the following ways: First, by authorizing program eligibility for those who enter the service in the future and second, by extending eligibility to some 254,000 veterans who served after World War II and prior to the Korean conflict.

In first authorizing mobile home loans in the Veterans Housing Act of 1970, Congress recognized that many young veterans did not have the resources to pay the rapidly escalating prices of conventionally-built homes. As a result, 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. The average price of mobile homes per square foot is significantly lower than for conventional housing. Although only 17,563 mobile home loans in the amount of \$156.8 million have been guaranteed to date, it appears that those loans being made are going to those for whom they were intended. The veterans obtaining mobile home loans in fiscal year 1975 had a monthly income of \$609 compared to \$884 average monthly income for veterans receiving VA loans for conventionally-built homes. The following table gives additional information as to financial characteristics of those purchasing mobile homes:

TABLE 4.—FINANCIAL CHARACTERISTICS OF HOME LOANS

Characteristics	Mobile home loans	Home loans
Average maturity (months).....	141	353
Average purchase price.....	\$9,696	\$28,858
Average loan amount.....	\$9,455	\$27,951
Average monthly income.....	\$609	\$884
Average monthly housing expense.....	\$199	\$328
Average assets.....	\$695	\$3,156
Housing expense as a percent of monthly income.....	32.7	37.1



During fiscal year 1975, a period of economic uncertainty, 2,200 applications for mobile home loans were received of which 2,028 loans amounting to \$19.3 million, were guaranteed as reflected in the following table:

TABLE 5.—COMPARISON OF MOBILE HOME LOANS

	1975	1974	Percent change
<b>Loans closed (number):</b>			
Guaranteed or insured	2,028	5,062	-60.0
Direct	0	0	
New	2,028	5,062	-60.0
Used	2	0	+200.0
<b>Loans closed (amount):</b>			
Guaranteed or insured	\$19,264,000	\$45,725,000	-58.0
Direct	0	0	
New	\$19,118,901	\$45,725,000	-59.0
Used	\$19,000	0	
<b>Loans closed (average):</b>			
Guaranteed or insured	\$9,499	\$9,032	+5.0
Direct	0	0	
New	\$9,499	\$9,032	+5.0
Used	\$9,500	0	
<b>Loans closed (classification):</b>			
Mobile home only (rented space)	1,723	4,261	-60.0
Mobile home only (veteran owned lot)	191	416	-55.0
Mobile home with (site prep.)	3	13	-77.0
Mobile home with (developed site)	91	279	-68.0
Mobile home (undeveloped lot with site prep.)	20	93	-79.0
<b>Loans closed (class-amount):</b>			
Mobile home only (rented space)	\$16,139,895	\$37,739,677	-58.0
Mobile home only (veteran owned lot)	\$1,807,242	\$3,625,440	-54.0
Mobile home with (site prep.)	\$37,596	\$134,173	-79.0
Mobile home with (developed site)	\$987,997	\$2,880,603	-66.0
Mobile home (undeveloped lot with site prep.)	\$231,240	\$989,985	-77.8
Single-wide mobile homes	2,026	5,062	-60.0
Double-wide mobile homes	2	0	+200.0
Loans outstanding	15,727	14,708	+6.9
Loans in default	2,098	1,474	+42.0
Defaults as percentage of outstanding loans	13.3	10.0	+33.0
Properties on hand	0	0	
Maximum interest rate (percent)	12	12	

In addition to the many improvements in the VA mobile home loan program enacted into law in 1974, as discussed previously, Congress considered but did not enact a proposal to increase the maximum VA mobile home guaranty from 30 to 50 percent. This proposal was not approved principally because of the strong opposition registered by the Veterans' Administration and the absence of sufficient supporting evidence to justify the amendment. Given the strong opposition by the VA and the attendant uncertainties, the Committee, in its report, indicated that it believed it prudent to "await further experience" of the VA mobile home loan program in general and of the 1974 mobile home loan amendments in particular.

The Committee, after examining the experience to date under the revised VA mobile home program, and after reviewing new pertinent material, which has been submitted to it, has concluded that any benefit of the doubt should be resolved in favor of increasing the basic loan guaranty. In this connection a brief review of the factors involved in the Committee's decision is appropriate.

As originally enacted as part of the Veterans Housing Act of 1970 the guaranty by the VA was limited to 30 percent of the loan, which was consistent, according to the Veterans' Administration, with prevailing practice, among private lenders. That is, a 30 percent guaranty by the VA was in place of a 30 percent downpayment, the amount generally required for conventional mobile home loans. In 1974, proponents of increasing the guaranty argued that lenders were reluctant

to finance VA mobile home loans if the guaranty was only 30 percent. They also suggested that if the guaranty were increased to 50 percent it would assure that either, or both the Government National Mortgage Association and the Federal National Mortgage Association would include VA mobile home loans in the secondary market program. Unfortunately, little evidence was advanced to the Committee to substantiate either proposition.

At the same time, the Veterans' Administration argued strenuously that increasing the guaranty would have the "effect of overprotecting lenders so that some may lose incentive to exercise the expected degree of care." Such lack of care, the Veterans' Administration argued, would cause ill-advised loans to be made which would eventually increase the number and size of claims the VA would be required to pay. Perhaps the most compelling argument however, was the suggestion that previous low participation in the mobile home loan program would be cured by the amendments already contained in the 1974 legislation then under consideration.

That expectation has not been realized. For example, last July, which is normally the busiest month of the year for the VA program, only 100 mobile home loans were guaranteed. The number of mobile homes guaranteed during 1975 was 62 percent lower than 1974. Undoubtedly, poor economic conditions contributed in substantial part to this low level. Yet, even taking these conditions into account, it is obvious that the many amendments contained in the 1974 act did not produce the increased program participation by financial institutions anticipated by both Congress and the Administration. Thus, the question of whether lenders are refraining from participating in the program because of the 30 percent guaranty remains. Representatives of the Manufacturers Housing Institute appearing before the Subcommittee on Housing and Insurance testified that they believed the reluctance of financial institutions to participate in the VA loan program was "psychological in nature". Further, they said that there was no evidence that an increased guaranty would result in increased losses. They testified that:

Based on our numerous conversations with members of the financing community, there is a definite and intangible psychological deterrent with the 30 percent figure. Many members simply cannot believe the adequacy of that figure and have stated bluntly that they do not wish to participate until it is 50 percent.

This attitude was very apparent at the World Congress on Mobile Home Financing, which MHI sponsored in Chicago last year. An example of their reasoning is in the following hypothetical situation: Installment loan officers in a small town bank which has not previously utilized the VA mobile home program investigates it thoroughly and decides that he wishes to have the bank's participation. He has observed some other lending institution's successes with their mobile home program and submits his proposal to the bank's board of directors that they likewise participate. The board of directors, composed of a local doctor, lawyer, and real estate official, consider the proposal, but being accustomed to an FHA insured rate of 90 percent, the GI insured rate of 60 percent for

conventional homes, decided that the 30 percent feature is completely inadequate. They either refuse to get into the program or else do so by supplementing it with 100 percent insurance coverage. This coverage, which they must purchase from a private insurance agency, is, of course, expensive and the cost is passed along to the ultimate purchaser of a mobile home.

In this connection, the Committee notes that in contrast to 1974, the Committee has received considerable evidence directly from financial institutions that the increased guaranty of 30 to 50 percent is important and that if adopted would increase overall participation in the VA mobile home loan program. The Committee strongly urges a prompt favorable decision in this matter.

Finally, the Committee is aware of a study currently being conducted by the Federal National Mortgage Association concerning the VA home loan program. Although no formal commitments have been made, the Committee understands that there is a much greater likelihood today than in 1974 of secondary mortgage market participation in the VA mobile home loan program if the guaranty is increased to 50 percent.

Thus, given the paucity of mobile home loans being guaranteed by the Veterans' Administration, and the large number of Vietnam era and other veterans who are in need of lower cost housing, particularly given today's economic conditions, the Committee believes it appropriate to give the full benefit of any doubt to those who argue that the increased VA guaranty will result in greater participation by lenders in the program.

The Committee expects, of course, that the Veterans' Administration will closely monitor the operation of this amendment to ascertain whether or not lenders are applying the "expected degree of care" both with respect to initial credit underwriting and to the servicing of defaulted loans. Should there be tangible evidence that particular lenders are not exercising requisite care, the Committee believes that the Veterans' Administration currently possesses adequate statutory authority to respond to problems caused by individual lenders. Should clearly manifested industry-wide problems develop, the Committee expects the Veterans' Administration to inform the Committee promptly as well as take appropriate administrative steps to protect the interest of the Government. These measures could include reconsideration of the maximum loan amounts that the VA would guarantee or the maximum allowable interest rate it would permit.

Finally, when the committee originally considered the Veterans Housing Act of 1974, it urged the VA to give serious consideration to exercising existing direct loan authority for mobile homes. In its report accompanying the act the Committee said that it:

... 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.

Since that time, no positive action by the Veterans' Administration has been taken. In light of the low number of mobile home loans guaranteed by the Veterans' Administration in 1975 and the continued depressed state of the economy, the Committee believes the Veterans' Administration could have appropriately made funds available which would have provided more veterans with this lower cost housing.

The Committee is particularly concerned with the plight of many of the 13,000 eligible veterans who are members of the Navajo Nation and who are in desperate need of adequate housing. Direct loans for mobile homes for these Navajo veterans and their families are particularly needed and appropriate.

Thus, the Committee strongly recommends that the VA utilize the program to provide direct loans to these veterans and to others who are having difficulties in obtaining adequate housing. Without this assistance, veterans who live in credit-short areas are unable to purchase suitable housing.

#### *Veterans' Administration Direct Loan Program*

S. 2529, as reported, would also improve and make permanent the Veterans' Administration direct loan program. First authorized under the Housing Act of 1950 (Pub. L. 84-475), the direct home loan program is intended to extend credit to veterans for the purchase of construction, repair, and alteration of homes and farmhouses in rural areas, and small cities and towns where private credit is not generally available. The Veterans' Administration is authorized to designate such rural areas, and small cities and towns as "housing credit shortage areas", if it finds that private credit is not generally available for the making of guaranteed loans. Under the VA direct loan program, veterans apply directly to the VA for loans. The terms are the same as those in effect for guaranteed loans. The direct loan program is financed through a revolving fund. That fund is reimbursed by principal repayments on direct loans held by the Administrator and proceeds of any direct loans sold by him. The reported bill would make permanent the direct loan revolving fund which otherwise is scheduled to terminate on June 30, 1976. Termination of the fund would effectively end the direct loan program for all eligible veterans.

Section 1811 of title 38 provides for direct governmental loans to veterans who live in credit-short areas. These areas are defined in the statute as rural areas, small cities, and towns. VA regulations further define credit-short areas by automatically excluding communities over 30,000.

