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**United States House of Representatives
Committee on Veterans' Affairs**

**“Legislative Hearing on: Discussion Draft,
the VA Housing Loan Forever Act of 2022”**

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I. Introduction

Good afternoon, Chairman Takano, Ranking Member Bost, and Members of the Committee. On behalf of the Center for Responsible Lending, thank you for the opportunity to testify on the discussion draft of “The VA Housing Loan Forever Act of 2022.”

I am a consultant for the Center for Responsible Lending (CRL), a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is an affiliate of Self-Help, a community development lender headquartered in Durham, NC. Since 1980, Self-Help has provided over \$7 billion in financing to 131,000 families, individuals and businesses under-served by traditional financial institutions. CRL helps drive economic development and strengthen communities by financing hundreds of homebuyers each year, as well as nonprofits, child-care centers, community health facilities, public charter schools, and residential and commercial real estate projects. Through its credit union network, Self-Help’s two credit unions also serve over 170,000 people in North Carolina, South Carolina, California, Illinois, Florida, and Wisconsin and offers a full range of financial products and services. Learn more at www.self-help.org and www.self-helpfcu.org.

CRL shares a key belief underlying this legislation, which is that the ability to pass down a deceased veteran’s unused VA Home loan benefits could serve as a powerful tool to honor our nation’s commitment to its veterans by responsibly expanding access to mortgage credit and improving economic opportunity for the families of those who have served. Therefore, we commend both Congressman Clyburn for his important contributions to this effort, the American Legion, the Department of Veterans’ Affairs, the Black Veterans Project and Black Veterans Empowerment Council, as well as the Committee’s work to both draft and discuss this language.

CRL is committed to working with all of you to both refine and build upon the current discussion draft and its important objectives. In doing so, we believe that the final legislation should be guided by and principally aimed at fulfilling a core mantra shared by all branches of the United States military. That mantra is this:

“‘Leave no one behind.’
No soldier, sailor, airman, or Marine will be left on the field of battle.”¹

¹ SAMHSA, “Understanding the Military: The Institution, The Culture, the People,” (2010), available at https://www.samhsa.gov/sites/default/files/military_white_paper_final.pdf (last accessed December 9, 2022).

Accordingly, to ensure that the transfer of unused VA Home loan program benefits is narrowly tailored to the objective of treating **all** servicemembers, veterans, and their family members fairly in the field of economic opportunity, CRL recommends that the final legislation also establish a narrowly tailored program that allows for the retroactive transfer of a deceased veteran's unused VA loan benefits to the families of military members that served between the enactment of the GI Bill thru the passage of the Community Reinvestment Act of 1977. We further recommend that this program be limited to legatees that are first-time, first-generation homebuyers. By doing so, we can better guarantee that the program accomplishes the narrow, but important goals of being more manageable in scale for the Department of Veterans' Affairs and more closely aligned with tying the use of the VA home loan program to the commitment to fulfill this nation's promise to those that honorably completed military service, while simultaneously reinforcing the G.I. Bill's intent of providing servicemembers and their families the chance to achieve economic security as a continued inducement to military service.

The principles behind our recommendations are clear. Though the VA Home Loan program has served more than 25 million veterans since becoming law,² the history of federal policy both supporting and even requiring the private mortgage and real estate markets to actively discriminate against people of color contributed to nearly 2 million minority servicemembers never being able to utilize the G.I. Bill's VA home loan program during the applicable period.³ As a result, the failure of federal policy to allow all servicemembers to access G.I. home loan benefits equally provides a compelling reason to consider the transfer of unused benefits of deceased servicemembers to their families.⁴

II. The Implementation History of the G.I. Bill's VA Loan Provisions

The Servicemen's Readjustment Act of 1944, better known as the GI Bill,⁵ was arguably responsible for the single largest expansion of the middle class in the history of the United States. Among its provisions, Title III, in particular, presented those who had served with an

² <https://www.va.gov/opa/pressrel/pressrelease.cfm?id=5554>.

³ See *Infra* fn. 14.

⁴ For a more detailed discussion of the impact of racially discriminatory policies on the use of the VA home loan program and how CRL's proposal could help address those concerns, see Mitria Wilson-Spotser, Honoring America's promise: How passing unused VA loan benefits down to veteran's descendants could narrow the African-American homeownership gap, CFA (March 2022), available at <https://consumerfed.org/wp-content/uploads/2022/03/Housing-African-American-VA-Home-Loan-Benefits-Report.pdf>. (last accessed December 7, 2022).

⁵ Public Law 346, 78th Congress, June 22, 1944.

enviable opportunity:

“Any [eligible] Veteran may apply within two years after separation from the military or naval services, or two years after termination of the war...to the Administrator of Veteran’s Affairs for the guaranty by the Administrator of not to exceed 50 per centum of a loan or loans for [the purchase of a home, farm, or business property].”⁶

Racially discriminatory policies, both directly perpetuated and implicitly supported by the federal government, left many veterans of color unable to realize the promise this country made to them in exchange for their willingness to risk their lives in defense of the Nation. The results of those broken promises speak for themselves.

The U.S. Department of Veterans Affairs has never opened its records to researchers or published its own comprehensive analysis of the intersection between race and VA loans in the period immediately following passage of the GI Bill.⁷ Thus, no nationally aggregated statistics on the usage of the VA loan program by veterans of color currently exist for the entire timeframe between the enactment of the program and the end of federal support for racially discriminatory housing policies.⁸ Yet, a series of smaller, regional and state-based analyses from the period confirm the challenges faced by servicemembers of color.

For example, in the South, an analysis of thirteen cities in Mississippi found that, among the 3,229 VA guaranteed loans made in 1947, only two went to African Americans.⁹ And, in the North, a 1950 analysis of VA loans in New York and the Northern New Jersey Suburbs found that fewer than 100 of the 67,000 mortgages insured by the VA covered home purchases by people of color.¹⁰ These state and regional findings are consistent with the single publicly available national estimate provided by the VA, through G.L. Holland, then assistant to the VA Administrator. Holland suggested that between 1944 and 1955, fewer than 30,000 of the 1,154,486 eligible

⁶ Servicemen’s Readjustment Act of 1944, Pub. L. No. 78-346, §500-3, 8 Stat. 284, 291.

⁷ Cyd McKenna, *The Homeownership Gap: How the Post-World War II GI Bill Shaped Modern Day Homeownership Patterns for Black and White Americans* at 58 (2008), available at <https://dspace.mit.edu/bitstream/handle/1721.1/44333/276173994-MIT.pdf?sequence=2&isAllowed=y> (last accessed October 8, 2021).

⁸ Though it has been recognized that the VA did not collect loan data by race, the VA did retain the names of the veteran beneficiaries of VA loan guarantees (whose VA loan applications required the listing of their race) and did track the race of those veterans as part of their service record. See Louis Lee Woods II, “Almost” No Negro Veteran...Could Get A Loan”: African Americans, the GI Bill, and the NAACP Campaign Against Residential Segregation, 1917 – 1960, *Journal of African American History*, Volume 98 Issue 3 392, 405 (2013). Accordingly, it does appear possible to perform this type of analysis.

⁹ GI Loans: Colored Vets Who Borrow Cash Prove Sound Business Investments, *Ebony* 10 (August 1957), cited in Onkst., *First A Negro*,” pp. 522 -523.

¹⁰ Lizabeth Cohen, *A Consumer’s Republic: The Politics of Mass Consumption in Postwar America* (New York: Knopf, 2003) p. 171.

African American veterans successfully accessed the homeownership program provided by the GI Bill.¹¹ Accordingly, less than 1 percent of the 3,914,535 home loans guaranteed by VA went to African American servicemembers.¹²

That historical result is inconsistent with both the spirit and language of the GI Bill's VA Home loan provisions since their inception. Specifically, when former American Legion National Commander, Harry W. Colmery, hand wrote the initial draft of the Servicemen's Readjustment Act of 1944 on a cocktail napkin in his suite at the Mayflower Hotel, he indicated that **all** servicemembers and veterans—without regard to their race—should benefit equally from the G.I. Bill.¹³ This is why CRL is excited about the potential of this legislation and the opportunity it could create to ensure that all servicemembers and their families have the chance to benefit from the economic opportunity that the GI Bill was designed to offer. This bill has the potential to be very powerful.

III. CRL's Recommendation to Craft a Narrow Program that Ensures that No Veteran's Family is Left Behind

In particular, narrowly permitting the transfer of a deceased veteran's unused VA Home loan benefit to their descendants or legatees during the period where the federal government supported racially discriminatory housing policies could go a long way towards correcting a sad chapter in this nation's history.¹⁴ To that end, CRL has included a draft proposal of legislation that could be easily integrated into the current proposal as Appendix I to this testimony.

Our proposal, though similar to Congress' Post/9-11 GI Bill provision allowing for the transfer of education benefits to a servicemembers' dependents, would create transferable VA loan benefits by veterans whose service period roughly overlaps with the federal government's support of racially restrictive housing policies—namely between the passage of the GI Bill in 1944 up through the enactment of the Community Reinvestment Act in 1977. The program would remain in place for 10 years, roughly the span of one generation. Because the program would be modeled on the current process for servicemembers' transferring GI-Education benefits to dependents under the Post 9/11 Veterans Educational Assistance Act of 2008, eligible descendants or legatees would

¹¹ Administrator of Veterans Affairs, Annual Report for Fiscal Year Ending 30 June 1955 (Washington, DC 1956), 248.

¹² Lois Lee Woods, "ALMOST 'NO NEGRO VETERAN ... COULD GET A LOAN': AFRICAN AMERICANS, THE GI BILL, AND THE NAACP CAMPAIGN AGAINST RESIDENTIAL SEGREGATION, 1917–1960, available at <https://www.journals.uchicago.edu/doi/abs/10.5323/jafriamerhist.98.3.0392> (last accessed December 9, 2022).

¹³ The American Legion NHQ, "A Tribute to the Author of the American Dream - Harry W. Colmery," at 11 (June 16, 2016), available at https://issuu.com/theath1296/docs/colmerybooklet_final (last accessed December 9, 2022).

¹⁴ Legislative language reflecting the proposal is found in Section 205 of S. 1368, the American Housing and Economic Mobility Act of 2021. A similar legislative proposal is also before the Veterans Committee, specifically, S.3210, the Sgt. Isaac Woodard, Jr. and Sgt. Joseph H. Maddox GI Bill Restoration Act of 2021.

also be able to seek mortgages from private lenders using VA-backed home loan Certificates of Eligibility (COE) that established the VA’s guarantee to indemnify private lenders for up to 25% of the amount for home loans above \$144,000. Descendants of veterans of all races who did not use their housing benefits would be eligible for the benefit.

With data indicating that a little more than half of all African-American male veterans during the applicable timeframe resided in owner-occupied housing and that usage rates were also disproportionately unequal for Latino, Asian, and non-white servicemembers, CRL’s analysis estimates that roughly two million veterans of color during the applicable period would have unused VA home loan benefits.¹⁵ By applying the narrowing first-time homebuyer and first-generation homebuyer screens of a retroactive, transfer proposal, CRL estimates that, over a ten year period, the program would gradually add roughly 1.5 million additional servicemember legates to the VA homebuyer market.¹⁶

Figure 1: CRL’s Calculations of the number of potential first-time, first-generation homeowner descendants

	Eligible Descendants
White Veterans	693,574
Black Veterans	643,396
Hispanic Veteran	217,449
Non-Black, Non-White, Non-Hispanic Veterans	8,821

Accordingly, enabling the transfer of VA home loan benefits would make homeownership more easily obtainable for many of the families of servicemembers that were denied the ability to utilize the program during their lives and make a significant contribution toward rectifying the damage done by decades of racially discriminatory lending practices that prohibited this nation from keeping its promises to leave no servicemember behind.

¹⁵ See Appendix II, CRL Analysis of Eligible Descendants under Its Proposed Legislative Language.

¹⁶ For much of the relevant time period an Hispanic category for race was not used, so a range was estimated. The cited numbers reflect the average of the ranges set out in the appendix.

As drafted, the program is open to descendants of all races where the veteran accrued, but did not use, the home loan guaranty. Because veterans of color were less likely to access the program due to racially discriminatory policies and more likely to be first-time, first-generation homebuyers, a larger portion of their descendants are eligible to benefit from the proposed legislative language.

In addition, there are strong reasons to believe that allowing eligible descendants of veterans to use the loan guaranty program under CRL's proposal would not require new spending appropriations. Instead, expanding the pool of borrowers to include legatees would likely boost program revenue because eligible descendants would explicitly not qualify for statutory exemptions to the VA Home loan funding fee—unlike many veterans.

VA home loans also have a record of strong performance, and eligible descendants would have to meet the underwriting requirements of both the VA and the lenders. Finally, this proposal would help the current difficult housing market as it recovers over the coming years and improve home affordability.

IV. Conclusion

Thank you again for the opportunity to participate in today's discussion. The ideas presented by this draft legislation are critically important to ensuring that all servicemembers and their families have the opportunity to benefit from the economic opportunities created by the G.I. Bill. CRL remains committed to working with this Committee and all stakeholders to ensure that the final legislation strikes the delicate balance of honoring the nation's prior commitments to those who previously served, while maintaining the VA Home loan program's focus on enabling servicemembers to directly benefit from the resources provided by the home loan provisions of the G.I. Bill.

Appendix I

SEC. 205. TEMPORARY ELIGIBILITY OF CERTAIN DIRECT DESCENDANTS OF CERTAIN VETERANS FOR HOME LOANS GUARANTEED BY THE SECRETARY OF VETERANS AFFAIRS.

(a) TEMPORARY EXPANSION OF THE DEFINITION OF VETERAN FOR PURPOSES OF HOME LOANS.—Section 3701(b) of title 38, United States Code, is amended by adding at the end the following new paragraph:

“(8)(A) For purposes of home loans, the term ‘veteran’ shall also include a related direct descendant, including a legally adopted descendant, of any individual described in this subparagraph, provided that:

“(i) the individual satisfied the criteria of subparagraph (b)(4), (5), or (7) during their lifetime;

“(ii) served during the period between June 22, 1944, and October 12, 1977;

“(iii) is now deceased;

“(iv) was not discharged under dishonorable conditions; and

“(v) did not receive a home loan under this chapter during his or her lifetime-

(b) CONDITIONS OF ELIGIBILITY EXPANSION FOR DIRECT DESCENDANTS.—Section 3702(a)(2) of such title is amended by adding at the end the following new subparagraph:

“(H) A direct descendant described in section 3701(b)(8)(A) of this title shall qualify as a veteran for purposes of home loans if:

- (i) the direct descendant is living on the date of the enactment of this provision;
- (ii) the direct descendant is a first-time homebuyer as defined in 42 USC Section 12704 and satisfies the following criteria:(A) the direct descendant’s parents do not have or, if deceased, did not have at the time of their death any ownership interest in a principal residence in any State excluding ownership of heir property; and

(I) the direct descendant’s spouse or domestic partner has not, during the 3-year period ending upon application for the home loan, had any present ownership interest in a principal residence in any State, excluding ownership of heir property, whether the individual is a co-borrower on the loan or not.

(II) For purposes of this subsection, the term “heir property” shall mean residential property for which title passed by operation of law through intestacy and is held by two or more heirs as tenants in common; and

(iii) the direct descendant receives the home loan not later than ten years after the effective date of the regulations specified in subsection (d).”

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date that is one year after the date of the enactment of this Act.

(d) REGULATIONS. —Not later than 180 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall prescribe regulations to carry out the amendments made by this section. Such regulations shall provide rules and procedures for determining the eligibility of a direct descendant for housing loan benefits under this section, including rules for determining eligibility if more than one direct descendant of a veteran seeks to obtain a home loan under this section, for determining eligibility where the records of the Veterans Administration are incomplete or otherwise inadequate to verify eligibility, and for enabling lenders to rely on applicants’ certifications with respect to the conditions of eligibility in 3702(a)(2)(H).

Appendix II

Center for Responsible Lending Analysis
 Calculating the number of potential first-time, first-generation homeowner descendants of 1944-1977
 US veterans who did not use their VA loan guarantee

General Model:

$$\text{Number of descendants (by race)} = \text{Number of Unused Benefits by soldiers of each war} * \text{Race-specific kids/generation} \wedge \text{Number of Generations} * \text{Race-specific discount factor for eligibility}$$

(Technical details about definitions, assumptions, and data are provided on the next page.)

Findings: Number of eligible veteran descendants from the above calculations

Lower Hispanic Band	Eligible Descendants	Unused Benefits 1944-1977	% of original
1. White Veteran	791,965	16,074,652	4.9%
2. Black Veteran	648,944	1,496,252	43.4%
3. Hispanic Veterans	113,510	404,790	28.0%
4. Non-Black, Non-White, Non-Hispanic Veteran	8,821	42,949	20.5%
Upper Hispanic Bound			
1. White Veteran	595,183	16,074,652	3.7%
2. Black Veteran	637,848	1,496,252	42.6%
3. Hispanic Veterans	321,388	404,790	79.4%
4. Non-Black, Non-White, Non-Hispanic Veteran	8,821	42,949	20.5%

Technical details about data inputs in the equation

Step 1:

Number of unused benefits by soldiers of each war by race=
Count of military members by race¹ - Number of loans per year² by race³

Where the number of loans per year by race=

The count summed over the smallest time span for which we have racial distribution details of soldiers⁴ of the number of VA loans issued⁵* racial distribution of loans issued⁶

Step 2:

Next, we calculated descendants for each veteran cohort by war and race for the appropriate number of generations from the war to 2032 as follows:

Potential descendants of veterans with an unused benefit =

Number of unused benefits by soldiers of each war by race (from above) * intergenerational length⁷ * average number of kids in generation⁸ * potential marriage among descendants of different veterans⁹

Note: these totals are adjusted for the descendants likely to have no kids¹⁰, be non-military casualty¹¹, did not otherwise die young¹², and were never married¹³

Step 3:

Next, we reduced the sample according to exclusion factors for being age 15-54¹⁴, first gen homeowner¹⁵, current renter¹⁶, income over 40% AMI¹⁷, and not currently in the military¹⁸.

Step 4:

Finally, we provided an upper bound for potential current Hispanic descendants by adjusting white and black totals by the potential share of Hispanic Whites and Hispanic Blacks¹⁹.

¹ <https://www.nationalww2museum.org/students-teachers/student-resources/research-starters/research-starters-us-military-numbers>; <https://www.va.gov/vetdata/docs/SpecialReports/KW2000.pdf>; https://post3legion.org/Vietnam_Statistics.pdf; <https://www.va.gov/vetdata/docs/FY1954.pdf>;

Measurement caveats: Don't know number of unique white military in 1944 and 1955; Missing details on Black veterans 1956-1959; assuming 10% of Korean War military were Black, and 90% white like Vietnam War distribution

² Used annual VA benefits reporting docs from 1944-1977, E.g. <https://www.va.gov/vetdata/docs/FY1966.pdf>

Measurement caveats: These could be for homes (over 95% of loans) or businesses

³ Original VA Benefit proposal, Table 2; <https://www.army.mil/hispanics/history.html>; <https://www.vva310.org/vietnam-war-statistics>

⁴ Sources: Stacked bar charts, table, or text in select years of annual VA benefits reports provides good quality measurement for FY1952-1968 and 1975-1977

Measurement caveats: 1965-1966, 1970-1974 distributions by war were imputed using nearby years

⁵ Sum of footnote #2 counts for years in war

⁶ Original VA Benefit proposal for loan use by race

Measurement caveats: Assume 10% of VA loans are issued to Black veterans starting in 1956 after 1% previously

⁷ Estimate of 30 years, <https://pubmed.ncbi.nlm.nih.gov/15795887/>

⁸ <https://www.statista.com/statistics/1033027/fertility-rate-us-1800-2020/>;

⁹ Discounts for rate of childless individuals in a year by reducing by half of the proportion of descendants relative to the whole group totals using https://en.wikipedia.org/wiki/Historical_racial_and_ethnic_demographics_of_the_United_States;

<https://www2.census.gov/library/publications/decennial/2000/briefs/c2kbr01-01.pdf>; https://cps.ipums.org/cps/resources/cpr/2_ps.pdf

¹⁰ <https://ifsudies.org/blog/the-rise-of-childless-america>

¹¹ https://www.va.gov/opa/publications/factsheets/fs_americas_wars.pdf

¹² <https://injuryfacts.nsc.org/all-injuries/historical-preventable-fatality-trends/deaths-by-age-group/>

¹³ <https://www.pewresearch.org/social-trends/2014/09/24/record-share-of-americans-have-never-married/>;

¹⁴ https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?name_desc=false&locations=US

¹⁵ <https://psidonline.isr.umich.edu/>

¹⁶ <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

¹⁷ <https://psidonline.isr.umich.edu/>

¹⁸ <https://download.militaryonesource.mil/12038/MOS/Reports/2020-demographics-report.pdf>

¹⁹ <https://www.pewresearch.org/social-trends/2021/03/25/the-growing-diversity-of-black-america/>