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January 10, 2024

**TO:** Department of Veterans Affairs  
810 Vermont Avenue NW  
Washington, DC 20420  
<https://regulations.gov/>

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

The National Association of Appraisers (NAA) is a nonprofit, 501c(6) association representing professional appraisers across the country and we thank you for the opportunity to provide public comment on the proposed rulemaking on the minimum property requirements (MPRs) for VA-guaranteed and direct loans.

**Comment Request 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)?
  - In NAA's experience, the MPR regarding remediation of defective paint surfaces has proven to be the most problematic for those obtaining VA financing. The requirement is very similar to FHA's but exceeds those for conventional financing.
  - The advantage to this requirement is, of course, the safety of the veteran. The disadvantage is additional time and expense and, as a result, in some cases VA offers being rejected by sellers.
- 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?
  - One of the most common complaints NAA hears from the real estate community is the lack of consistency between VA appraisers' and Regional Loan Centers' (RLCs) interpretations of MPRs. Periodic, mandatory education to increase consistency would be beneficial.
- c. Please also provide any general suggestions for improvement or comments on the current VA MPRs.
  - Please see response above.

**Comment Request 2**

- a. Should VA replace the above noted VA MPRs with the property condition ratings outlined in Fannie Mae's Selling guide or Freddie Mac's Single-Family Seller/Service Guide, and included in the Uniform Appraisal Dataset (UAD)?
  - There is a fundamental difference between property condition ratings and MPRs. For example, a property receiving a UAD C4 condition rating may still have defects such as peeling interior paint on a pre-1978 structure that would normally require repair for VA financing but is not required for conventional loans. In other words, the peeling paint itself would not result in a C5 rating unless the condition ratings were re-defined.
- 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 stated above, UAD condition ratings cannot replace MPRs entirely. It is probable that most properties currently guaranteed by VA fall into C1-C4 condition ratings, but as previously stated, the condition ratings do not necessarily capture individual MPRs, particularly those that are not required for conventional financing.
- c. Could the below noted property condition ratings be used by VA in another way to determine MPRs?
- MPRs could perhaps aid in defining condition ratings but condition ratings do not define MPRs.

**Comment Request 3** - VA is interested in hearing how the current MPRs may be impacting certain groups of veteran borrowers, including those traditionally underserved in the housing finance industry. As VA considers changes to the MPRs, VA is exploring how best to ensure all eligible individuals for the VA home loan benefit are served.

- a. Please describe any needs of groups of veterans who might be underserved due to the current MPRs and how the VA home loan program could address those needs.
- NAA defers to those with specific information regarding underserved groups of veterans.
- 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?
- Please see response above.

**Comment Request 4** - VA is interested in hearing how changes to the MPRs might affect lender participation which, in turn, could affect a veteran borrower's access to the benefit.

- a. As an interested stakeholder, in your opinion, what type(s) of MPRs are helpful in protecting veteran borrowers, lenders, servicers, and VA?
- NAA is generally supportive of existing MPRs.
- 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?
- Perhaps consideration could be given to developing a program similar to HUD's 203(k) which enables borrowers to finance a home and the cost of repairs/rehabilitation through a single mortgage.

**Comment Request 5**

- a. As an interested stakeholder, in your opinion, are waivers of certain MPRs necessary in the VA home loan buying process? If so, please explain.
- Yes, NAA believes waivers are necessary in the home loan buying process. Examples could include:
    - Situations where the veteran was planning to replace an item which is the subject of a repair such as a dilapidated fence or outbuilding with defective paint.
    - Repairs which the veteran has an area of expertise. For instance, a minor roof repair when the veteran is a licensed roofing contractor.
- b. 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?
- No. As stated above, UAD property condition ratings do not address all MPRs which are necessary to protect veterans, lenders, servicers and VA.

NAA sincerely appreciates the opportunity to provide feedback on this proposed rulemaking and for your consideration of our input.

Sincerely,

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