105TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
105–447

VETERANS TRANSITIONAL HOUSING OPPORTUNITIES ACT OF 1998

MARCH 17, 1998.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

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

R E P O R T

[To accompany H.R. 3039]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 3039) to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to guarantee loans to provide multifamily transitional housing for homeless veterans, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 1, line 5, strike out "1997" and insert in lieu thereof "1998".

Page 4, after line 2, inserting the following new subsection:

"(f) The Secretary may guarantee loans under this subchapter notwithstanding any requirement for prior appropriations for such purpose under any provision of law.

Page 8, line 1, strike out "**Multifamily**" and all that follows through "**3776.**"

Page 9, in the matter before line 1, strike out "Multifamily" and all that follows through "3776."

59–006

Page 9, line 1, strike out "**SEC. 3.**" and all that follows through page 11, line 6.

INTRODUCTION

On November 13, 1997, the Chairman and Ranking Member of the Veterans' Affairs Committee, the Honorable Bob Stump and the Honorable Lane Evans, along with the Chairman and Ranking Member of the Subcommittee on Benefits, the Honorable Jack Quinn and the Honorable Bob Filner, introduced H.R. 3039 to amend chapter 37 (housing and small business loans) by adding a new subchapter VI—Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans. The bill would expand the supply of transitional housing for homeless veterans by authorizing the Secretary of Veterans Affairs to guarantee loans for self-sustaining housing projects specifically designed to create transition housing for homeless veterans.

On December 18, 1997, the Subcommittee on Benefits met in Buffalo, NY, to receive testimony on the legislation. The Chairman of the Subcommittee on Benefits, the Honorable Jack Quinn, the full Committee Ranking Member, the Honorable Lane Evans, and the Honorable John J. LaFalce of New York were present for the hearing. The final subcommittee hearing on this legislation was held on February 24, 1998.

On March 5, 1998, the Subcommittee on Benefits met and ordered H.R. 3039 reported favorably to the full Committee by unanimous voice vote. On March 11, the full Committee met and ordered H.R. 3039 reported favorably, as amended, to the House by unanimous voice vote.

SUMMARY OF THE REPORTED BILL

H.R. 3039, as amended, would:

1. Expand the supply of transitional housing for homeless veterans by authorizing the Secretary to guarantee loans for self-sustaining housing projects specifically designed to create long-term transitional housing for homeless veterans.
2. Authorize VA to guarantee up to 15 loans with a maximum aggregate value of $100 million. VA could not guarantee more than five loans in the first three years of the program. VA must contract with a nonprofit corporation experienced in transitional housing to obtain advice in administering the program.
3. Require borrowers to work with, and obtain assistance from, VA health care facilities and state and local authorities.
4. Require residents to seek employment and maintain sobriety. The project must enforce sobriety standards and provide a wide range of supportive services such as counseling for substance abuse and job readiness skills. Residents would be required to pay a reasonable fee for their residence.

BACKGROUND

According to Department of Veterans Affairs statistics, approximately one in three homeless Americans are military veterans.

This means that some 250,000 men and women who have served their country do not have permanent housing. Federal programs targeted specifically at homeless veterans currently serve only a fraction of those in need. Transitional housing, identified as a major need for homeless veterans, is in short supply because of the difficulty in obtaining financing. H.R. 3039 seeks to provide a VA-guaranteed loan for programs offering a supportive and structured environment to homeless veterans needing assistance in returning to society.

There is an obvious shortage of transitional housing for homeless veterans. To accommodate an estimated 250,000 homeless veterans, VA has fewer than 5,000 transitional-type beds either under contract or as part of its domiciliary program for homeless veterans. Additionally, from its 1994 "Report to the Nation," the National Coalition for Homeless Veterans (NCHV) reports that its members provide fewer than 3,000 beds for transitioning homeless veterans. The last three VA CHALENG Reports (assessments of local services needed by homeless veterans) have consistently found that meeting the need for both long-term and transitional housing is a top priority. The Committee believes the most effective method of reducing the revolving-door syndrome plaguing the VA health care system is to ensure that veterans are being discharged to residences offering a highly structured long-term housing program that requires sobriety, accountability and assistance in finding employment.

