

OPERATION OF NATIVE AMERICAN VETERAN HOUSING
LOAN PROGRAM

JULY 10, 2003.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. SMITH of New Jersey, from the Committee on Veterans' Affairs,
submitted the following

R E P O R T

[To accompany H.R. 2595]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 2595) to restore the operation of the Native American Veteran Housing Loan Program during fiscal year 2003 to the scope of that program as in effect on September 30, 2002, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

INTRODUCTION

The reported bill reflects the Committee's consideration of H.R. 2595, introduced on June 25, 2003, by Honorable Christopher H. Smith, Honorable Lane Evans, Honorable Rick Renzi, and Honorable Tom Udall.

On June 26, 2003, the full Committee met and ordered H.R. 2595 reported favorably to the House by unanimous voice vote.

SUMMARY OF THE REPORTED BILL

H.R. 2595 would:

1. Restore the pilot program of home loans for Native Americans to the scope that was in effect on September 30, 2002.
2. Ratify any home loans acted upon by the Secretary of Veterans Affairs while the limitation contained in division K of Public Law 108-7; 117 Stat. 476 was in effect.

BACKGROUND AND DISCUSSION

Restoration of the Native American Veteran Housing Loan Program.—Section 1 of the bill would restore the pilot program of home loans for Native Americans to the scope that was in effect on September 30, 2002. The Committee notes that the program is limited to the amount of funds already appropriated for the pilot project and the Committee's action will not make any changes in the amounts presently appropriated.

In 1993, Public Law 102–389 provided appropriations of \$4.5 million for the subsidy cost of Native American home loans. The appropriated funds were available without fiscal year limitation. Under current law, the pilot program is scheduled to expire on December 31, 2005. Department of Veterans Affairs (VA) direct home loans are available to eligible Native American veterans who wish to purchase, construct or improve a home on Native American trust land. These loans may be used to simultaneously purchase and improve a home. Direct loans also are available to reduce the interest on existing loans obtained under this program. VA direct loans may be limited to the cost of the home or \$80,000, whichever is less. A funding fee is paid to VA of 1.25 percent for loans to purchase, construct or improve a home. For loans to refinance an existing loan, the fee is 0.5 percent of the loan amount. Veterans receiving compensation for service-connected disability are not required to pay the funding fee. According to VA's Annual Report to Congress for fiscal year 2002, VA closed 62 loans during 2002 for a total of 289 loans made under the pilot program from its inception until September 30, 2002.

On June 11, 2003, the Under Secretary for Benefits, Honorable Daniel L. Cooper, sent a letter to Honorable Henry E. Brown, Jr., Chairman, and Honorable Michael H. Michaud, Ranking Member of the Subcommittee on Benefits. The letter advised the Subcommittee Chairman and Ranking Member that pursuant to Title 1 of Division K, section 3, of the Consolidated Appropriations Resolution (Public Law 108–7), VA had ceased making loans under the pilot program due to the \$5 million statutory limitation on the dollar value of new loans placed on the program. In the first two quarters of the fiscal year, VA has closed 47 loans, many of them to refinance existing loans at lower mortgage rates.

Because VA has exceeded the limit of \$5 million for new loans imposed by this law, it is unable to make new loans for the remainder of the fiscal year. In determining that the cap had been exceeded, VA counted refinanced home loans as well as new home construction or acquisition. Of particular concern to the Committee are construction loans in which loan payments are dispersed as construction progresses. With the cessation of the program, veterans may be unable to complete construction on homes already in progress. The Committee believes Native American veterans have earned this benefit and wishes to continue it for those who have served the Nation.

SECTION-BY-SECTION ANALYSIS

Section 1(a) of the bill would authorize the Secretary of Veterans Affairs, in carrying out the pilot program provided by subchapter V of chapter 37 of title 38, United States Code, to carry out that

program during fiscal year 2003 without regard to the proviso under the heading “Native American Veteran Housing Loan Program Account” in title I of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2003 (division K of Public Law 108–7; 117 Stat. 476), and such proviso would be treated as being of no force or effect.

Section 1(b) of the bill would provide that any action taken by the Secretary of Veterans Affairs before the enactment of this Act that is inconsistent with the proviso referred to in subsection (a) of this bill is ratified with respect to such inconsistency.

PERFORMANCE GOALS AND OBJECTIVES

The reported bill would authorize a program restoration under laws administered by the Secretary of Veterans Affairs. VA’s program performance goals and objectives are established in its annual performance plans and are subject to the Committee’s regular oversight.

