Congressional Budget Office
Cost Estimate

August 17, 2022

H.R. 7735, Improving Access to the VA Home Loan Benefit Act of 2022

As ordered reported by the House Committee on Veterans' Affairs on July 19, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	*	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	1	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The Department of Veterans Affairs (VA) provides guarantees to lenders for eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—when purchasing, constructing, or refinancing a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon. Home appraisals for VA-guaranteed loans are necessary to establish fair market value and to determine whether the property is safe, sound, and sanitary. Appraisers must be approved by VA.

H.R.7735 would require VA to submit recommendations to the Congress on how to reduce the time to produce appraisals. It also would require VA to update regulations on various aspects of the appraisal process and provide guidance on desktop appraisals. Desktop appraisals are performed remotely rather than onsite, using information gathered by third parties from property tax records, real estate listings, and similar sources.

The bill would direct VA to develop recommendations and revise regulations. Based on the cost of similar activities, CBO estimates that implementing the bill would cost $1 million over the 2022-2027 period.

CBO also expects that any changes to the process for home appraisals would decrease the time to obtain an appraisal for some borrowers and slightly increase the number of loans guaranteed by VA. Payments for foreclosures on homes purchased with guaranteed loans (net of fees paid by borrowers and recoveries by lenders) constitute the subsidy cost for the loan guarantees. Those costs are paid from mandatory appropriations, and would affect direct spending.[1] Thus, guaranteeing more loans would increase direct spending by less than $500,000 over the 2022-2032 period, CBO estimates.

The CBO staff contact for this estimate is Paul B.A. Holland. The estimate was reviewed by Leo Lex, Deputy Director of Budget Analysis.

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified.