

added pars. (1) and (2), and struck out former pars. (1) and (2) which read as follows:

“(1) the date that is 210 days after the date on which the first monthly payment is made on the loan; and

“(2) the date on which the sixth monthly payment is made on the loan.”

Statutory Notes and Related Subsidiaries

REGULATIONS

Pub. L. 115-174, title III, §309(a)(2), May 24, 2018, 132 Stat. 1349, provided that:

“(A) IN GENERAL.—In prescribing any regulation to carry out section 3709 of title 38, United States Code, as added by paragraph (1), the Secretary of Veterans Affairs may waive the requirements of sections 551 through 559 of title 5, United States Code, if—

“(i) the Secretary determines that urgent or compelling circumstances make compliance with such requirements impracticable or contrary to the public interest;

“(ii) the Secretary submits to the Committee on Veterans' Affairs of the Senate and the Committee on Veterans' Affairs of the House of Representatives, and publishes in the Federal Register, notice of such waiver, including a description of the determination made under clause (i); and

“(iii) a period of 10 days elapses following the notification under clause (ii).

“(B) PUBLIC NOTICE AND COMMENT.—If a regulation prescribed pursuant to a waiver made under subparagraph (A) is in effect for a period exceeding 1 year, the Secretary shall provide the public an opportunity for notice and comment regarding such regulation.

“(C) EFFECTIVE DATE.—This paragraph shall take effect on the date of the enactment of this Act [May 24, 2018].

“(D) TERMINATION DATE.—The authorities under this paragraph shall terminate on the date that is 1 year after the date of the enactment of this Act.”

CONSTRUCTION OF 2019 AMENDMENT

Amendment by Pub. L. 116-33 not to be construed to restrict or otherwise modify the authorities of the Government National Mortgage Association, see section 2(c) of Pub. L. 116-33, set out as a note under section 1721 of Title 12, Banks and Banking.

SUBCHAPTER II—LOANS

§ 3710. Purchase or construction of homes

(a) Except as provided in section 3704(c)(2) of this title, any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by the veteran as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by the veteran as the veteran's home.

(3) To construct on land owned by the veteran a farm residence to be occupied by the veteran as the veteran's home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by the veteran and occupied by the veteran as the veteran's home.

(5) To refinance existing mortgage loans or other liens which are secured of record on a dwelling or farm residence owned and occupied by the veteran as the veteran's home.

(6) To purchase a one-family residential unit in a condominium housing development or project, if such development or project is ap-

proved by the Secretary under criteria which the Secretary shall prescribe in regulations.

(7) To improve a dwelling or farm residence owned by the veteran and occupied by the veteran as the veteran's home through energy efficiency improvements, as provided in subsection (d).

(8) To refinance in accordance with subsection (e) of this section an existing loan guaranteed, insured, or made under this chapter.

(9)(A)(i) To purchase a manufactured home to be permanently affixed to a lot that is owned by the veteran.

(ii) To purchase a manufactured home and a lot to which the home will be permanently affixed.

(B)(i) To refinance, in accordance with the terms and conditions applicable under the provisions of subsection (e) of this section (other than paragraph (1)(E) of such subsection) to the guaranty of a loan for the purpose specified in clause (8) of this subsection, an existing loan guaranteed, insured, or made under this chapter that is secured by a manufactured home permanently affixed to a lot that is owned by the veteran.

(ii) To refinance, in accordance with section 3712(a)(5) of this title, an existing loan that was made for the purchase of, and that is secured by, a manufactured home that is permanently affixed to a lot and to purchase the lot to which the manufactured home is affixed.

(10) To purchase a dwelling to be owned and occupied by the veteran as a home and make energy efficiency improvements, as provided in subsection (d).

(11) To refinance in accordance with subsection (e) an existing loan guaranteed, insured, or made under this chapter, and to improve the dwelling securing such loan through energy efficiency improvements, as provided in subsection (d).

(12) With respect to a loan guaranteed after the date of the enactment of this paragraph and before the date that is five years after that date, to purchase stock or membership in a cooperative housing corporation for the purpose of entitling the veteran to occupy for dwelling purposes a single family residential unit in a development, project, or structure owned or leased by such corporation, in accordance with subsection (h).