Numerous studies have shown that destructive, addictive behavior and homelessness are inexorably linked. Chemical dependency, post-traumatic stress disorder (PTSD) and chronic physical problems affect a high percentage of homeless veterans. Approximately 75 percent of homeless veterans have a problem with alcohol and/or drugs, a rate of abuse higher than their non-veteran counterparts, according to providers of services to homeless veterans. Mental illness also plays a significant role in homelessness.

The federal government has tried to respond to this continuing crisis. Over the past four years, VA has doubled its spending on programs serving homeless veterans to $83 million. VA now contracts with over 100 community-based service providers for residential care for homeless veterans, and operates more than 100 projects under its Health Care for Homeless Veterans (HCHV) and Domiciliary Care for Homeless Veterans (DCHV) programs. Through these initiatives, VA has provided services to more than 250,000 veterans during the past ten years and today reaches more than 40,000 veterans annually. Unfortunately, the number of homeless veterans does not seem to be decreasing. Since traditional short-term methods of treatment for substance abuse, the major cause of homelessness, do not seem to be reducing the overall homeless veteran population, the Committee concludes there is a real need for a new approach, and that approach is transitional housing.

To provide opportunities for localities to create transitional housing, the Committee believes that a loan guaranty program is the most efficient way to address the issue of homeless veterans, as opposed to increased funding for VA or HUD programs. Therefore, a loan guaranty program has the advantage of being able to leverage a relatively small federal financial commitment into a much larger result. According to NCHV, its members are spending under $10 million per year to operate 3,000 beds. Assuming that outcomes are not significantly different, programs operated by community-based organizations are more cost effective because of the sharing of resources.

Public Law 103–446 expressed the sense of Congress that programs serving veterans should receive a proportional share of funds for homeless programs. Despite Congress' concerns, of the more than $1.3 billion awarded by the Department of Housing and Urban Development (HUD) for homeless projects in 1994 and 1995, only $14.5 million (about 1 percent) has been awarded to veteran-specific programs. During 1996 and 1997, HUD grants to veteran-specific programs totaled only about $44 million (3 percent) of the nearly $1.65 billion awarded.

The VA Committee has reviewed several successful transitional housing projects to determine if there were common approaches that promote success. The Committee found that programs in Buffalo, N.Y.; New York City; Baltimore, Md.; Milwaukee, Wis.; and Los Angeles appear to be highly successful and are based on a model that stresses personal responsibility, addiction recovery, and work. In an effort to replicate the success of these programs, H.R. 3039 would require projects seeking a VA loan guaranty to enforce sobriety, provide appropriate counseling and require residents to pay a reasonable rental fee.

Located in Baltimore, Maryland Homeless Veterans, Inc. (MHV) is a nonprofit organization whose operation is funded by a combination of private benefactors, federal agencies and state and local governments. Many of the residents were referred to MHV while undergoing substance abuse treatment at the local VA medical center (VAMC). While residing at MHV, the veterans attend 12-Step groups to assist them in remaining free of drugs and alcohol. Residents must work at the facility in jobs such as cooking, cleaning, teaching, or administration, to reinforce a sense of discipline and ownership. In its 1997 Annual Report, MHV stated that of the 413 homeless veterans residing at MHV, 154 were successfully transitioned back into society as productive citizens.

Another example of a structured, supportive transitional housing program is L.A. Vets, an organization that houses 400 formerly homeless veterans in the West Los Angeles area. Beginning with a short-term loan from Century Housing Corporation, then a state-owned, affordable-housing lending agency, the program has used, and uses, a combination of for-profit and nonprofit organizations to develop and operate the program. L.A. Vets has successfully placed 81 percent of its participants in jobs and 61 percent into permanent housing.