Approximately 80 percent of the geographic area of the country qualifies—about 2,400 of 3,000 counties, cities, and political subdivisions—although it includes only about 19.5 percent of the veteran population. It has been estimated that there are approximately 5.4 million veterans who by virtue of their location and present status would qualify for the direct loan program. However, only 322,554 direct loans in the amount of \$3.2 billion have been approved during the life of the program by the VA. The direct loan program has diminished since an apparent administration decision in 1971 to "phase out" the program. In fiscal year 1970 some 8,500 veterans were aided by the direct loan program with a loan value over \$144 million. By contrast, in 1975 only 2,665 direct loans in the amounts of \$49.6 million were



made. The direct loan revolving fund currently has in the drawing account from the U.S. Treasury \$1.025 billion of which \$855.4 million is available for direct loans.

Congressional intent with respect to the direct loan program has often been frustrated by unnecessary red tape causing long delays which discourage direct loan applications. A significant factor affecting the number of direct loan applications has been the administrative requirement that prior to the approval of a direct loan, the application must be referred, in a time consuming process, from 3 to 6 private lending institutions in the area where the property is located. Given poor economic conditions and the difficulty many veterans have in securing adequate housing, the Committee believes that there should be greater flexibility in the program and that greater use should be made of the direct loan fund. The Committee thus reaffirms its commitment to the direct loan program by deleting the scheduled termination date of the direct loan revolving fund which assures its continuation as a permanent program.

S. 2529 would also increase the maximum direct loan amount to \$30,000 in addition to authorizing the Administrator to increase the maximum direct loan amount up to \$35,000 in areas where he finds cost levels so require. At present section 1811 sets the maximum direct loan amount at \$21,000 with discretionary authority to increase that figure up to \$25,000.

On October 9, 1973, the Administrator (pursuant to authority granted him in section 1811(d)(2)(A) of title 38, U.S.C.) declared that all areas designated as credit shortage areas under the direct loan program qualified for the higher maximum loan which is evidence to the Committee of the need for the amendments in the reported bill.

The direct loan program as originally established contained a formula designed to provide that guarantee and surety programs should be 60 percent of the direct loan program. However, Public Law 93-569 increased the guaranteed and insured programs for the base of \$12,500 to \$17,500 without increasing the direct loan program. The original base for guaranteed loans was \$12,500 approximately 60 percent of the direct loan amount of \$21,000. By increasing the direct loan amount to \$30,000 with a maximum of \$35,000 for those areas with extenuating circumstances, S. 2529 restores the programs to their original parity.

A representative sampling of the 2,665 direct loans approved during fiscal year 1975 indicates that the average loan approved by the Veterans' Administration was \$18,650. The following table, showing States, number of loans approved, and the average amount of the loans, is representative of the direct loan program for fiscal year 1975:

TABLE 6.—DIRECT LOANS, FISCAL YEAR 1975

State:	Loans	Average amount
Arkansas.....	471	\$17,256
Idaho.....	433	19,464
Kentucky.....	142	20,686
Maine.....	104	18,735
Minnesota.....	247	17,974
Montana.....	193	18,012
Oklahoma.....	114	17,333
Virginia.....	43	20,629
Wisconsin.....	102	19,244
Wyoming.....	178	19,474

No loans were approved during all of fiscal year 1975 for the State of Alaska, which the Committee believes is the result of the high cost of housing there and the \$25,000 limitation under the current program.

Applications received by VA for direct loans over the maximum \$25,000 have increased during four recent quarters. For the quarter ending September 30, 1974, 12.6 percent of the applications were for an amount in excess of \$25,000. For the quarter ending December 31, 1974, 13.9 percent; for the quarter ending March 30, 1975, 19.8 percent; and for the quarter ending June 30, 1975, 22.4 percent. This is a clear indication that nearly one-quarter of the veterans living in credit shortage areas are unable to purchase suitable housing for themselves and their families under the current maximum restriction.

A further indication of the trend in housing conditions is an examination of the average loan application for guaranteed loans. Of all the loans approved during fiscal year 1975 the following percentage of those loans were for the amount indicated: 20 percent were for loans under \$19,975; 20 percent were for loans between \$19,976 and \$25,219; 20 percent were for loans between \$25,220 and \$29,445; 20 percent were for loans between \$29,446 and \$34,955; and 20 percent were for loans greater than \$34,956. With the increasing average for guaranteed loans nearly 40 percent would be over the \$30,000 ceiling that S. 2529 establishes and 60 percent of the applications would be greater than the current maximum \$25,000 for direct loans.

Though the number of direct loans which are projected to be made in fiscal year 1977 will increase by 35 percent (if the maximum is increased from the present \$25,000), it is important to remember that only 2,665 direct loans were approved during fiscal year 1975; down from 8,500 loans approved in fiscal year 1971. Apart from the Administration's reluctance to use the direct loan program during the first half of this decade, the housing market, itself, may all but eliminate the program during the last half of the decade without the increase in ceilings under the direct loan program. It should also be noted that many veterans do not apply under the direct loan program because they are deterred by the current maximum loan amount. In light of the current average guaranteed loan, it may be reasonably inferred that the number who do not apply for direct loans because of the ceiling may greatly exceed those who do apply. Finally, it should be observed that the current balance in the direct loan revolving fund of \$855 million will be more than able to accommodate increased applications for greater amounts.

#### *State Usury Law and Government Insured Home Mortgages*

Section 8 of S. 2529, as reported, would preempt a state constitutional usury provision which limits the interest rates chargeable on FHA/VA mortgages by a certain type of lenders while not imposing rate limits on mortgages made by other lenders. At present, this section would apply only to California.

The California Usury Law originated with the "initiative usury law" enacted in 1918 which set the usury ceiling at 12 percent. In 1934 an amendment was adopted to the California Constitution (Article XX, Sec. 22) which reduced the usury ceiling to 10 percent. This amendment, however, specifically exempts virtually all commercial lenders (for example, banks, and savings and loan associations) from

its provisions, although the legislature is empowered to regulate the exempted lenders, including the interest rates they may charge.

Historically, the development of the mortgage banking industry as the primary originators of FHA-insured and VA-guaranteed home mortgages in the United States did not occur until after World War II. As such, this form of mortgage banking activity was not in existence when the 1984 California constitutional amendment was adopted. Consequently, the mortgage banking industry has been interpreted as subject to the 10-percent usury ceiling under the California constitution. As a result, FHA/VA mortgage activity is severely restricted in California when the overall yield on FHA/VA mortgages begins to approach the 10-percent ceiling—denying to the intended beneficiaries of these two Federal programs access to low-interest rate mortgage funds. During the credit crunches of 1969 and 1973, FHA/VA mortgage activity was drastically reduced.

This is because during periods of high interest rates in California, mortgage banking companies, in order to continue to do business must ask exempted savings and loan institutions to close their FHA/VA mortgages. In such cases, the savings and loan institution either charges a fee for the service which increases the cost of the mortgage to the borrower, or refuses to perform the service at all. In addition, most savings and loan institutions generally do not originate subsidized mortgages or perform the closing services (except for mortgage companies they own). Also, for the last 4 years, interest rates on interim construction financing in California have been over the 10-percent ceiling, thereby precluding mortgage bankers from this very important activity. With mortgage bankers originating 80 percent of FHA/VA mortgages, total FHA/VA mortgage activity is reduced by 70 percent when the FHA/VA interest rate reaches 9.5 percent in California.

In this connection, representatives of the Veterans' Administration testified before the Veterans' Affairs Subcommittee on Housing and Insurance that:

The State of California, unlike most states, has a 10-percent maximum which only applies to the mortgage banking industry and not to other major mortgage lenders. The high interest rates in the open market in the past several years have prompted a number of states to reexamine their usury laws. The fact that California's 10-percent usury ceiling is still in effect continues to have the potential of forcing mortgage bankers to cease their lender operations in California, when the going rate exceeds the 10-percent maximum. By decreasing the availability of mortgage funds and the level of competition, a usury ceiling such as the one in effect in California has the potential to do more harm than good during periods when the market interest rate exceeds 10 percent.

The VA further testified that:

While we have no specific data with respect to the impact that the California usury provision has on construction loans affecting VA-guaranteed loan activity, it would appear that removal of the usury ceiling to permit mortgage bankers to participate in the construction loan market could only be beneficial.

The California constitution and the initiative usury law can be amended only by a statewide vote. Measures can be put on the ballot for consideration only by a two-thirds vote of the Legislature or by referendum after 500,000 registered voters have so petitioned. Securing a constitutional amendment has proven a difficult and costly process. The California Legislature on April 16, 1975, unanimously passed Senate Joint Resolution No. 12 petitioning the United States Congress to provide relief from the State usury limitation as applied to FHA/VA mortgages. That Resolution is as follows:

*Whereas*, at various times the 10-percent usury limitation in the State of California has and may again severely limit access to national and international secondary money markets by originators and sellers of home loans; and

*Whereas*, the constitutional usury limitation in California precludes that segment of the California lending industry most interested and able to originate home loans for secondary markets from providing this service in times of high interest rates; and

*Whereas*, the cyclical nature of the homebuilding industry, which is so important to the California economy, is often adversely affected by lack of available financing through FHA/VA, Federal National Mortgage Association, Government National Mortgage Association, and the Federal Home Loan Bank at precisely the time when jobs are most needed, now, therefore, be it

*Resolved by the Senate and Assembly of the State of California, jointly*, That the Congress of the United States is requested to enact legislation which will exempt from the usury limitation in the State of California all mortgages, or deeds of trust which are insured or guaranteed by the federal government, or a mortgage intended for delivery to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Bank or any other state or federal instrumentality; and be it further

*Resolved*, That the Secretary of the Senate transmit a copy of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, and to each Senator and Representative from California in the Congress of the United States.

Section 8(a) of S. 2529, as reported, has the effect of exempting FHA-insured, VA-guaranteed and insured mortgages, and interim construction financing with permanent mortgages from the 10-percent California constitutional usury limitation, and from the 12-percent initiative usury law ceiling as applied to certain classes of lenders. The latter exemption is a necessary precaution because it is not clear whether the constitutional amendment to the initiative usury law repealed the law in whole or only in part.

To reflect the Congressional policy of permitting a State the primary opportunity to determine its usury statutes, subsection (b) of section 8 of the reported bill would allow the State to override the exemption by taking the appropriate action at the State level to reassert or restate any usury provision that may have been altered or affected by passage of this amendment.