If there is an indebtedness which is secured by a lien against land owned by the veteran, the proceeds of a loan guaranteed under this section or made under section 3711 of this title for construction of a dwelling or farm residence on such land may be used also to liquidate such lien, but only if the reasonable value of the land is equal to or greater than the amount of the lien.

(b) No loan may be guaranteed under this section or made under section 3711 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construc-

tion cost bear a proper relation to the veteran's present and anticipated income and expenses;

(3) the veteran is a satisfactory credit risk, as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section;

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) except in the case of a loan described in clause (7) or (8) of this subsection, the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined pursuant to section 3731 of this title;

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property;

(7) in the case of a loan (other than a loan made for a purpose specified in subsection (a)(8) of this section) that is made to refinance—

(A) a construction loan,

(B) an installment land sales contract, or

(C) a loan assumed by the veteran that provides for a lower interest rate than the loan being refinanced,

the amount of the loan to be guaranteed or made does not exceed the lesser of—

(i) the reasonable value of the dwelling or farm residence securing the loan, as determined pursuant to section 3731 of this title; or

(ii) the sum of the outstanding balance on the loan to be refinanced and the closing costs (including discounts) actually paid by the veteran, as specified by the Secretary in regulations; and

(8) in the case of a loan to refinance a loan (other than a loan or installment sales contract described in clause (7) of this subsection or a loan made for a purpose specified in subsection (a)(8) of this section), the amount of the loan to be guaranteed or made does not exceed 100 percent of the reasonable value of the dwelling or farm residence securing the loan, as determined pursuant to section 3731 of this title.

[(c) Repealed. Pub. L. 100-198, §3(a)(2), Dec. 21, 1987, 101 Stat. 1315.]

(d)(1) The Secretary shall carry out a program to demonstrate the feasibility of guaranteeing loans for the acquisition of an existing dwelling and the cost of making energy efficiency improvements to the dwelling or for energy efficiency improvements to a dwelling owned and occupied by a veteran. A loan may be guaranteed under this subsection only if it meets the requirements of this chapter, except as those requirements are modified by this subsection.

(2) The cost of energy efficiency measures that may be financed by a loan guaranteed under this section may not exceed the greater of—

(A) the cost of the energy efficiency improvements, up to \$3,000; or

(B) \$6,000, if the increase in the monthly payment for principal and interest does not ex-

ceed the likely reduction in monthly utility costs resulting from the energy efficiency improvements.

(3) Notwithstanding the provisions of section 3703(a)(1)(A) of this title, any loan guaranteed under this subsection shall be guaranteed in an amount equal to the sum of—

(A) the guaranty that would be provided under those provisions for the dwelling without the energy efficiency improvements; and

(B) an amount that bears the same relation to the cost of the energy efficiency improvements as the guaranty referred to in subparagraph (A) bears to the amount of the loan minus the cost of such improvements.

(4) The amount of the veteran's entitlement, calculated in accordance with subparagraph (B) or (C) of section 3703(a)(1) of this title, shall not be affected by the amount of the guaranty referred to in paragraph (3)(B).

(5) The Secretary shall take appropriate actions to notify eligible veterans, participating lenders, and interested realtors of the availability of loan guarantees under this subsection and the procedures and requirements that apply to the obtaining of such guarantees.

(6) For the purposes of this subsection:

(A) The term "energy efficiency improvement" includes a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system, and the application of a residential energy conservation measure.

(B) The term "solar heating" has the meaning given such term in section 3(1) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5502(1)) and, in addition, includes a passive system based on conductive, convective, or radiant energy transfer.

(C) The terms "solar heating and cooling" and "combined solar heating and cooling" have the meaning given such terms in section 3(2) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5502(2)) and, in addition, include a passive system based on conductive, convective, or radiant energy transfer.

(D) The term "passive system" includes window and skylight glazing, thermal floors, walls, and roofs, movable insulation panels (when in conjunction with glazing), portions of a residential structure that serve as solar furnaces so as to add heat to the structure, double-pane window insulation, and such other energy-related components as are determined by the Secretary to enhance the natural transfer of energy for the purpose of heating or heating and cooling a residence.