After reviewing many of these programs, the Committee has concluded that community-based organizations, in partnership with VA and community-based resources, can deliver the necessary services to transitioning homeless veterans. However, a lack of capital often prevents potential partnerships from developing programs. The Committee believes that the supply of transitional housing can be increased without significant financial involvement by the federal government and that there will be sufficient capital available if the risk to lenders is reasonable. H.R. 3039 is intended to reduce that risk by offering a VA loan guaranty to lenders.

The need for such funding was noted repeatedly during hearings on the bill. For example, during the December 18, 1997, field hearing in Buffalo, Mr. William C. Lyons, Vice President, First National Bank, Buffalo, commented on the importance of such funding:

> The [Western New York Veterans] Housing Coalition is looking to provide more units and H.R. 3039 is a perfect solution. H.R. 3039 gives my bank an excellent opportunity to work with community based nonprofit agencies. It meets both my fiduciary responsibilities and my CRA [Community Reinvestment Act] responsibilities . . . . I can tell you that with H.R. 3039 I can provide them [community-based groups] with the loans that will allow these non profits to develop the housing we would need.

Mr. Thomas R. (Tim) Cantwell, President, Westside Residence Hall, Inc., echoed those remarks when he noted in his testimony to the Subcommittee on February 24, 1998, that adequate funding is critical to the success of these partnerships. He also noted that it was important that funding be stable and not rely on yearly appropriations. Cantwell further stated regarding funding, "H.R. 3039 provides the mechanisms to fill the gap."

At the same hearing, Mr. Raymond G. Boland, Secretary of the Wisconsin Department of Veterans Affairs, noted that Wisconsin's program to assist homeless veterans mirrors the principles embodied in H.R. 3039. Mr. Boland was encouraged by the bill's provisions requiring significant integration with state and local government and community resources:

> That is why I believe that H.R. 3039 is an excellent concept. It incorporates the diverse strengths of government, non-profits, and the private sector. The proposal also makes sound economic and business sense. This proposed legislation addresses a key segment in the process needed to transition homeless veterans back into the mainstream of society. That key element is housing affordability.
>
> This proposed legislation will give the USDVA [U.S. Department of Veterans Affairs] the ability to expand its key role within the collaboration. It will give them the authority to provide the financial guarantees necessary to assure the lending sector . . . . The proposed legislation would enable a demonstration that will serve as a prototype for the national effort we require.

Transitional housing programs lessen the inpatient workload of VA medical care facilities by decreasing the episodes of treatment for homeless veterans. As a result, VA should experience significant cost reductions in its medical care program because of a reduction in otherwise preventable readmissions.

In 1995, VA conducted its first one day inpatient census to determine the number of homeless veterans treated at VA medical care facilities. VA collected data from 160 facilities and found that 30 percent of all veterans treated at VA medical facilities were homeless at the time of admission or upon discharge. Subsequent surveys confirm those findings. The Medical Director of the Comprehensive Homeless Center at West Los Angeles conducted a study of veterans living at the LA Vets' Westside Residence Hall. The study showed that 263 (85 percent) of the first 308 residents of Westside had been admitted to the VAMC for an average of 111 days during the year prior to their residence at Westside. This group of 263 homeless veterans required 29,000 patient days of care. In the year after moving into Westside, only 125 of those veterans were admitted to the hospital for an average length of 29 days during the year. This represents a reduction of 25,000 patient days of care. Cost savings from the reduction of in-patient days of care at the West Los Angeles VAMC were estimated to be $12 million.

If transitional housing can help break the cycle of discharge and readmission that is often seen among homeless veterans, the significant resources that would otherwise be used to treat these no-longer-homeless veterans will be available for other patients. By reducing this strain on resources, the Committee believes medical care services to all veterans will improve by increasing the availability of transitional housing through enactment of H.R. 3039.