In a letter dated December 5, 1975 to the Veterans' Affairs Committee, the Chairman and Ranking Minority Member of the Subcommittee on Housing together with the Chairman and Ranking Minority Member of the full Committee on Banking, Housing and Urban Affairs gave their express assent to the inclusion of FHA insured loans in section 8 of S. 2529. This letter is reprinted in full under AGENCY REPORTS, *infra*. Thus, section 8 will have the effect of placing mortgage bankers in parity with other commercial lenders which have been exempted from the constitutionality-set usury provision and subjected to regulation by the State legislature.

#### Technical Amendments

S. 2529, as reported, makes a number of clarifying and conforming technical amendments to the veterans' housing chapter (chapter 37 of title 38, United States Code).

First, because amendments in the reported bill make the program available and permanent to all eligible veterans who served on or after September 16, 1940, it is appropriate that certain technical amendments be made to title 38, United States Code. S. 2529 would amend section 1818 of title 38 granting home loan benefits to those veterans serving after January 31, 1955. At present, the definition of an "eligible veteran" entitled to chapter 37 benefits is found in section 1652(a) of chapter 34, title 38, pertaining to educational benefits. By explicitly defining eligibility in section 1818, veterans will have a clear ready access to the eligibility and entitlement requirements for housing benefits in the very chapter which authorizes those benefits.

S. 2529 also removes from chapter 37 unnecessary or unwarranted gender references which do not affect the substantive nature of the programs.

#### 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 there would be total outlays in fiscal year 1977 of approximately \$5.5 million which is comprised of \$37,100 for general operating expenses, \$261,000 for the Loan Guaranty Revolving Fund and \$2.08 million for the Direct Loan Revolving Fund. The first-year cost increases gradually to \$13.4 million at the end of 5 years as shown in the following table:

TABLE 7.—5-YR COST ESTIMATES FOR S. 2529, 94TH CONG.

Fiscal year	Outlays			Total
	General operating expenses	Loan guaranty revolving fund	Direct loan revolving fund	
1976 (6 mo)	\$17,400	\$861,500	\$1,070,000	\$1,948,900
Transition quarter	8,700	261,000	705,000	974,700
1977	37,100	2,623,500	2,800,000	5,460,600
1978	42,700	4,288,800	3,370,000	7,701,500
1979	45,800	5,452,100	4,115,000	9,612,900
1980	49,200	7,436,400	4,635,000	12,120,600
1981	50,700	8,094,000	5,270,000	13,414,700
<b>Total</b>	<b>251,600</b>	<b>29,017,300</b>	<b>21,965,000</b>	<b>51,233,900</b>

The costs of implementing section 2, which would extend the benefits of chapter 37 to veterans who served between July 25, 1947, and June 27, 1960, based upon an estimated 255,000 newly eligible veterans, are as follows:

TABLE 8.—ESTIMATED COST OF SEC. 2 OF S. 2529, 94TH CONG.

Fiscal year	Outlays			Total
	General operating expenses	Loan guaranty revolving fund	Direct loan revolving fund	
1976 (6 mo)	\$17,400	0	\$75,000	\$92,400
Transition quarter	8,700	0	50,000	58,700
1977	37,100	\$10,500	150,000	197,600
1978	42,700	41,800	150,000	234,500
1979	45,800	62,100	150,000	257,900
1980	49,200	86,400	150,000	285,600
1981	50,700	90,000	150,000	290,700
<b>Total</b>	<b>251,600</b>	<b>290,800</b>	<b>875,000</b>	<b>1,417,400</b>

Participation rates used to derive the above table have been estimated based on VA experience with Korean conflict veterans. Claim rates and amounts, property acquisition rates and amounts, and direct loan volume and amounts have been projected based on past experience with adjustments made for inflation.

Section 3, which would increase the maximum direct loan to \$30,000, or to \$35,000 where cost levels require, would involve the following costs:

TABLE 9.—COST OF SEC. 3 OF S. 2529, 94TH CONG.

Fiscal year	General operating expense	Outlays—Direct loan revolving fund	Total
1976 (6 mo)	0	\$995,000	\$995,000
Transition quarter	0	655,000	655,000
1977	0	2,650,000	2,650,000
1978	0	3,220,000	3,220,000
1979	0	3,965,000	3,965,000
1980	0	4,485,000	4,485,000
1981	0	5,120,000	5,120,000
<b>Total</b>	<b>0</b>	<b>21,090,000</b>	<b>21,090,000</b>

Section 4, which merely changes the placement of a definition of eligibility for loan benefits, involves no costs in and of itself.

The costs of increasing the guaranty on mobile home loans to 50 per centum are as follows:

TABLE 10.—COST OF SEC. 4 OF S. 2529, 94TH CONG.

Fiscal year	General operating expenses	Outlays—loan guaranty revolving fund	Total
1976 (6 mo)	0	\$861,500	\$861,500
Transition quarter	0	261,000	261,000
1977	0	2,613,000	2,613,000
1978	0	4,247,000	4,247,000
1979	0	5,390,000	5,390,000
1980	0	7,350,000	7,350,000
1981	0	8,004,000	8,004,000
<b>Total</b>	<b>0</b>	<b>28,726,500</b>	<b>28,726,500</b>

Section 6, which is a technical amendment to permit the continuation of the Direct Loan Revolving Fund, would involve no costs.

In computing the above costs, operating expense estimates were made by breaking projected workloads down into work units and applying experienced costs to each item. In this process, property acquisition, maintenance and selling costs were taken into consideration as well as the cost of claims, appraisals and originations.

Only costs were considered in this process and any income accruing from direct loans or other portfolio loans produced from the sale of properties has not been included.

#### 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. 2529, with an amendment in the nature of a substitute, favorably to the Senate:

Yeas—9

Vance Hartke  
Herman E. Talmadge  
Jennings Randolph  
Alan Cranston  
Richard (Dick) Stone  
John A. Durkin

Clifford P. Hansen  
Strom Thurmond  
Robert T. Stafford

Nays—0

Prior to this vote, an amendment offered by Senator Cranston to add section 8 to the Committee substitute was adopted by voice vote.

#### SECTION-BY-SECTION ANALYSIS AND EXPLANATION OF S. 2529

##### Section 1

This section provides that this act may be cited as the "Veterans Housing Amendments Act of 1976."

##### Section 2

*Subsection (a)* amends subchapter I of chapter 37 of title 38, United States Code, by adding a new section 1807 which extends entitlement under chapter 37—Housing, to those veterans who served exclusively between World War II and the Korean conflict (after July 25, 1947 and prior to June 27, 1950). Approximately 254,000 veterans who served only during this period of time will become eligible under section 1807. By extending entitlement to such veterans, any eligible veteran who served on or after September 16, 1940 will be eligible for a guaranteed, insured or direct loan from the Veterans' Administration.

*Subsection (b)* would amend the table of sections for subchapter I of chapter 37 of title 38, United States Code to reflect the creation of new section 1807.

##### Section 3

*Clause 1* would amend paragraph 2 of section 1811 of title 38, United States Code, to increase the Veterans' Administration direct

loan program in rural "housing credit shortage areas" from \$21,000 to \$30,000.

*Clause 2* would amend paragraph 3 of section 1811(d) to increase the maximum amount for the direct loan program in "excess cost" areas from \$25,000 to \$35,000. Currently, nearly 80 percent of the country is designated as housing credit shortage areas in rural environs and small cities or towns which are not near large metropolitan areas.

##### Section 4

This section amends section 1818(a) of title 38, United States Code, to make a technical clarification by directly defining veterans housing eligibility within chapter 37 rather than by authorizing by reference to another chapter in title 38. Such technical clarification will provide veterans with ready access to eligibility and entitlement requirements for housing benefits in the very chapter which authorizes those benefits. No substantive change in the eligibility requirements is intended by the technical amendments made herein.

##### Section 5

This section would amend section 1819(c)(3) of title 38, United States Code, to increase the maximum Veterans' Administration mobile home loan guaranty from 30 to 50 percent. Currently, the Veterans' Administration is limited to a maximum guaranty of 30 percent.

##### Section 6

This section amends section 1823(c) of title 38, United States Code, to make the direct loan program permanent. Currently, the Administrator is required by this section to deposit all sums in the direct loan revolving fund with the Treasury no later than June 30, 1976 which would have the effect of precluding any further direct loans after that date. This section would remove that mandate, and hence insure that the program would continue as a permanent one.

##### Section 7

This section makes numerous technical amendments to chapter 37—Housing, of title 38, United States Code to correct grammatical errors and to remove unnecessary or unwarranted gender references.

##### Section 8

*Subsection (a)* would preempt a State constitutional usury provision limiting the amount of interest rates chargeable by certain classes of lenders and the provisions of any law of that State expressly limiting the amount of interest chargeable by said lenders.

*Paragraph 1* of subsection (a) would limit such preemption to any loan or mortgage secured by a one- to four-family dwelling insured under title I or II of the National Housing Act, or insured or guaranteed under chapter 37 of title 38, United States Code.

*Paragraph 2* of subsection (a) would also apply the preemption provisions to any temporary construction loan or other interim financing if at the time such loan was made the intention to obtain permanent financing substantially by means of loans or mortgages is declared.

*Subsection (b)* provides that the preemption provisions of subsection (a) shall not apply in any State if that State subsequently enacts a provision limiting the interest rate chargeable on loans and mortgages.



## AGENCY REPORTS

The Committee requested and received a number of reports from the Veterans' Administration, the Treasury Department, and the Office of Management and Budget on several bills pending before the Committee which would amend the present housing coverage for veterans. These reports and other pertinent material follow:

[No. 55]

## COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., November 12, 1975.

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

DEAR MR. CHAIRMAN: This will respond to your letter of October 22, 1975, requesting a report by the Veterans' Administration on S. 2529, 94th Congress, entitled the "Veterans Housing Amendments Act of 1975."

The bill proposes to make five amendments to chapter 37 of title 38, United States Code, pertaining to the loan guaranty program. Under this omnibus measure, veterans whose entire active service occurred between World War II and the Korean conflict would, for the first time, become eligible for loan guaranty benefits. The bill would also increase the maximum direct loan amount to \$30,000, and provide discretionary authority for the Administrator to increase this maximum to \$35,000. Further, S. 2529 would write into chapter 37 of title 38 loan guaranty eligibility for post-Korean veterans, rather than relying by reference upon eligibility criteria found in chapter 34 which pertains to educational benefits. In addition, the bill would increase the percentage of guaranty by VA on mobile home loans from 30 percent to 50 percent. Finally, S. 2529 would provide for continuation of the direct loan revolving fund.

Sections 2, 4 and 6 of S. 2529 should be discussed together.

Section 2 of the bill proposes to add a new section, 1807, to title 38, which would grant eligibility for loan guaranty benefits to veterans whose entire active duty occurred during the approximately 3-year period after what is considered the end of World War II and prior to the Korean conflict (after July 25, 1947 and before June 27, 1950). To be eligible, such veterans must have either served on active duty for a period of more than 180 days and been released or discharged under conditions other than dishonorable, or been discharged after any period of active duty for a service-connected disability. This would be the first time these veterans would have eligibility for GI loan benefits.

Section 4 of S. 2529 would spell out in chapter 37 (section 1818) loan benefit eligibility requirements for veterans who served after the end of the Korean conflict (January 31, 1955). As currently worded, section 1818 of title 38 grants eligibility for loan guaranty benefits to those persons defined as eligible veterans by section 1652(a) of title 38. Section 1652(a) defines eligibility for educational benefits.

Section 4 of S. 2529 would not alter present eligibility for loan benefits. There are, however, currently pending before the Congress a num-

ber of bills which would terminate eligibility for educational benefits for persons entering military service after a fixed date. As we discussed in our report dated September 30, 1975, on S. 1805, termination of eligibility for educational benefits would likewise terminate eligibility for loan guaranty benefits unless the definition of an eligible veteran was established under chapter 37 of title 38. The question of continuing to grant entitlement to loan guaranty benefits to incoming service personnel was discussed in our report on S. 1805, and, as stated therein, the Veterans' Administration will defer to the Congress on this matter. Should the Congress decide to terminate or continue eligibility for loan guaranty benefits of post-Vietnam era veterans, the Veterans' Administration would have no objection.

Currently, all veterans with the minimum active service prescribed by statute who served on active duty since September 16, 1940, are eligible for loan guaranty benefits, except for the approximately 255,000 whose entire period of service was between World War II and the Korean conflict (between July 25, 1947 and June 27, 1950). Should the Congress consider it appropriate to terminate the loan guaranty program for persons who serve in the post-Vietnam era, it would be inconsistent to extend such entitlement to veterans who served only between World War II and the Korean conflict. The Veterans' Administration, therefore, defers to Congress on the enactment of Section 2 of S. 2529.

Section 6 of S. 2529 would amend section 1823(c) of title 38, United States Code, to provide for the indefinite continuation of the Direct Loan Revolving Fund.

As presently drafted, section 1823(c) provides, *inter alia*, that not later than June 30, 1976, all sums in the Direct Loan Revolving Fund shall be deposited with the Treasurer of the United States, to the credit of miscellaneous receipts. This requirement will have the effect of terminating the VA direct loan program on that date. Section 6 of S. 2529 would delete that requirement from section 1823 of title 38.

The direct loan program was initiated to provide veterans in rural areas, who cannot get loans under the guaranteed program, housing benefits comparable to their peers who live in areas where loan money is available from private sources. Congressional action on the direct loan program should be consistent with the Congress' decision on termination or continuation of the loan guaranty program. Thus, the VA defers to Congress on enactment of section 6.

Section 3 of S. 2529 would amend section 1811(d) of title 38, United States Code, to increase the maximum direct loan amount to \$30,000. In addition, it authorizes the Administrator to increase the maximum direct loan amount up to \$35,000 in areas where he finds cost levels so require. Presently, section 1811 sets the maximum direct loan amount at \$21,000, with authority to increase that figure up to \$25,000.

In view of the current costs of housing, the Administrator increased the maximum direct loan amount nationwide to \$25,000, effective October 9, 1973. In fiscal year 1975, the average direct loan application was for \$18,847. Seventy-seven percent of all applications were for loans where a total purchase price was less than \$25,000, averaging

\$16,917. Only four percent of all applications were for houses costing over \$30,000 while the remaining 19 percent were for houses averaging \$27,246. In the first quarter of fiscal year 1976, 73 percent of all direct loan applications were for homes costing less than \$25,000. The average sale price in the category of homes costing \$25,000 to \$30,000 was only \$25,686. The average of all loan applications received in this quarter was only \$19,688. It would appear that the direct loan ceiling of \$25,000 is sufficient to enable the average eligible individual to buy a home. The Veterans' Administration, therefore, opposes the proposal to increase the direct loan ceiling by 20 percent to \$30,000.

Section 5 of the bill would increase the guarantee on mobile home loans from 30 to 50 per centum.

The Veterans' Administration's present guarantee of 30 per centum of the amount of any mobile home loan essentially stands in the place of a 30 per centum down payment. To increase the guarantee to 50 per centum would accord lenders and loan holders a security equivalent to that derived from a 50 per centum down payment. There is presently no indication that, in the financing of a mobile home, lenders are demanding a 30 per centum down payment, much less a 50 per centum down payment.

A lender exercising reasonable care in the origination and servicing of VA guaranteed mobile home loans with the present 30 per centum guaranty has greater protection against loss than on conventional loans with downpayments of less than 30 per centum. Increasing the guaranty to 50 per centum could have the effect of over protecting lenders so that some may lose the incentive to exercise due care, thus resulting in the making of poor loans with the increase in both the number and the size of claims the VA must pay, as a consequence.

Since the beginning of the VA mobile home loan guaranty program, in approximately 60 percent of the cases where the VA has paid a claim, the claim was for less than the maximum. Thus, in only about 40 percent of the cases involving claims was the lender exposed to any possible loss. A review of mobile home loan claims processed in the past 12 months shows that in 75 percent of the cases the lenders had no loss whatsoever. Thus, it appears that as lenders gain experience making mobile home loans, their position improves without any increase in the percentage of the VA guaranty.

We have no solid evidence to lead us to believe that increasing the guaranty percentage would result in any appreciable increase in lender participation in the VA mobile home program. Reports on industry experience in the last two years indicate that lender participation in conventional mobile home financing has varied with the availability of investment funds and the rise and fall of interest rates.

We estimate that enactment of S. 2529 would require total outlays during the remainder of fiscal year 1976 (6 months plus transition quarter) of \$2,923,600. This amount includes \$26,100 for general operating expenses, expenditures of \$1,122,500 from the Loan Guaranty Revolving Fund, and \$1,775,000 from the Direct Loan Revolving Fund. This latter amount would be recouped through the repayment or sale of loans. Through the end of fiscal year 1981 (includ-

ing the transition quarter), this bill would involve total outlays of \$51,233,900, comprised of \$251,600 for general operating expenses, \$29,017,300 from the Loan Guaranty Revolving Fund, and \$21,965,000 from the Direct Loan Revolving Fund. A detailed breakdown of the estimated costs of S. 2529 is attached.

For the foregoing reasons, the Veterans' Administration opposes enactment of sections 3 and 5 of S. 2529 and defers to the Congress on sections 2, 4 and 6 of S. 2529.

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. ROUBEUSH,  
Administrator.

Attachment.

5-YR COST ESTIMATES FOR S. 2529, 94TH CONGRESS

Fiscal year	Outlays			Total
	General operating expenses	Loan guaranty revolving fund	Direct loan revolving fund	
1976 (6 mo)	\$17,400	\$861,500	\$1,070,000	\$1,948,900
Transition quarter	8,700	261,000	705,000	974,700
1977	37,100	2,623,500	2,800,000	5,460,600
1978	42,700	4,288,800	3,370,000	7,701,500
1979	45,800	5,452,100	4,115,000	9,612,900
1980	49,200	7,436,400	4,635,000	12,120,600
1981	50,700	8,094,000	5,270,000	13,414,700
Total	251,600	29,017,300	21,965,000	51,233,900

The costs of implementing section 2, which would extend the benefits of chapter 37 to veterans who served between July 25, 1947, and June 27, 1950, based upon an estimated 255,000 newly eligible veterans, are as follows:

Fiscal year	Outlays			Total
	General operating expenses	Loan guaranty revolving fund	Direct loan revolving fund	
1976 (6 mo)	\$17,400	0	\$75,000	\$92,400
Transition quarter	8,700	0	50,000	58,700
1977	37,100	\$10,500	150,000	197,600
1978	42,700	41,800	150,000	234,500
1979	45,800	62,100	150,000	257,900
1980	49,200	85,400	150,000	285,600
1981	50,700	90,000	150,000	290,700
Total	251,600	290,800	875,000	4,417,400

Participation rates used to derive the above table have been estimated based on our experience with Korean conflict veterans. Claim rates and amounts, property acquisition rates and amounts, and direct loan volume and amounts have been projected based on past experience with adjustments made for inflation.



Section 3, which would increase the maximum direct loan to \$30,000, or to \$35,000 where cost levels require, would involve the following costs:

Fiscal year	General operating expense	Outlays—Direct loan revolving fund	Total
1976 (6 mo).....	0	\$995,000	\$995,000
Transition quarter.....	0	655,000	655,000
1977.....	0	2,650,000	2,650,000
1978.....	0	3,220,000	3,220,000
1979.....	0	3,965,000	3,965,000
1980.....	0	4,485,000	4,485,000
1981.....	0	5,120,000	5,120,000
Total.....	0	21,090,000	21,090,000

Section 4, which merely changes the placement of a definition of eligibility for loan benefits, involves no costs in and of itself.

The costs of increasing the guaranty on mobile home loans to 50 per centum are as follows:

Fiscal year	General operating expenses	Outlays—loan guaranty revolving fund	Total
1976 (6 mo).....	0	\$861,500	\$861,500
Transition quarter.....	0	261,000	261,000
1977.....	0	2,613,000	2,613,000
1978.....	0	4,247,000	4,247,000
1979.....	0	5,390,000	5,390,000
1980.....	0	7,350,000	7,350,000
1981.....	0	8,004,000	8,004,000
Total.....	0	28,726,500	28,726,500

Section 6, which is a technical amendment to permit the continuation of the Direct Loan Revolving Fund, would involve no costs.

In computing the above costs, operating expense estimates were made by breaking projected workloads down into work units and applying experienced costs to each item. In this process, property acquisition, maintenance and selling costs were taken into consideration as well as the cost of claims, appraisals and originations.

Only costs were considered in this process and any income accruing from direct loans or other portfolio loans produced from the sale of properties has not been included.

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

THE GENERAL COUNSEL OF THE TREASURY,  
Washington, D.C., December 1, 1975.

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

DEAR MR. CHAIRMAN: The Department is concerned about the possible adverse consequences of enactment of S. 2159, "To increase the availability of guaranteed home loan financing for veterans and to increase the income of the National Service Life Insurance Fund, and for other purposes," which is being considered by your committee.

The bill would provide for the investment of the assets of the National Service Life Insurance Fund in VA guaranteed mortgages. To finance the proposed investment activities, it would establish a National Service Life Insurance Investment Fund, to which the Secretary of the Treasury would be required to transfer from the National Service Life Insurance Fund such amounts, up to \$5 billion, as the Administrator of Veterans' Affairs may request. The Investment Fund would pay interest to the Insurance Fund at the average rate on loans purchased by the Administrator less 1 percent, but not less than the average return on the other invested portion of the Insurance Fund. The Administrator would also be authorized to utilize the Investment Fund to purchase loans from the direct loan revolving fund; to sell and guarantee any loans held in the Investment Fund; to sell participation certificates in mortgages held by the fund; and to utilize available funds in the loan guarantee and direct loan revolving funds to cover deficiencies in the Investment Fund.

The proposed mortgage purchase program could increase Federal outlays by up to \$5 billion through the period ending on June 30, 1980. Increased Treasury borrowings in the market would be necessary to finance the program. The increased Treasury borrowing would add to inflationary pressures.

Under existing major Federal credit programs in the housing area, the Government assumes the loan risk but private lenders originate, provide the capital, and service the loans. Secondary market support is available from the Federal National Mortgage Association. It appears that the proposed VA mortgage purchase program would largely duplicate the activities of FNMA. It is not clear what advantage the proposal would have over continued reliance on existing private market arrangements, apart from any subsidy to veterans which may be provided under the proposal. The Department has no knowledge of any need or justification for subsidies.

The proposed changes in the investment of the National Service Life Insurance Fund would constitute a major change from present Federal trust fund policy. The major trust funds, including the NSLI Fund, are now largely invested in special Treasury issues at rates which approximate current Treasury borrowing rates. The investment in special Treasury issues is advantageous because of the safety and liquidity which it provides the funds. The Department believes that the loss to the NSLI Fund in safety and liquidity which would result from its investment in other than Treasury issues as proposed in the bill would not be justified by the possibility of increased earnings.

The proposed use of the NSLI Fund to purchase VA guaranteed loans raises the general question of the extent to which trust funds should be used to support particular credit market sectors. The proposal could also lead to a confusion of the costs and benefits of the life insurance and housing assistance programs. Moreover, there is a lack of coincidence between the beneficiaries of the NSLI Fund and the beneficiaries of the proposed mortgage purchase program.

In view of the foregoing, the Department is strongly opposed to the bill. If Congress should determine that an expansion in direct Federal lending under the VA housing program is needed, the Department recommends that it be financed through the regular appropriations process.

The Department has been advised by the Office of Management and Budget that there is no objection to the submission of this report to your Committee and that enactment of S. 2159 would not be in accord with the program of the President.

Sincerely yours,

RICHARD R. ALBRECHT,  
General Counsel.

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE OF MANAGEMENT AND BUDGET,  
Washington, D.C., December 5, 1975.

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 July 31, 1975 for the views of this Office on S. 2159, a bill "To increase the availability of guaranteed home loan financing for veterans and to increase the income of the National Service Life Insurance Fund, and for other purposes."

In their reports to your Committee on S. 2159, the Veterans' Administration and Department of the Treasury explain in detail their reasons for strongly opposing the bill. We concur in the views expressed by those agencies and, accordingly, recommend against the enactment of S. 2159. Enactment of S. 2159 would not be in accord with the program of the President.

Sincerely,

JAMES M. FREY,  
Assistant Director for  
Legislative Reference.

WILLIAM PROXMIRE, WIS., CHAIRMAN  
 JOHN SPARKMAN, ALA.  
 HARRISON A. WILLIAMS, JR., N.J.  
 THOMAS J. MCINTYRE, N.H.  
 ALAN CRANSTON, CALIF.  
 ADLAI E. STEVENSON, ILL.  
 JOSEPH R. BIDEN, DEL.  
 ROBERT MORGAN, MD.

## United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS  
 WASHINGTON, D.C. 20510

KENNETH A. MCLEAN, STAFF DIRECTOR  
 ANTHONY T. CLUFF, MINORITY STAFF DIRECTOR  
 OTHELLA C. SHAPIRO, CHIEF CLERK

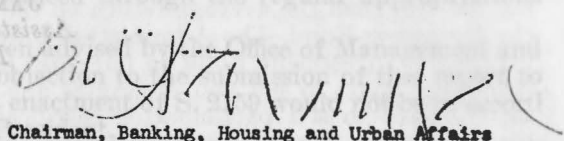
December 5, 1975

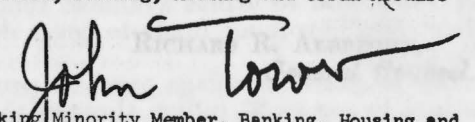
Honorable Vance Hartke  
 Chairman  
 Veterans' Affairs Committee  
 414 Russell Senate Office Building  
 Washington, D. C. 20510

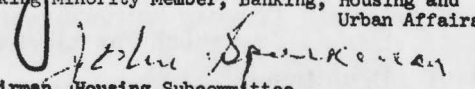
Dear Senator Hartke:

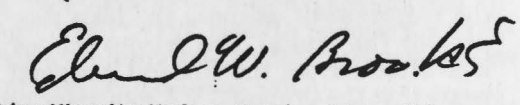
We, the undersigned, assent to the Veterans' Affairs Committee considering the FHA section of Senator Cranston's Usury Ceiling Amendment to the Veterans' Housing Bill, S. 2529.

It is our understanding that this amendment only affects California, therefore, we agree not to raise a jurisdictional question on S. 2529 if this bill comes to the floor of the Senate.

  
 Chairman, Banking, Housing and Urban Affairs

  
 Ranking Minority Member, Banking, Housing and Urban Affairs

  
 Chairman, Housing Subcommittee

  
 Ranking Minority Member, Housing Subcommittee

## CHANGES IN EXISTING LAW MADE BY S. 2529, 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 italics, existing law in which no change is proposed is shown in roman):

## TITLE 38—UNITED STATES CODE

### PART II—GENERAL BENEFITS

#### CHAPTER 37—HOME, CONDOMINIUM, AND MOBILE HOME LOANS

##### SUBCHAPTER I—GENERAL

- 1801. Definitions.
- 1802. Basic entitlement.
- 1803. Basic provisions relating to loan guaranty.
- 1804. Restrictions on loans.
- 1805. Warranties.
- 1806. Escrow of deposits and downpayments.
- 1807. Service after July 25, 1947, and prior to June 27, 1950.

##### 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, 1943, and before October 7, 1946, the period of the first such enlistment or reenlistment.
  - (2) The term "veteran" includes the [widow] *surviving spouse* 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] *surviving spouse* is not eligible for benefits under this chapter on the basis of [her], *the spouse's* own active duty. The active duty of [her husband] *the spouse* shall be deemed to have been active duty by such [widow] *surviving spouse* for the purposes of this chapter.



(3) The term "veteran" also includes, for purposes of home loans, the [wife] spouse 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] the spouse shall be deemed to have been active duty by such [wife] spouse for the purposes of this chapter. The loan eligibility of such [wife] spouse 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] spouse of official notice that [her husband] the spouse 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, 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]

the veteran-transferee's 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] the Administrator 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] The Administrator 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 lender approved by the Administrator pursuant to standards established by [him] the Administrator. 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] the Administrator 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] the Administrator 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] the veteran's spouse 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.

(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) 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 guaranty 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 loan shall not be more than 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] the Administrator 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.

### § 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.

(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] the veteran 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] the veteran intends to occupy the property as [his] the veteran's 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] the veteran applies 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] the

veteran occupies the property as [his] the veteran's 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] the veteran's home means that the veteran as of the date of [his] the veteran's certification actually lives in the property personally as [his] the veteran's 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] the veteran's residence. Notwithstanding the foregoing requirements of this subsection, the provisions for certification by the veteran at the time [he] the veteran 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] the veteran's home at such times and [he] the veteran 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] the Administrator 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.

(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 person 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] the Administrator's valuation of the dwelling. The Administrator shall deliver to the builder, seller, or other warrantor [his] the Administrator's 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, whichever 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, homeowner, 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] the seller's 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.

**§ 1807. Service after July 25, 1947, and prior to June 27, 1950**

*Each veteran whose only active duty service occurred after July 25, 1947, and prior to June 27, 1950, and who—*

*(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable; or*

*(2) served for a period of less than 180 days and was discharged for a service-connected disability;*

*shall be eligible for benefits of this chapter.*

**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] the veteran as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by [him] the veteran as [his] the veteran's home.

(3) To construct on land owned by [him] the veteran a farm residence to be occupied by [him] the veteran as [his] the veteran's home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by [him] the veteran and occupied by [him] the veteran as [his] the veteran's home.

(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] the veteran as [his] the veteran's home.

(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] the Administrator shall prescribe.

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.

(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 \$17,500 less such entitlement as may have been used previously under this section and other sections of this chapter.

**§ 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] the Administrator shall designate such rural area or small city or town as a "housing credit shortage area". [He] The Administrator 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] the veteran shows to the satisfaction of the Administrator that—

(1) [he] the veteran 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

~~the~~ the veteran is qualified under section 1810 or 1819 of this title, as appropriate; and

(2) ~~the~~ the veteran 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]~~ \$30,000 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 \$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 of \$17,500 as the amount of the loan bears to ~~[\$21,000]~~ \$30,000; except that the Administrator may increase the ~~[\$21,000]~~ \$30,000 limitations specified in this paragraph to an amount not to exceed ~~[\$25,000]~~ \$35,000 where ~~the~~ the Administrator 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]~~ \$30,000; except that the Administrator may increase such aggregate amount to an amount not to exceed ~~[\$25,000]~~ \$35,000 where ~~the~~ the Administrator 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~~ the Administrator, any loan made under this section at a price which ~~the~~ the Administrator 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~~ the Administrator's 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~~ the Administrator's 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 ~~the~~ the Administrator may deem necessary or appropriate for carrying out ~~his~~ the Administrator's 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~~ the Administrator's basic responsibilities under this chapter, delegate any



of [his] the Administrator's 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] the Administrator may designate.

#### § 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] the Administrator 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.

#### § 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] the Administrator's 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] the Administrator shall (1) extend the time for curing the default to such time as [he] the Administrator 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] the Administrator 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 veteran, 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] the veteran 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] the Administrator may deem appropriate, that (1) the loan is current, and (2) the purchaser of such property from such veteran (A) [has obligated himself] is obligated 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] the transferee 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] the transferee has assumed liability.

(b) If any veteran disposes of residential property securing a guaranteed, insured, or direct loan obtained by [him] the veteran 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 veteran to the Administrator on account of the loan, the Administrator may relieve the veteran of such liability if [he] the Administrator determines, after such investigation as [he] the Administrator 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 section 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, subject to the provisions of this section.]

(a) Each veteran who served on active duty, any part of which occurred after January 31, 1955, and who—

(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable;

(2) *has served more than 180 days in an active duty status and continues on active duty without a break therein; or*

(3) *was discharged or released from active duty after such date for a service-connected disability;*  
*shall be eligible for the benefits of this chapter, 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) 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 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 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) (A) an amount to finance the acquisition of a lot on which to place such home, and (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 (A) the loan is for the purpose of purchasing a new mobile home 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, 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 (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] *the Administrator* 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] 50 percent 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] *the Administrator* 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] *the Administrator* may determine and such costs and expenses as [he] *the Administrator* 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] *the Administrator's* determination of the reasonable value of the property. 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.