(E) The term "residential energy conservation measure" means—

(i) caulking and weatherstripping of all exterior doors and windows;

(ii) furnace efficiency modifications limited to—

(I) replacement burners, boilers, or furnaces designed to reduce the firing rate or to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency,

(II) devices for modifying flue openings which will increase the efficiency of the heating system, and

(III) electrical or mechanical furnace ignition systems which replace standing gas pilot lights;

- (iii) clock thermostats;
- (iv) ceiling, attic, wall, and floor insulation;
- (v) water heater insulation;
- (vi) storm windows and doors;
- (vii) heat pumps; and
- (viii) such other energy conservation measures as the Secretary may identify for the purposes of this subparagraph.

(e)(1) For a loan to be guaranteed for the purpose specified in subsection (a)(8) or for the purpose specified in subsection (a)(11) of this section—

(A) the interest rate of the loan must be less than the interest rate of the loan being refinanced or, in a case in which the loan is a fixed rate loan and the loan being refinanced is an adjustable rate loan, the loan bears interest at a rate that is agreed upon by the veteran and the mortgagee;

(B) the loan must be secured by the same dwelling or farm residence as was the loan being refinanced;

(C) the amount of the loan may not exceed—

(i) an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to section 3703(c)(3)(A) of this title) as may be authorized by the Secretary (under regulations which the Secretary shall prescribe) to be included in the loan; or

(ii) in the case of a loan for the purpose specified in subsection (a)(11), an amount equal to the sum of the amount referred to with respect to the loan under clause (i) and the amount specified under subsection (d)(2);

(D) notwithstanding section 3703(a)(1) of this title, the amount of the guaranty of the loan may not exceed the greater of (i) the original guaranty amount of the loan being refinanced, or (ii) 25 percent of the loan;

(E) the term of the loan may not exceed the original term of the loan being refinanced by more than 10 years; and

(F) the veteran must own the dwelling or farm residence securing the loan and—

(i) must occupy such dwelling or residence as such veteran's home;

(ii) must have previously occupied such dwelling or residence as such veteran's home and must certify, in such form as the Secretary shall require, that the veteran has previously so occupied such dwelling or residence; or

(iii) in any case in which a veteran is in active duty status as a member of the Armed Forces and is unable to occupy such residence or dwelling as a home because of such status, the spouse of the veteran must occupy, or must have previously occupied, such dwelling or residence as such spouse's home and must certify such occupancy in such form as the Secretary shall require.

(2) A loan to a veteran may be guaranteed by the Secretary under this chapter for the purpose

specified in clause (8) of subsection (a) of this section without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such purpose. For purposes of section 3702(b) of this title, such loan shall be deemed to have been obtained with the guaranty entitlement used to obtain the loan being refinanced.

(3) If a veteran is deceased and if such veteran's surviving spouse was a co-obligor under an existing loan guaranteed, insured, or made under this chapter, such surviving spouse shall, only for the purpose specified in subsection (a)(8) of this section, be deemed to be a veteran eligible for benefits under this chapter.

(f)(1) For a loan to be guaranteed for the purpose specified in subclause (A)(ii) or (B)(ii) of subsection (a)(9) of this section, the purchase of (or the refinancing of a loan secured by) the manufactured home and the lot for that home shall be considered as one loan and must comply with such criteria as may be prescribed by the Secretary in regulations.

(2) A loan may not be guaranteed for the purposes of subsection (a)(9) of this section unless the manufactured home purchased, upon being permanently affixed to the lot, is considered to be real property under the laws of the State where the lot is located.

(g)(1) For the purposes of this subsection, the term "veteran", when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.

(2) For the purpose of determining whether a veteran meets the standards referred to in subsection (b)(3) of this section and section 3712(e)(2) of this title, the Secretary shall prescribe regulations which establish—

(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and

(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.

(3) In the regulations prescribed under paragraph (2) of this subsection, the Secretary shall establish standards that include—

(A) debt-to-income ratios to apply in the case of the veteran applying for the loan;

(B) criteria for evaluating the reliability and stability of the income of the veteran applying for the loan; and

(C) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms.

If the procedures described in clause (C) of this paragraph include standards for evaluating residual income, the Secretary shall, in establishing such standards, give appropriate consideration to State statistics (in States as to which the Secretary determines that such statistics are reliable) pertinent to residual income and the cost of living in the State in question rather than in a larger region.

(4)(A) Any lender making a loan under this chapter shall certify, in such form as the Sec-

retary shall prescribe, that the lender has complied with the credit information and loan processing standards established under paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the loan meets the underwriting standards established under paragraph (2)(A) of this subsection.

(B) Any lender who knowingly and willfully makes a false certification under subparagraph (A) of this paragraph shall be liable to the United States Government for a civil penalty equal to two times the amount of the Secretary's loss on the loan involved or to another appropriate amount, not to exceed \$10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Secretary.

(5) Pursuant to regulations prescribed to carry out this paragraph, the Secretary may, in extraordinary situations, waive the application of the credit underwriting standards established under paragraph (2) of this subsection when the Secretary determines, considering the totality of circumstances, that the veteran is a satisfactory credit risk.

(h)(1) A loan may not be guaranteed under subsection (a)(12) unless—

(A) the development, project, or structure of the cooperative housing corporation complies with such criteria as the Secretary prescribes in regulations; and

(B) the dwelling unit that the purchase of stock or membership in the development, project, or structure of the cooperative housing corporation entitles the purchaser to occupy is a single family residential unit.

(2) In this subsection, the term "cooperative housing corporation" has the meaning given such term in section 216(b)(1) of the Internal Revenue Code of 1986.

(3) When applying the term "value of the property" to a loan guaranteed under subsection (a)(12), such term means the appraised value of the stock or membership entitling the purchaser to the permanent occupancy of the dwelling unit in the development, project, or structure of the cooperative housing corporation.

(i)(1) The Secretary, in consultation with the advisory group established under paragraph (3)(A), shall prescribe regulations and issue guidance to assist lenders in evaluating the sufficiency of the residual income of a veteran pursuant to paragraph (2).

(2)(A) Pursuant to the regulations and guidance prescribed under paragraph (1), in the case of a loan to a veteran to be guaranteed under this chapter, if the veteran provides to the lender an energy efficiency report described in subparagraph (B)—

(i) the evaluation by the lender of the sufficiency of the residual income of the veteran shall include a consideration of the estimate of the expected energy cost savings contained in the report; and

(ii) the lender may apply the underwriting expertise of the lender in adjusting the residual income of the veteran in accordance with the information in the report.

(B) An energy efficiency report described in this subparagraph is a report made with respect

to a home for which a loan is to be guaranteed under this chapter that includes each of the following:

(i) An estimate of the expected energy cost savings specific to the home, based on specific information about the home, including savings relating to electricity or natural gas, oil, and any other fuel regularly used to supply energy to the home.

(ii) Any information required to be included pursuant to the regulations and guidance and regulations prescribed by the Secretary under paragraph (1).

(iii) Information with respect to the energy efficiency of the home as determined pursuant to—

(I) the Residential Energy Service Network's Home Energy Rating System (commonly known as 'HERS') by an individual certified by such Network; or

(II) an other method determined appropriate by the Secretary, in consultation with the advisory group under paragraph (3), including with respect to third-party quality assurance procedures.

(3)(A) To assist the Secretary in carrying out this subsection, the Secretary shall establish an advisory group consisting of individuals representing the interests of—

(i) mortgage lenders;

(ii) appraisers;

(iii) energy raters and residential energy consumption experts;

(iv) energy efficiency organizations;

(v) real estate agents;

(vi) home builders and remodelers;

(vii) consumer advocates;

(viii) veterans' service organizations; and

(ix) other persons determined appropriate by the Secretary.