As originally introduced, the bill contained authorization to use revenue from National Service Life Insurance trust funds to meet the offset requirements of the Congressional Budget Act to offset losses due to defaults on VA-guaranteed transitional housing loans. VA stated that using money from the Trust Fund in that manner did not meet its fiduciary responsibilities to NSLI policy holders. VA noted that its fiduciary responsibilities required them to provide the best return possible under the law, and that any income from NSLI Trust Funds should be returned to policy holders in the form of dividends or additional paid-up insurance. VA also testified it was not restricted to investing NSLI funds in U.S. Treasury securities.

Therefore, the Committee questions whether VA is meeting its fiduciary responsibility and directs that trust funds be managed in a way that provides the maximum return to NSLI policy holders.

Despite amending the bill to meet the Administration's concerns about the use of insurance trust funds, the Committee continues to believe that, when properly protected against loss, use of trust fund revenue for other veteran-related purposes is appropriate.

DISCUSSION OF THE BILL

H.R. 3039 is intended to expand the supply of transitional housing for homeless veterans by authorizing VA to guarantee loans for self-sustaining housing projects specifically targeted at homeless veterans. Residents would be required to seek employment, maintain sobriety and pay a reasonable fee for their residence.

SECTION-BY-SECTION ANALYSIS

Section 1 of the reported bill states the short title of the bill as the "Veterans' Transitional Housing Opportunities Act of 1998".

Section 2(a) amends chapter 37 of title 38 by establishing a new subchapter VI, Section 3771, "Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans". Section 3771 defines the terms “veteran,” “homeless veteran,” and “homeless individual,” and creates the following new sections:

Section 3772(a) authorizes the Secretary to make loan guaranties.

Section 3772(b)(1) would authorize the Secretary to guarantee up to 15 loans. Only five loans could be guaranteed in the first three years of the program. The Committee believes that limiting the number of loans initially and in the longer term reduces the risk that VA will make unsound guarantee decisions. Loans guaranteed by VA must be based on accurate and complete financial data which show the borrowers will be able to meet their financial obligation.

Section 3772(b)(2) provides the Secretary flexible authority to set the loan guaranty amount at a level necessary to be able to sell the mortgage on the secondary market.

Section 3772(b)(3) sets the maximum aggregate value of the 15 loans at $100,000,000.

Section 3772(c) requires the Secretary to approve the loan prior to closing. Most VA-guaranteed loans for single family homes are closed prior to VA approval under the Lender Automatic Approval Program.

Section 3772(d)(1) directs VA to contract with a nonprofit organization with experience in developing transitional housing for advice in carrying out the loan guaranty program under this subchapter.

Section 3772(d)(2) establishes qualifications for the contract consultant.

Section 3772(e) authorizes the Secretary to carry out the program in advance of publishing regulations.

Subsection 3772(f) provides that the Secretary may guarantee loans under this subchapter in advance of appropriation acts and notwithstanding that there is no specific appropriation for the subsidy costs of such loan guaranties. As introduced, H.R. 3039 would have provided funding for the costs of defaulted loans through a unique vehicle that involved reinvestment of National Service Life Insurance trust funds in securities with yields that are historically higher than the yield on U.S. Treasury securities. As amended, the bill does not specify the funding source to pay costs associated with the loan guaranty. Under section 505(a) of the Congressional Budget Act, there is permanent authorization of such sums as may be necessary to pay the cost associated with loan guaranty commitments which the agency is authorized to make. The Congressional Budget Office has estimated these costs as being $1 million in the first three years of the program and $2 million annually thereafter. Because the bill does not make these costs subject to appropriations, CBO classifies these amounts as direct spending.

Section 3773 establishes requirements and purposes for which VA may guarantee a transitional housing loan.

Section 3773(a)(1) authorizes guaranties for loans for construction, rehabilitation, land acquisition, refinancing, furniture, equipment, supplies, material, and working capital.

Section 3773(a)(2) requires financial, property, or in kind participation by state or local governments, or nongovernmental entities.

The Committee believes that participation by a State or local government or nongovernmental entities will increase the likelihood of success.

Section 3773(a)(3)(A) and (B) limit the maximum loan amount which VA may guarantee to the lesser of an amount that would be approved using generally accepted underwriting principles or 90 percent of the total cost of the project. This requires borrowers to establish equity in the project through other sources such as donated facilities, equipment or labor. Such increased equity will lessen the debt service and the likelihood of default.

Section 3773(a)(4) through (6) would require the VA to determine that the loan is secured and of sound value, and would allow the Secretary to consider a wide range of financial and local factors in determining whether to provide a guaranty.

Section 3773(b) defines a multifamily transitional housing project and the types of supportive services a project must offer to qualify for a loan guaranty. This subsection also describes the conditions under which a veteran may occupy transitional housing. It requires that a veteran seek to obtain and keep employment, to pay a reasonable rent, and to remain free of drugs and alcohol. While the Committee understands the need for some management flexibility in these matters, the Committee notes that truly successful programs adopt a policy of zero tolerance for substance abuse. The Committee believes that the profound effect of one substance abuser on the lives of other residents clearly justifies zero tolerance.

Section 3773(2)(b) would authorize non-veterans to be housed in transitional housing if the needs of homeless veterans have been met and would require that such individuals meet the same conditions of occupancy. The Committee notes that when appropriate, families of homeless veterans may be housed to prevent breakup of the family when space is available under these provisions.

Section 3773(c) would direct the Secretary to take into account the availability of supportive services from VA and other community-based providers when deciding whether or not to provide a guarantee under this subchapter.

Section 3774(a) directs the Secretary to take action to obtain repayment on defaulted guaranteed loans.

Section 3774(b)(1) and (2) describe what recourse is available to lenders through the guaranty program. VA may pay the lender the lesser of the maximum guarantee or the difference between the outstanding balance on the loan and the amount realized at public sale of the facilities.

Oversight Findings

No oversight findings have been submitted to the Committee by the Committee on Governmental Reform and Oversight.

Statement of Administration's Views

The Department of Veterans Affairs failed to respond in writing to the Committee's request for comments prior to the February 24, 1998, hearing. The Department also declined to present official views during the December 17, 1997, field hearing in Buffalo. In testimony on February 24, 1998, VA expressed general agreement with the objectives of the bill's transitional housing provisions, yet declined to support the bill citing a lack of experience in multifamily housing. VA also objected to the use of insurance trust funds to finance obligations arising from the program.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The following letter was received from the Congressional Budget Office concerning the cost of the reported bill:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 13, 1998.

Hon. BOB STUMP,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3039, the Veterans Transitional Housing Opportunities Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte, who can be reached at 226–2840.

Sincerely,

JUNE E. O'NEILL,
Director

Enclosure

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 3039—Veterans Transitional Housing Opportunities Act of 1998

As ordered reported by the House Committee on Veterans' Affairs on March 11, 1998

SUMMARY. —H.R. 3039 would establish a pilot program in the Department of Veterans Affairs (VA) to guarantee loans to organizations that serve homeless veterans. CBO estimates that enacting the bill would raise direct spending by $1 million to $2 million a year from 1999 through 2005, for a total cost of $10 million over the span of the program. The bill would not significantly affect spending subject to appropriations. The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would not significantly affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT. —The estimated budgetary impact of H.R. 3039 is shown in the following table, assuming enactment during fiscal year 1998. The costs of this legislation fall within budget function 700 (veterans' affairs).

The bill would establish a pilot program to guarantee loans to organizations that would provide transitional housing to homeless veterans. The pilot program would be limited to 15 loans and the total guarantee could not exceed $100 million. The loans could be used for a wide variety of activities, including construction or rehabilitation of housing, refinancing of existing loans, and acquisition of land, furniture, and equipment. Based on experience with similar programs of the VA and the Small Business Administration and assuming that the VA will establish terms and conditions similar to its current programs, CBO estimates that the subsidy rate for this program would be about 10 percent. Therefore, we estimate that the bill would provide subsidy appropriations of $10 million, and that the program would cost approximately $1 million a year over the 1999–2002 period and approximately $2 million a year thereafter.

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Loan Subsidy						
Estimated budget authority	0	1	1	1	1	2
Estimated outlays	0	1	1	1	1	2

PAY-AS-YOU-GO CONSIDERATIONS. —Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

[By fiscal years, in millions of dollars]

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Change in outlays	0	1	1	1	1	2	2	2	0	0	0
Change in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT. —The legislation contains no intergovernmental or private-sector mandates as defined in UMRA, and would not significantly affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE. —On January 23, 1998, CBO prepared an estimate for H.R. 3039 as introduced. The total estimated costs are the same for both versions except that CBO now assumes a later enactment date that would cause spending to begin in 1999 instead of 1998. The bill as introduced included a financing mechanism that raised several unresolved issues and had the potential of increasing the pay-as-you-go costs over the amount estimated by CBO; thus, CBO could not estimate its full impact.

ESTIMATE PREPARED BY:

Federal Costs: Sunita D'Monte

Impact on State, Local, and Tribal Governments: Marc Nicole

Impact on the Private Sector: Rachel Schmidt

ESTIMATE APPROVED BY:

Robert A. Sunshine, Deputy Assistant Director for Budget Analysis

INFLATIONARY IMPACT STATEMENT

The enactment of the reported bill would have no inflationary impact.

APPLICABILITY TO LEGISLATIVE BRANCH

The reported bill would not be applicable to the legislative branch under the Congressional Accountability Act, Public Law 104–1, because the bill would only affect certain Department of Veterans Affairs programs and benefits recipients.

STATEMENT OF FEDERAL MANDATES

The reported bill would not establish a federal mandate under the Unfunded Mandates Reform Act, Public Law 104–4.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to Article I, section 8 of the United States Constitution, the reported bill is authorized by Congress' power to "provide for the common Defence and general Welfare of the United States."

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 (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

CHAPTER 37 OF TITLE 38, UNITED STATES CODE

CHAPTER 37—HOUSING AND SMALL BUSINESS LOANS

SUBCHAPTER I—GENERAL

SUBCHAPTER VI—LOAN GUARANTEE FOR MULTIFAMILY TRANSITIONAL HOUSING FOR HOMELESS VETERANS

§ 3771. Definitions

For purposes of this subchapter—

(1) the term "veteran" has the meaning given such term by paragraph (2) of section 101;

(2) the term "homeless veteran" means a veteran who is a homeless individual; and

(3) the term "homeless individual" has the same meaning as such term has within the meaning of section 103 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11302).

§ 3772. General authority

(a) The Secretary may guarantee the full or partial repayment of a loan that meets the requirements of this subchapter.

(b)(1) Not more than 15 loans may be guaranteed under subsection (a), of which not more than 5 such loans may be guaranteed during the 3-year period beginning on the date of enactment of the Veterans Transitional Housing Opportunities Act of 1998.

(2) A guarantee of a loan under subsection (a) shall be in an amount that is not less than the amount necessary to sell the loan in a commercial market.

(3) Not more than an aggregate amount of $100,000,000 in loans may be guaranteed under subsection (a).

(c) A loan may not be guaranteed under this subchapter unless, prior to closing such loan, the Secretary has approved such loan.

(d)(1) The Secretary shall enter into contracts with a qualified nonprofit organization to obtain advice in carrying out this subchapter, including advice on the terms and conditions necessary for a loan that meets the requirements of section 3773.

(2) For purposes of paragraph (1), a qualified nonprofit organization is a nonprofit organization—

(A) described in paragraph (3) or (4) of subsection (c) of section 501 of the Internal Revenue Code of 1986 and exempt from tax under subsection (a) of such section, and

(B) that has experience in underwriting transitional housing projects.