STATEMENT OF THE VIEWS OF THE ADMINISTRATION

The Committee received the following views of the Department of Veterans Affairs regarding H.R. 2595 as introduced:

DEPARTMENT OF VETERANS AFFAIRS
THE UNDER SECRETARY OF VETERANS AFFAIRS
FOR BENEFITS,
Washington, DC, June 11, 2003

Hon. CHRISTOPHER H. SMITH,
*Chairman, Committee on Veterans’ Affairs,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Department of Veterans Affairs (VA) has ceased making loans under the Native American Veteran Direct Loan Program (NADL). We were compelled to take this action, pursuant to the statutory limitation on the dollar value of new loans placed on the program by Public Law 108–7.

Title 1 of Division K of Section 3 of the Consolidated Appropriations Resolution (Public Law 108–7) states that “no new loans in excess of \$5,000,000 may be made in fiscal year 2003.” We have already exceeded this limit. We are therefore unable to continue making any new loans for the remainder of FY 2003.

The direct loan limitation for this program was not violated intentionally. The loan limitation was imposed—for the first time in the history of this program—due to technical budget requirements, rather than a deliberate effort to restrict VA’s ability to make loans to Native American veterans. Fiscal year 2003 was the first time the program had a negative subsidy rate, which required a legislative loan level ceiling. Based on an average loan obligation of \$3.6 million over the past nine years, the ceiling was set at \$5 million. With mortgage rates at historical lows, however, Native American veterans have been obtaining interest rate reduction refinancing loans in record numbers. The number of origination loans is also up. In the first two quarters of FY 2003, we have closed 47 loans, compared with 62 loans for all of FY 2002.

The Appropriations Committees have been informed of the status of the NADL Program and we will continue to work with OMB to address this issue. We have also advised our field stations that they may continue to accept and process loan applications while informing the applicants of the existing situation. By doing so, VA will be in position to act on these applications as soon as funds are again available.

I am committed to doing everything possible to limit the impact that this situation will have on our Native American veterans. Your continued support is appreciated.

Sincerely yours,

DANIEL L. COOPER

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, July 8, 2003

Hon. CHRISTOPHER H. SMITH
*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. 2595, a bill to restore the operation of the Native American Veteran Housing Loan Program during fiscal year 2003 to the scope of that program as in effect on September 30, 2002.

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,

DOUGLAS HOLTZ-EAKIN,
Director

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 2595, A bill to restore the operation of the Native American Veteran Housing Loan Program during fiscal year 2003 to the scope of that program as in effect on September 30, 2002

As ordered reported by the House Committee on Veterans' Affairs on June 26, 2003

H.R. 2595 would repeal a provision in current law that sets a \$5 million limitation on direct loans made by the Department of Veterans Affairs (VA) to Native American veterans in 2003. CBO estimates that enacting this legislation would lower spending for the Native American Veteran Housing Loan Pilot Program by about \$1 million in 2003. That change would result in a change in direct spending.

Under the program, VA makes direct loans to veterans living on trust lands for the purchase, construction, or improvement of a

home. Public Law 102–389, an act making appropriations for the Departments of Veterans Affairs and Housing and Urban Development, and for other independent agencies, boards, commissions, corporations, and offices for fiscal year 1993, provided appropriations of \$4.5 million for the subsidy cost of these loans. Since the program’s inception, VA has made about 270 loans at an originally estimated subsidy cost of \$2.3 million. The program is scheduled to end on December 31, 2005. Public Law 108–7, the Consolidated Appropriations Resolution, 2003, limited loans under this program to \$5 million in 2003. (Section 504 (b)(2) of the Federal Credit Reform Act of 1990 requires a limitation on new direct loan obligations be provided in advance in an appropriations act.)

In February 2003, VA exceeded the current loan limitation of \$5 million, and has been unable to make any new direct loans since then. The bill would lift the loan limitation for 2003, allowing VA to resume making direct loans under this program. Based on information from VA, CBO estimates that there is a backlog of roughly \$30 million in new loan applications (mainly refinancings) and that VA could issue about half of those new loans in 2003. According to VA, the department would not need additional funding for administrative expenses. In contrast to earlier subsidy estimates, the program now has a negative subsidy rate of almost – 9 percent. Thus, making these loans would reduce spending by about \$1 million, CBO estimates.

H.R. 2595 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

The CBO staff contact is Sunita D’Monte, who can be reached at 226–2840. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

STATEMENT OF FEDERAL MANDATES

The preceding Congressional Budget Office cost estimate states that the bill contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act.

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 Defense and general Welfare of the United States.”