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

(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.

(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] the Administrator 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] subsection (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] the veteran will personally occupy the property as [his] the veteran's 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] the Administrator 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] the Administrator 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] the Administrator 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] the Administrator 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 mobiles 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] the manufacturer's 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] the Administrator 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.

### 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] the Administrator's 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] the Administrator 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 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] the Administrator 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] the Administrator determines advisable, to set aside first mortgage loans, and installment sale contracts, owned and held by [him] the Administrator 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 to 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] the Administrator 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] the Administrator 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] the Administrator's commitment to the fiduciary on participations outstanding and to pay [his] the Administrator's 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 sections 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 interest 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 sections 1823 and 1824 of this chapter to be used for meeting commitments pursuant to this subsection and, as [he] the Administrator 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.

#### § 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] *the Administrator* 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] *the Administrator* 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] *the Administrator* has entered into commitments with veterans before such last day, and a reasonable reserve for meeting commitments pursuant to section 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] *the Administrator's* 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 section 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] *the Administrator's* 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] *said person* is qualified therefore in every respect except for discharge.

#### § 1826. Withholding of payments, benefits, etc.

(a) The Administrator shall not, unless [he] *the Administrator* 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] *surviving spouse* of any veteran any payments (other than benefit payments under any law administered by the Veterans' Administration) which such veteran or [widow] *surviving spouse* 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] *surviving spouse* under this chapter, unless (1) there is first received the consent in writing of such veteran or [widow] *surviving spouse*, as the case may be, or (2) such liability and the amount thereof was determined by a court of competent jurisdiction in a proceeding to which such veteran or [widow] *surviving spouse* 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] *the Administrator* 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] the Administrator's 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.

§ 1823. Waiver of discharge...  
The Administrator may, at his discretion, waive the discharge of any person who is the beneficiary of this chapter if the Administrator is satisfied that such person's discharge from active duty is in the interest of the United States.  
§ 1824. Withholding of payments, benefits, etc.  
(a) The Administrator shall not, unless [he] the Administrator justifies the withholding of such payments, benefits, or other amounts payable to such individual from the Administrator's account, set off against or otherwise withhold from such individual any benefits payable to such individual under any law administered by the Veterans Administration, or any loan made to, 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 such veteran any payments (other than benefit payments administered by the Veterans Administration) which such veteran or [widow] would be entitled to receive because of any liability to the Administrator allegedly arising out of any loan made to, 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 to the case may be, or (2) such liability and the amount thereof was determined by a court of competent jurisdiction in a proceeding to which such veteran or [widow] was a party.  
§ 1825. Expenditures to correct or compensate for structural defects in mortgaged homes...  
(a) The Administrator is authorized, with respect to any property approved by a one- to four-family dwelling inspection during construction by the Federal Housing Administration or the Federal Housing Administration which [he] the Administrator finds to have structural

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## HOUSING AMENDMENTS OF 1976

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MAY 13, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

### REPORT

[including cost estimate and comparison of the Congressional Budget Office]

[To accompany H.R. 13724]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 13724) to amend chapter 37 of title 38, United States Code, to increase the limitations with respect to direct housing loans to veterans to \$29,000, to permit up to 50 per centum of the amount of any mobile home loan to be guaranteed under such chapter, and to provide for the continuation of the direct loan revolving fund, having considered the same by unanimous voice vote, report favorably thereon without amendment and recommend that the bill do pass.

#### PURPOSE OF THE BILL

The purpose of the proposed legislation is to increase the limitations with respect to direct housing loans to veterans to \$29,000; to permit up to 50 per centum of the amount of any mobile home loan to be guaranteed under chapter 37 of title 38, and to provide for the continuation of the direct loan revolving fund.

#### SUMMARY OF THE BILL

Section 1 would increase the maximum direct loan amount to \$29,000. Under current law, the maximum amount of a direct home loan is set at \$21,000, except that the Administrator may increase the \$21,000 limitation to an amount not to exceed \$25,000 where he finds that cost levels so require. In view of the increasing cost of housing, the Administrator exercised that authority and set the maximum direct loan amount at \$25,000 nationwide, effective October 9, 1973. Since that time, the cost of both new and existing single family housing has increased in excess of 20 percent, according to statistics reported by the Department of Commerce, the Federal Home Loan Bank Board, the

National Association of Realtors, and the National Association of Home Builders.

Section 2 would permit the Administrator of Veterans' Affairs to increase the guaranty on mobile home loans from 30 percent to 50 percent. The current economic recession, coupled with a tightening of available mortgage money and the absence of a secondary mortgage market for the sale and purchase of VA mobile home mortgages, has made it difficult, and frequently impossible, for veterans to obtain loans under the Veterans' Administration's Mobile Home Loan Guaranty Program. The proposed increase in the guaranty is necessary in order to stimulate participation by lending institutions, thereby making more funds available to prospective veteran purchasers of mobile homes.

Section 3 would provide for the continuation of the Direct Loan Revolving Fund. It would amend section 1823 of title 38, United States Code, which provides for the disposition of funds in the Direct Loan Revolving Fund with the Secretary of the Treasury at the termination of the direct loan program. Under current law, the Direct Loan Revolving Fund will expire on June 30, 1976.

#### OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee issues the following oversight findings:

Discussions between officials of the Veterans' Administration and the Committee, coupled with staff investigations, resulted in hearings being held before the Subcommittee on Housing on Tuesday, May 4, 1976, and Wednesday, May 5, 1976, to review developments in the Veterans' Administration's Mobile Home Loan Guaranty Program. The following three bills were also considered: H.R. 12781, to increase the maximum direct loan amount to \$29,000, H.R. 9063, to permit the Administrator of Veterans' Affairs to guarantee up to 50 per centum of the amount of any mobile home loan, and H.R. 10944, to provide for the continuation of the direct loan revolving fund. The Subcommittee recommended the reported bill, which incorporated the provisions of H.R. 12781, H.R. 9063 and H.R. 10944. During the hearings, testimony was received from the Veterans' Administration, veterans' organizations and representatives of lending institutions, loan servicing companies and the Manufactured Housing Institute. The Veterans' Administration opposed enactment of H.R. 12781 and H.R. 9063 and supported H.R. 10944. Public witnesses urged favorable consideration of the three proposals. Staff investigations confirmed the need for enactment of this legislation if the Mobile Home Program and Direct Loan Program are to continue to be viable veteran programs.

In regard to clause 2(1)(3)(B) of Rule XI, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

#### INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee feels that the enactment of H.R. 13724 would not be inflationary.

#### COST ESTIMATE

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statements are made relative to the cost in carrying out this bill:

The Veterans' Administration advises that the enactment of H.R. 13724 would not result in any increase in general operating expenses. It would, however, result in outlays from the loan guaranty and Direct Loan Revolving Funds of approximately \$4.7 million in Fiscal Year 1977 and total five year outlays of approximately \$43.2 million. A detailed cost breakdown follows:

##### Section 1.—Increase direct loan maximum to \$29,000:

Fiscal year—	Outlays		
	GOE	Direct loan revolving fund	Total
1977 -----	\$0	\$2, 120, 000	\$2, 120, 000
1978 -----	0	2, 576, 000	2, 576, 000
1979 -----	0	3, 172, 000	3, 172, 000
1980 -----	0	3, 588, 000	3, 588, 000
1981 -----	0	4, 096, 000	4, 096, 000
Total -----	0	15, 552, 000	15, 552, 000

##### Section 2.—Increase mobile home loan guaranty to 50 percent:

Fiscal year—	Outlays		
	GOE	Direct loan revolving fund	Total
1977 -----	\$0	\$2, 613, 000	\$2, 613, 000
1978 -----	0	4, 247, 000	4, 247, 000
1979 -----	0	5, 390, 000	5, 390, 000
1980 -----	0	7, 350, 000	7, 350, 000
1981 -----	0	8, 004, 000	8, 004, 000
Total -----	0	27, 604, 000	27, 604, 000

##### Section 3.—Continuation of direct loan revolving fund: No cost.

The Committee feels that the cost estimate furnished by the Congressional Budget Office is much more realistic than that of the Veterans' Administration.

#### BUDGET STATEMENT

In accordance with Rule XI of the Rules of the House of Representatives, the Congressional Budget Office has submitted the following report:

CONGRESS OF THE UNITED STATES,  
CONGRESSIONAL BUDGET OFFICE,  
Washington, D.C., May 13, 1976.

HON. RAY ROBERTS,  
Chairman, Committee on Veterans' Affairs, U.S. House of Representatives,  
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for legislation to amend Chapter 37 of Title 38, United States Code, to increase the limitations with respect to direct housing loans to veterans to \$29,000, to permit up to 50 percent of



the amount of any mobile home loan to be guaranteed under such Chapter, and to provide for the continuation of the Direct Loan Revolving Fund.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

Alice M. Rivlin,  
Director.

Attachment.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

1. Bill number: Not Yet Assigned.

2. Bill title: To amend Chapter 37 of Title 38, United States Code, to increase the limitations with respect to direct housing loans to veterans to \$29,000, to permit up to 50 percent of the amount of any mobile home loan to be guaranteed under such Chapter, and to provide for the continuation of the Direct Loan Revolving Fund.

3. Purpose of bill: This bill would increase the loan limits for the Direct Housing Loan Program from its present level to \$29,000. It also increases the loan guarantees applicable to loans for mobile homes from 30 percent to 50 percent. The bill would also continue the authorization of the Direct Loan Revolving Fund.

4. Cost estimate:

[In thousands of dollars; fiscal years]

	1977	1978	1979	1980	1981
Sec. 1.....	1,844	2,400	2,962	3,800	4,420
Sec. 2.....	348	643	995	1,185	1,277
<b>Total.....</b>	<b>2,192</b>	<b>3,043</b>	<b>3,957</b>	<b>4,985</b>	<b>5,697</b>

5. Basis for estimate:

*Section 1.*—This section of the bill raises the limit for a direct loan from its current level of \$25,000 to \$29,000. The cost of this section is predicated on a series of assumptions related to the numbers and amounts of loans which would exceed the \$25,000 now permitted. It was assumed that a total of 2,650 loans would be made in each year from FY 1977 through FY 1981. This number is the same as that forecast by the VA for FY 1977 and FY 1976 and only slightly below the number of loans made in FY 1975. Based on data from the VA, the loans assumed to be made each year were distributed by purchase value as inflated by the latest CBO estimate of the Consumer Price Index. To the extent that those values exceeded \$25,000/loan up to a limit of \$29,000/loan, additional costs resulted. Thus, the cost of this section of the bill is the sum of the increases of potential loan amounts over \$25,000 up to a maximum of \$4,000. Should the increase in loan

limits induce participants to purchase higher cost homes, the cost of this section could be raised.

*Section 2.*—This section raises the guarantee level for mobile home loans from 30 percent to 50 percent. The cost of this section is a function of the numbers of guarantees at the 50 percent level which default with net losses of over 30 percent of the loan value. Based on VA estimated mobile home loan guarantee levels (which were all assumed to have 50 percent guarantees), and default rates supplied by the American Bankers Association, total numbers of defaults were calculated. The numbers of defaulted loans which could result in claims of over 30 percent of the loan value were then statistically derived for various increments between 30 and 50 percent. Then using the VA estimate of average values of loans guaranteed, as inflated by the latest CBO estimate of the Consumer Price Index, in connection with these defaults, the net loss which exceeds 30 percent of the loan value was calculated.

*Section 3.*—This section provides for the continuation of the Direct Loan Revolving Fund. There would be no additional costs as a result of this section.

6. Estimate comparison: Not Applicable.
7. Previous CBO estimate: Not Applicable.
8. Estimate prepared by: Roger C. Faxon (225-4972)
9. Estimate approved by:

C. G. NUCKOLS,  
(For James L. Blum, Assistant Director  
for Budget Analysis).

AGENCY REPORTS

There follows reports from the Veterans Administration and the Department of Housing and Urban Development:

COMMITTEE ON VETERANS' AFFAIRS, HOUSE OF REPRESENTATIVES

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., October 15, 1975.

HON. RAY ROBERTS,  
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. 9063, 94th Congress, a bill "To amend title 38 of the United States Code in order to permit the Administrator of Veterans' Affairs to guarantee up to 50 per centum of the amount of any mobile home loan."

The Veterans' Administration's present guarantee of up to 30 per centum of the amount of any mobile home loan essentially stands in the place of a 30 per centum downpayment. To increase the guarantee to 50 per centum would accord lenders and loan holders a security equivalent to that derived from a 50 per centum downpayment. There is presently no indication that, in the financing of a mobile home, lenders are demanding a 30 per centum downpayment, much less a 50 per centum downpayment.

A lender exercising reasonable care in the origination and servicing of VA guaranteed mobile home loans with the present 30 per centum guaranty has greater protection against loss than on conventional loans with downpayments of less than 30 per centum. Increasing the guaranty to 50 per centum could have the effect of overprotecting lenders so that some may lose the incentive to exercise due care, thus resulting in the making of poor loans with the increase in both the number and the size of claims the VA must pay, as a consequence.

If this measure is enacted, and there is no increase in VA mobile home loan activity, we estimate that it will cost an additional \$18.9 million in added claim expenditures during the period October 1, 1975, through September 30, 1980. The number and dollar amount of anticipated mobile home claims for the first five years of this proposal are reflected in the attachment to this report.

For the foregoing reasons, the Veterans' Administration opposes the enactment of H.R. 9063.

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,  
Administrator.

Enclosure.

ESTIMATED NUMBER AND AMOUNT OF MOBILE HOME LOAN CLAIMS

Fiscal year	Number of claims	Cost	
		30 percent guaranty	50 percent guaranty
1976 (9 mo).....	790	\$1,939,000	\$2,133,000
Transition period.....	160	392,000	480,000
1977.....	1,600	3,920,000	5,684,000
1978.....	2,600	6,370,000	10,510,000
1979.....	3,300	8,085,000	13,421,000
1980.....	4,500	11,025,000	18,375,000
<b>Total.....</b>	<b>12,950</b>	<b>31,731,000</b>	<b>50,613,000</b>
<b>Difference.....</b>			<b>18,882,000</b>

COMMITTEE ON VETERANS' AFFAIRS, HOUSE OF REPRESENTATIVES

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., February 19, 1976,

HON. RAY ROBERTS,  
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. 10944, 94th Congress, a bill "To amend chapter 37 of title 38, United States Code, to provide for continuation of the direct loan revolving fund."

As presently drafted, section 1823(c), title 38, United States Code, provides, *inter alia*, that not later than June 30, 1976, all sums in the Direct Loan Revolving Fund shall be deposited with the Treasurer of the United States, to the credit of miscellaneous receipts. This requirement will have the effect of terminating the Veterans' Administration direct loan program on that date. Subsection (b) of the bill would delete that requirement from section 1823 of title 38.

Prior to 1970, the loan guaranty program, including the direct loan program, had a definite termination date. In 1970, the program was scheduled to terminate January 31, 1975. Therefore, section 1823 provided for the disposition of funds in the Direct Loan Revolving Fund after the direct loan program ended. Public Law 91-506, enacted October 23, 1970, repealed the termination dates. However, the funding provisions of section 1823 were apparently overlooked.

The direct loan program enables otherwise eligible veterans living in areas where private funding is not available, to obtain financing from VA for housing. The legislative intent of Public Law 91-506 was to make the loan guaranty program of unlimited duration. The proposed amendment to section 1823 is a perfecting change to implement that policy.

Subsection (a) of the bill would delete the final sentence of section 1823(a) of title 38, which provides for the disposition of certain monies in the Direct Loan Revolving Fund, "After the last day on which the Administrator may make loans under section 1811" of title 38. In view of the open-ended nature of section 1811 of title 38, that language is now obsolete. It is also a perfecting change, and its enactment would not result in any additional cost to the VA. The proposed amendment is appropriate.

There are presently pending before the Congress several proposals which would terminate or continue eligibility for loan guaranty benefits. H.R. 6806 would have the effect of terminating eligibility for loan guaranty benefits for veterans who enter active duty after a designated date. H.R. 7726, H.R. 8406, and H.R. 9576 provide for the continuation

of eligibility for loan guaranty benefits. In reporting on H.R. 6806 the Veterans' Administration indicated that, should the Congress decide that the national interest would best be served by terminating eligibility for loan guaranty benefits of post-Vietnam era veterans, the Veterans' Administration would have no objection. Pending the nature and contents of that decision, the Direct Loan Revolving Fund should continue.

For the foregoing reasons, the Veterans' Administration favors the enactment of H.R. 10944.

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. ROUDERUSH,  
Administrator.

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., April 22, 1976.

HON. RAY ROBERTS,  
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. 12781, 94th Congress, a bill, "To amend title 38, United States Code, to increase the limitations with respect to direct loans to veterans to \$29,000."

Under the present law, the maximum direct loan the Veterans' Administration is authorized to make is \$21,000, except this amount may be increased to a maximum of \$25,000 where the Administrator finds that cost levels so require. In view of increasing costs of housing, the Administrator exercised that authority and set the maximum direct loan amount at \$25,000 nationwide, effective October 9, 1973.

During the first 9 months of Fiscal Year 1976, the average direct loan application was for \$19,606. Seventy-four percent of all applications were for loans where the total purchase price was less than \$25,000, averaging \$16,664. Only 5 percent of all applications were for houses costing over \$30,000, while the remaining 21 percent were for houses averaging \$25,722. These costs appear to be holding constant, as in the third quarter of Fiscal Year 1976, 73 percent of all direct loan applications were for homes costing less than \$25,000. The average sale price in the category of homes costing \$25,000-\$30,000 was \$25,758. The average of all applications received in this third quarter was only \$19,599. It would appear, therefore, that the direct loan ceiling of \$25,000 is sufficient to enable the average eligible individual to buy a home.

Enactment of H.R. 12781 would not result in any increase in general operating expenses. We estimate, however, that this measure would necessitate a total 5 year outlay from the Direct Loan Revolv-



ing Fund of approximately \$15,522,000. Broken down by year, this would be:

Fiscal year—	Outlays	
	DLRF	Total
1977 -----	\$2,120,000	\$2,120,000
1978 -----	2,576,000	2,576,000
1979 -----	3,172,000	3,172,000
1980 -----	3,588,000	3,588,000
1981 -----	4,096,000	4,096,000
Total -----	15,552,000	15,552,000

The above figures do not reflect recoveries to the fund from repayment of principal and interest on loans made.

For the foregoing reasons, the Veterans' Administration opposes enactment of H.R. 12781.

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,  
Administrator.

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., May 10, 1976.

HON. JACK T. BRINKLEY,  
Chairman, Subcommittee on Housing, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This will reply to your request for a report by the Veterans' Administration on a draft bill, "To amend chapter 37 of title 38, United States Code, to increase the limitations with respect to direct housing loans to veterans to \$29,000, to permit up to 50 per centum of the amount of any mobile home loan to be guaranteed under such chapter, and to provide for the continuation of the direct loan revolving fund."

The first section of the draft bill would increase the maximum direct loan the Administrator is authorized to make under section 1811 of title 38, United States Code, \$29,000. The Veterans' Administration believes the current direct loan maximum is sufficient to enable the average eligible veteran to purchase a home.

This section is identical in substance to H.R. 12781, 94th Congress. The VA, on April 22, 1976, furnished the Committee with a report setting forth our position on H.R. 12781 (copy of our report is enclosed). The views expressed in that report in opposition to H.R. 12781 are equally applicable to section 1 of the draft bill.

Section 2 of the draft bill would increase the guaranty on mobile home loans from 30 per centum to 50 per centum. The Veterans' Administration believes the present 30 per centum guaranty is sufficient to protect lenders exercising reasonable care on mobile home loans made to veterans, and further believes increasing the guaranty would not result in any increase in mobile home loan activity.

This proposal is identical to H.R. 9063, 94th Congress. On October 15, 1975, the VA furnished the Committee with a report setting forth our position on H.R. 9063 (Committee Print No. 69, copy enclosed).

The views expressed in that report in opposition to H.R. 9063 are equally applicable to section 2 of the draft bill.

Section 3 of the draft bill provides for the indefinite continuation of the Direct Loan Revolving Fund. The Veterans' Administration believes this proposal is consistent with the legislative intent of Public Law 91-506 which made the loan guaranty program of unlimited duration.

This section of the draft bill is identical in substance to H.R. 10944, 94th Congress. On February 19, 1976, the VA furnished the Committee with a report setting forth our position on H.R. 10944 (Committee Print No. 99, copy enclosed). The views expressed in that report in support of H.R. 10944 are equally applicable to section 3 of the draft bill.

