

104TH CONGRESS
1ST SESSION

H. R. 1611

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to assist in alleviating housing shortages for active duty personnel through interest rate buy downs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 1995

Mr. MONTGOMERY introduced the following bill; which was referred to the Committee on Veterans' Affairs, and in addition to the Committee on National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to assist in alleviating housing shortages for active duty personnel through interest rate buy downs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. AUTHORITY OF THE SECRETARY OF VETERANS**
2 **AFFAIRS TO MAKE CERTAIN MORTGAGE AS-**
3 **SISTANCE PAYMENTS.**

4 (a) AUTHORITY.—Chapter 37 of title 38, United
5 States Code, is amended by inserting after section 3707
6 the following:

7 **“§ 3708. Authority to buy down interest rates**

8 “(a) In order to enable the purchase of housing in
9 areas where the supply of suitable military housing is in-
10 adequate, the Secretary may make periodic assistance pay-
11 ments on behalf of an eligible veteran for the purpose of
12 buying down the interest rate on a loan to that veteran
13 that is guaranteed under this chapter for a purpose de-
14 scribed in paragraph (1), (2), (3), (6), or (10) of section
15 3710(a).

16 “(b) An individual is an eligible veteran for the pur-
17 poses of this section if—

18 “(1) the individual is a veteran, as defined in
19 section 3701(a)(4) of this title, or is on active Guard
20 and Reserve duty, as defined by section 101(d) of
21 title 10;

22 “(2) the individual submits an application for a
23 loan guaranteed under this chapter within one year
24 of an assignment of the individual to duty at a mili-
25 tary installation in the United States designated by
26 the Secretary concerned as a housing shortage area;

1 “(3) at the time the loan referred to in sub-
2 section (a) is made, the individual is an enlisted
3 member, warrant officer, or an officer (other than a
4 warrant officer) at a pay grade of O-3 or below;

5 “(4) the individual has not previously used any
6 of the individual’s entitlement to housing loan bene-
7 fits under this chapter; and

8 “(5) the individual receives comprehensive
9 prepurchase counseling from the Secretary before
10 making application for a loan guaranteed under this
11 chapter.

12 “(c) Loans with respect to which the Secretary may
13 exercise the buy down authority under subsection (a)
14 shall—

15 “(1) provide for a buy down period of not more
16 than three years in duration;

17 (2) specify the maximum and likely amounts of
18 increases in mortgage payments that the loans would
19 require; and

20 “(3) be subject to such other terms and condi-
21 tions as the Secretary may prescribe by regulation.

22 “(d) The Secretary shall promulgate underwriting
23 standards for loans for which the interest rate assistance
24 payments may be made under subsection (a). Such stand-

1 ards shall be based on the interest rate for the second year
2 of the loan.

3 “(e) The Secretary shall provide comprehensive
4 prepurchase counseling to eligible veterans explaining the
5 features of interest rate buy downs under subsection (a),
6 including a hypothetical payment schedule that displays
7 the increases in monthly payments to the mortgagor over
8 the first five years of the mortgage term. For the purposes
9 of this subsection, the Secretary may assign personnel to
10 military installations referred to in subsection (b)(2).

11 “(f) There is authorized to be appropriated
12 \$6,000,000 annually to carry out this section.”.

13 (b) CLERICAL AMENDMENTS.—The table of sections
14 at the beginning of chapter 37 of title 38, United States
15 Code, is amended by inserting after the item relating to
16 section 3707 to following new item:

“3708. Authority to buy down interest rates.”.

17 **SEC. 2. AUTHORITY OF THE SECRETARY OF DEFENSE IN**
18 **PROVIDING HOUSING IN HOUSING SHORT-**
19 **AGE AREAS.**

20 (a) REIMBURSEMENT FOR BUY DOWN COSTS.—The
21 Secretary of Defense shall reimburse the Secretary of Vet-
22 erans Affairs for amounts paid by the Secretary of Veter-
23 ans Affairs to mortgagees under section 3708 of title 38,
24 United States Code.

1 (b) MORTGAGE INDEMNITY.—The Secretary of De-
2 fense, in accordance with regulations which the Secretary
3 shall prescribe, is authorized to indemnify a lender who
4 makes a loan which is subject to such section 3708. The
5 amount of indemnification with respect to any such loan
6 may not exceed the difference between the actual loss on
7 the sale of the property subject to the loan and the amount
8 of the United States guarantee or insurance on such loan.

9 (c) AGREEMENT BETWEEN THE SECRETARY OF DE-
10 FENSE AND THE SECRETARY OF VETERANS AFFAIRS.—
11 The Secretary of Defense and the Secretary of Veterans
12 Affairs may enter into an agreement related to carrying
13 out this section and section 3708 of title 38, United States
14 Code. The agreement may include provisions for the trans-
15 fer by the Secretary of Defense of its property manage-
16 ment jurisdiction to the Secretary of Veterans Affairs with
17 respect to such sections.

18 (d) AUTHORIZATION OF APPROPRIATIONS.—There is
19 authorized to be appropriated \$104,000,000 annually to
20 carry out this section.

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