(e) The Secretary may carry out this subchapter in advance of the issuance of regulations for such purpose.

(f) The Secretary may guarantee loans under this subchapter notwithstanding any requirement for prior appropriations for such purpose under any provision of law.

§ 3773. Requirements

(a) A loan referred to in section 3772 meets the requirements of this subchapter if—

(1) the loan is for—

(A) construction of, rehabilitation of, or acquisition of land for a multifamily transitional housing project described in subsection (b), or more than one of such purposes;

(B) refinancing of an existing loan for such a project;

(C) financing acquisition of furniture, equipment, supplies, or materials for such a project; or

(D) in the case of a loan made for purposes of subparagraph (A), supplying such organization with working capital relative to such a project;

(2) the loan is made in connection with funding or the provision of substantial property or services for such project by either a State or local government or a nongovernmental entity, or both;

(3) the maximum loan amount does not exceed the lesser of—

(A) that amount generally approved (utilizing prudent underwriting principles) in the consideration and approval of projects of similar nature and risk so as to assure repayment of the loan obligation; and

(B) 90 percent of the total cost of the project;

(4) the loan is of sound value, taking into account the creditworthiness of the entity (and the individual members of the entity) applying for such loan;

(5) the loan is secured; and

(6) the loan is subject to such terms and conditions as the Secretary determines are reasonable, taking into account other housing projects with similarities in size, location, population, and services provided.

(b) For purposes of this subchapter, a multifamily transitional housing project referred to in subsection (a)(1) is a project that—

(1)(A) provides transitional housing to homeless veterans, which housing may be single room occupancy (as defined in section 8(n) of the United States Housing Act of 1937 (42 U.S.C. 1437f(n)));

(B) provides supportive services and counselling services (including job counselling) at the project site with the goal of making such veterans self-sufficient;

(C) requires that the veteran seek to obtain and keep employment;

(D) charges a reasonable fee for occupying a unit in such housing;

(E) maintains strict guidelines regarding sobriety as a condition of occupying such unit; and

(F) may include space for neighborhood retail services or job training programs; and

(2) may provide transitional housing to veterans who are not homeless and to homeless individuals who are not veterans if—

(A) at the time of taking occupancy by any such veteran or homeless individual, the transitional housing needs of homeless veterans in the project area have been met;

(B) the housing needs of any such veteran or homeless individual can be met in a manner that is compatible with the manner in which the needs of homeless veterans are met under paragraph (1); and

(C) the provisions of subparagraphs (D) and (E) of paragraph (1) are met.

(c) In determining whether to guarantee a loan under this subchapter, the Secretary shall consider—

(1) the availability of Department of Veterans Affairs medical services to residents of the multifamily transitional housing project; and

(2) the extent to which needs of homeless veterans are met in a community, as assessed under section 107 of Public Law 102–405.

§3774. Default

(a) The Secretary shall take such steps as may be necessary to obtain repayment on any loan that is in default and that is guaranteed under this subchapter.

(b) Upon default of a loan guaranteed under this subchapter and terminated pursuant to State law, a lender may file a claim under the guarantee for an amount not to exceed the lesser of—

(1) the maximum guarantee; or

(2) the difference between—

(A) the total outstanding obligation on the loan, including principal, interest, and expenses authorized by the loan documents, through the date of the public sale (as authorized under such documents and State law); and

(B) the amount realized at such sale.

§3775. Audit

During each of the first 3 years of operation of a multifamily transitional housing project with respect to which a loan is guaranteed under this subchapter, there shall be an annual, independent audit of such operation. Such audit shall include a detailed statement of the operations, activities, and accomplishments of such project during the year covered by such audit. The party responsible for obtaining such audit (and paying the costs therefor) shall be determined before the Secretary issues a guarantee under this subchapter.

○