The Veterans' Administration estimates that enactment of the draft bill would not result in any increase in general operating expenses. Enactment of this measure would, however, result in outlays from the loan guaranty and Direct Loan Revolving Funds of approximately \$4.7 million in Fiscal Year 1977 and total five-year outlays of approximately \$43.2 million. A detailed cost breakdown follows:

Section 1.—Increase direct loan maximum to \$29,000:

Fiscal year—	Outlays		
	GOE	Direct loan revolving fund	Total
1977 -----	\$0	\$2,120,000	\$2,120,000
1978 -----	0	2,576,000	2,576,000
1979 -----	0	3,172,000	3,172,000
1980 -----	0	3,588,000	3,588,000
1981 -----	0	4,096,000	4,096,000
Total -----	0	15,552,000	15,552,000

Section 2.—Increase mobile home loan guaranty to 50 percent:

Fiscal year—	Outlays		
	GOE	Direct loan revolving fund	Total
1977 -----	\$0	\$2,613,000	\$2,613,000
1978 -----	0	4,247,000	4,247,000
1979 -----	0	5,390,000	5,390,000
1980 -----	0	7,350,000	7,350,000
1981 -----	0	8,004,000	8,004,000
Total -----	0	27,604,000	27,604,000

Section 3.—Continuation of direct loan revolving fund: No cost.

In view of the foregoing, the Veterans Administration opposes sections 1 and 2 of the draft bill, but favors enactment of section 3.

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,  
Administrator.

Enclosures.

THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT,  
Washington, D.C., April 19, 1976.

Subject: H.R. 9063, 94th Congress (Brinkley, et al)

HON. RAY ROBERTS,  
Chairman, Committee on Veterans' Affairs, House of Representatives,  
Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request for our views on H.R. 9063, a bill "To amend title 38 of the United States Code in order to permit the Administrator of Veterans' Affairs to guarantee up to 50 per centum of the amount of any mobile home loan."

The bill would increase the amount of a mobile home loan eligible for a VA guarantee from 30 to 50 percent.

Regarding your specific inquiry concerning the relationship of the proposal to the GNMA program, the additional VA guarantee would appear to enhance the acceptability of such loans for the mortgage backed securities program.

However, we defer to the Veterans' Administration regarding the desirability of the bill. We understand that the Veterans' Administration opposed enactment of H.R. 9063 in its report of October 15, 1975 to your Committee.

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

Sincerely,

ROBERT R. ELLIOTT.

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 italic, existing law in which no change is proposed is shown in roman):

TITLE 38, U.S.C.

\* \* \* \* \*

CHAPTER 37—HOME, CONDOMINIUM, AND MOBILE HOME LOANS

\* \* \* \* \*

Subchapter II—Loans

\* \* \* \* \*

§ 1811. Direct loans to veterans

(a) \* \* \*

\* \* \* \* \*

(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 appropriated, 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]~~ \$29,000 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 \$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 of \$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.] \$29,000.

(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.] \$29,000.

\* \* \* \* \*

§ 1819. Loans to purchase mobile homes and mobile home lots

(a) \* \* \*

\* \* \* \* \*

(c)(1) Any loan to a veteran eligible under subsection (a) shall be guaranteed by the Administrator if (A) the loan is for the purpose of purchasing a new mobile home 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, 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 (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]~~ 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.

\* \* \* \* \*

SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

\* \* \* \* \*

§ 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 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. (Amended Public Law 88-274.)

(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].

\* \* \* \* \*

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# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend chapter 37 of title 38, United States Code, to increase the maximum Veterans' Administration's guaranty for mobile home loans from 30 to 50 percent, to make permanent the direct loan revolving fund, to extend entitlement under chapter 37 to those veterans who served exclusively between World War II and the Korean conflict, 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 Amendments Act of 1976".*

SEC. 2. (a) Subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following new section:

**“§ 1807. Service after July 25, 1947, and prior to June 27, 1950**

“Each veteran whose only active duty service occurred after July 25, 1947, and prior to June 27, 1950, and who—

“(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable; or

“(2) served for a period of 180 days or less and was discharged or released for a service-connected disability;

shall be eligible for benefits of this chapter.”.

(b) The table of sections for subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following new item:

“1807. Service after July 25, 1947, and prior to June 27, 1950.”.

SEC. 3. Section 1811(d) of title 38, United States Code, is amended—

(1) by striking out in paragraph (2) (A) “\$21,000” the first time it appears and inserting in lieu thereof “\$33,000”, by striking out in paragraph (2) (A) “\$21,000”, the second time it appears and all that follows thereafter and inserting in lieu thereof “\$33,000.”; and

(2) by striking out in paragraph (3) “\$21,000;” and all that follows thereafter and inserting in lieu thereof “\$33,000.”.

SEC. 4. Section 1818(a) of title 38, United States Code, is amended to read as follows:

“(a) Each veteran who served on active duty, any part of which occurred after January 31, 1955, and who—

“(1) served for a period of more than 180 days and was discharged or released therefrom under conditions other than dishonorable;

“(2) has served more than 180 days in active duty status and continues on active duty without a break therein; or

“(3) was discharged or released from active duty after such date for a service-connected disability;

shall be eligible for the benefits of this chapter, subject to the provisions of this section.”.

SEC. 5. Section 1819(c)(3) of title 38, United States Code, is amended by striking out “30 per centum” and inserting in lieu thereof “50 percent” in the first sentence.



SEC. 6. Section 1823 of title 38, United States Code, is amended—

(1) by striking out in subsection (a) all of the last sentence thereof; and

(2) by striking out in subsection (c) before the period at the end of the last sentence “, 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 section 1820(e) of this title”.

SEC. 7. Chapter 37 of title 38, United States Code, is amended—

(1) by striking out in section 1801(a) (2) “widow”, “her own”, and “her husband” wherever they appear and inserting in lieu thereof “surviving spouse”, “the spouse’s own”, and “the spouse”, respectively;

(2) by striking out in section 1801(a) (3) “wife” and “her husband” wherever they appear and inserting in lieu thereof “spouse” and “the spouse”, respectively;

(3) by striking out in section 1802(b), including clause (3), “he” and “his” and inserting in lieu thereof “the Administrator” and “the veteran-transferee’s”, respectively;

(4) by striking out in subsections (c) and (d) of section 1802 “He”, “him”, and “he” whenever they appear and inserting in lieu thereof “The Administrator”, “the Administrator”, and “the Administrator”, respectively;

(5) by striking out in subsections (e) and (g) of section 1802 “him” and “his wife” wherever they appear and inserting in lieu thereof “the Administrator” and “the veteran’s spouse”, respectively;

(6) by striking out in section 1803(d) (3) “he” and inserting in lieu thereof “the Administrator”;

(7) by striking out in section 1804(c) “he” and “his” wherever they appear and inserting in lieu thereof “the veteran” and “the veteran’s”, respectively;

(8) by striking out in section 1804(d) “he” and inserting in lieu thereof “the Administrator”;

(9) by striking out in section 1805(a) “his” wherever it appears and inserting in lieu thereof “the Administrator’s”;

(10) by striking out in section 1806(a) “his” and inserting in lieu thereof “the seller’s”;

(11) by striking out in section 1810(a) “him”, “his”, and “he” wherever they appear and inserting in lieu thereof “the veteran”, “the veteran’s”, and “the Administrator”, respectively;

(12) by striking out in section 1811(b) “he” and “He” and inserting in lieu thereof “the Administrator” and “The Administrator”, respectively;

(13) by striking out in section 1811(c) “he” wherever it appears and inserting in lieu thereof “the veteran”;

(14) by striking out in section 1811(g) “him” and “he” and inserting in lieu thereof “the Administrator”;

(15) by striking out in section 1811(k) “his” and “he” wherever they appear and inserting in lieu thereof “the Administrator’s” and “the Administrator”, respectively;

(16) by striking out in section 1815(a) “he” and inserting in lieu thereof “the Administrator”;

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(17) by striking out in subsections (a) and (b) of section 1816 "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(18) by striking out in section 1817(a) "him" wherever it appears and inserting in lieu thereof "the veteran", by striking out "he" the first time it appears and inserting in lieu thereof "the Administrator", by striking out "has obligated himself" and inserting in lieu thereof "is obligated", and by striking out "he" the second and third time it appears and inserting in lieu thereof "the transferee";

(19) by striking out in section 1817(b) "him" and "he" and inserting in lieu thereof "the veteran" and "the Administrator", respectively;

(20) by striking out in paragraphs (1) and (3) of section 1819(c) "he" wherever it appears and inserting in lieu thereof "the Administrator";

(21) by striking out in paragraphs (1) and (3) of section 1819(d) "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(22) by striking out in paragraphs (4) and (5) of section 1819(e) "subparagraph", "he", and "his" and inserting in lieu thereof "subsection", "the veteran", and "the veteran's", respectively;

(23) by striking out in subsections (f), (h), (k), and (l) of section 1819 "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the manufacturer's", respectively;

(24) by striking out in clauses (1) and (5) of section 1820(a) "his" and "he" wherever they appear and inserting in lieu thereof "the Administrator's" and "the Administrator", respectively;

(25) by striking out in section 1820(a) (6) "him" and inserting in lieu thereof "the Administrator";

(26) by striking out in paragraphs (1) and (2) of section 1820(e) "he", "him", and "his" wherever they appear and inserting in lieu thereof "the Administrator", "the Administrator", and "the Administrator's", respectively;

(27) by striking out in subsections (a) and (c) of section 1823 "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's", respectively;

(28) by striking out in section 1824(d) "his" and inserting in lieu thereof "the Administrator's";

(29) by striking out in section 1825 "he" and inserting in lieu thereof "said person";

(30) by striking out in section 1826 "he" and "widow" wherever they appear and inserting in lieu thereof "the Administrator" and "surviving spouse", respectively; and

(31) by striking out in subsections (a) and (b) of section 1827 "he" and "his" wherever they appear and inserting in lieu thereof "the Administrator" and "the Administrator's", respectively.

SEC. 8. (a) The provisions of the constitution of any State expressly limiting the amount of interest which may be charged, taken, received, or reserved by certain classes of lenders and the provisions of any law

of that State expressly limiting the amount of interest which may be charged, taken, received, or reserved shall not apply to—

(1) any loan or mortgage which is secured by a one- to four-family dwelling and which is (A) insured under title I or II of the National Housing Act, or (B) insured, guaranteed, or made under chapter 37 of title 38, United States Code; or

(2) any temporary construction loan or other interim financing if at the time such loan is made or financing is arranged, the intention to obtain permanent financing substantially by means of loans or mortgages so insured, guaranteed, or made is declared.

(b) The provisions of this section shall apply to such loans, mortgages, or other interim financing made or executed in any State until the effective date (after the date of enactment of this section) of a provision of law of that State limiting the amount of interest which may be charged, taken, received, or reserved on such loans, mortgages, or financing.

SEC. 9. (a) Except as provided in subsection (b), the provisions of this Act shall become effective on the date of enactment.

(b) Sections 2 and 3 shall become effective on October 1, 1976. Section 5 shall become effective on July 1, 1976.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*