



February 9, 2024

Department of Veterans Affairs
Consumer Financial Protection Bureau
810 Vermont Avenue, NW
Washington, DC 20420

Re: RIN 2900-AS02 – Loan Guaranty: Minimum Property Requirements for VA-Guaranteed and Direct Loans

To Whom It May Concern:

As the largest professional organization of real estate appraisers in the United States, we thank you for the opportunity to comment on the Department of Veterans Affairs' ("VA") proposed rule on Minimum Property Requirements ("MPRs") for VA-Guaranteed and Direct Loans. The VA loan program is an essential veteran benefit that performs better than other government loan programs, in part, because of its robust appraisal requirements.

Question #1

- a. **What are the advantages and/or disadvantages of VA MPRs noted in the above table as compared with similar requirements found in other Federal housing programs and conventional sources of financing (e.g., property condition requirements)?**
 - Advantage: VA offers flexibility on property types that housing programs such as the FHA does not offer, but will only do so when it is a safe position for the lender, the borrower, and VA.
 - Disadvantage: We see a lack of education about the VA Home Loan program loan by too many participants in the VA loan program, including real estate agents, underwriters, and appraisers. This leads to too many inconsistencies in the loan centers. We support more educational events for all participants including VA Regional Staff. Because of this lack of education, we often see MPRs not consistently applied from one loan center to the next, which leads to confusion and increased costs.
- b. **What policies or processes specific to VA MPRs could be streamlined, modified, or eliminated to enhance your experience with the VA home loan program?**
 - See above.
- c. **Please also provide any general suggestions for improvement or comments on the current VA MPRs.**
 - An area in great need of improvement is communication. Appraisers are not supposed to speak with the agents, so all communication is done through the VA loan portal. This is understandable response to appraisal independence concerns, but it often leads to confusion due to "telephone game" problems.

Question #2

- a. **Should VA replace the above noted VA MPRs with the property condition ratings outlined in Fannie Mae's *Selling Guide* or Freddie Mac's *Single-Family Seller/Service Guide*, and included in the Uniform?**

- No, the Appraisal Institute does not support replacing MPRs with Fannie Mae or Freddie Mac's property condition ratings. MPRs are not determined by the condition rating system, and would add more ambiguity to the process, and unintended consequences.
- b. If VA were to guarantee or make loans only on properties with a condition rating of C1, C2, C3, or C4, either based on the initial appraisal or following repairs, what would be the advantages and/or disadvantages for a borrower? For VA and taxpayers? For lenders and servicers?**
- As it stands now, underwriters do not make a loan for a property with a C5 or C6 condition rating. This is a veteran benefit and for the protection of taxpayers.
- c. Could the below noted property condition ratings be used by VA in another way to determine MPRs?**
- We view MPRs and property condition ratings as two separate tools for appraisers to use and are not synonymous.

Question #3

- Please describe any needs of groups of veterans who might be underserved due to the current MPRs and how the VA home loan program could address those needs.**
- Some lower income borrowers may not have enough funding to accommodate some of the more rigorous VA requirements. This presents another opportunity for education for VA loan participants, and an increased opportunity for communication-through the loan company-borrowers need to know how the MPRs work. Additionally, every time an appraiser is tasked with a reinspection, it costs the veteran borrower \$150. Perhaps, the underwriter should cover that cost.
- b. Please describe any VA MPRs that might restrict utilization by any group(s) of veterans that are traditionally underserved in the housing finance industry. What changes could VA make to its MPRs to encourage more utilization by these groups?**
- This is a question best answered by someone who is not an appraiser. To answer this, an appraiser may be committing bias.

Question #4

- As an interested stakeholder, in your opinion, what type(s) of MPRs are helpful in protecting veteran borrowers, lenders, servicers, and VA?**
- The MPRs are in place for the lender's protection, and the veteran borrower's safety. Appraisers would like to have some flexibility to allow 3rd party professionals to review certain property features that the appraiser does not have expertise in such as black mold, foundational repairs, roofing, etc.
- b. What type(s) of changes related to MPRs would encourage more lenders and broker/agent entities to increase their participation in the VA home loan program?**
- Many lenders avoid participating in the VA loan program because they do not understand the program, and they have heard negative stories. This is again due to a general lack of education of the VA loan requirements.

Question #5

- As an interested stakeholder, in your opinion, are waivers of certain MPRs necessary in the VA home loan buying process? If so, please explain.**
- b. An appraiser observes and reports. Currently, the VA underwriter can override anything an appraiser suggests, but the underwriter still needs to sign on to the liability. Ultimately, underwriters have the decision to require repairs or not.**
- c. Would your answer change if VA adopted a more generalized approach to MPRs, such as the property condition ratings in the Fannie Mae Selling Guide or Freddie Mac Seller/Servicer Guide and UAD, versus the current MPRs?**



- See above answers.

Overall, when considering any changes to the MPRs, the VA must ensure the health and safety of the occupants of the property comes before anything else.

Thank you for the opportunity to provide comment on this proposal. Please contact Brian Rodgers, Manager of Federal Affairs at 202-298-5597, brodgers@appraisalinstitute.org if you have any questions or need additional information.

Sincerely,

Sandy Adomatis, SRA

President