(B) The advisory group established under subparagraph (A) shall not be subject to the Federal Advisory Committee Act (5 U.S.C. App.).¹

(4) The Secretary shall ensure that marketing materials that the Secretary provides to veterans with respect to loans guaranteed under this chapter include information regarding the use of energy efficiency reports under this subsection.

(5) Not later than one year after the date on which the Secretary issues the regulations and guidance pursuant to paragraph (2), and every year thereafter, the Secretary shall submit to Congress and make publicly available a report that includes the following information for the year covered by the report:

(A) An enumeration of the number of loans guaranteed under this chapter for which a veteran provided to the Secretary an energy efficiency report under this subsection, including the number of such loans for which cost savings were taken into account pursuant to paragraph (1).

(B) Of the number of loans enumerated under subparagraph (A), an enumeration of the default rates and rates of foreclosure, including how such enumeration compares with the default rates and rates of foreclosure for guar-

¹ See References in Text note below.

anted loans for which no energy efficiency report is provided.

(Pub. L. 85-857, Sept. 2, 1958, 72 Stat. 1207, §1810; Pub. L. 90-301, §§1(a), 2(a), May 7, 1968, 82 Stat. 113; Pub. L. 91-506, §3, Oct. 23, 1970, 84 Stat. 1108; Pub. L. 93-569, §3, Dec. 31, 1974, 88 Stat. 1864; Pub. L. 94-324, §7(11), June 30, 1976, 90 Stat. 721; Pub. L. 95-476, title I, §§104, 105(a), Oct. 18, 1978, 92 Stat. 1498, 1499; Pub. L. 96-385, title IV, §§401(a), 402(a), Oct. 7, 1980, 94 Stat. 1532, 1533; Pub. L. 98-223, title II, §205(a), Mar. 2, 1984, 98 Stat. 42; Pub. L. 99-576, title IV, §402(a), (b), Oct. 28, 1986, 100 Stat. 3280; Pub. L. 100-198, §§3(a)(2), 7(a), (c), 8(a)(2), 11(b), 13, Dec. 21, 1987, 101 Stat. 1315, 1318-1320, 1325; Pub. L. 100-322, title IV, §415(c)(4), May 20, 1988, 102 Stat. 551; Pub. L. 101-237, title III, §§309, 313(b)(1), Dec. 18, 1989, 103 Stat. 2075, 2077; renumbered §3710 and amended Pub. L. 102-83, §§4(a)(2)(A)(iv), 5(a), (c)(1), Aug. 6, 1991, 105 Stat. 403, 406; Pub. L. 102-547, §§6(1), 9(a), (b), Oct. 28, 1992, 106 Stat. 3636, 3641, 3642; Pub. L. 103-446, title IX, §§904(a), (b), 905, Nov. 2, 1994, 108 Stat. 4676, 4677; Pub. L. 104-110, title I, §101(e), Feb. 13, 1996, 110 Stat. 768; Pub. L. 109-461, title V, §501, Dec. 22, 2006, 120 Stat. 3431; Pub. L. 110-389, title V, §504(b), Oct. 10, 2008, 122 Stat. 4176; Pub. L. 116-23, §6(a)(3), June 25, 2019, 133 Stat. 973; Pub. L. 117-328, div. U, title II, §203(a), Dec. 29, 2022, 136 Stat. 5449.)

Editorial Notes

REFERENCES IN TEXT

The date of the enactment of this paragraph, referred to in subsec. (a)(12), is the date of enactment of Pub. L. 109-461, which was approved Dec. 22, 2006.

Section 216(b)(1) of the Internal Revenue Code of 1986, referred to in subsec. (h)(2), is classified to section 216(b)(1) of Title 26, Internal Revenue Code.

The Federal Advisory Committee Act, referred to in subsec. (i)(3)(B), is Pub. L. 92-463, Oct. 6, 1972, 86 Stat. 770, which was set out in the Appendix to Title 5, Government Organization and Employees, and was substantially repealed and restated in chapter 10 (§1001 et seq.) of Title 5 by Pub. L. 117-286, §§3(a), 7, Dec. 27, 2022, 136 Stat. 4197, 4361. For disposition of sections of the Act into chapter 10 of Title 5, see Disposition Table preceding section 101 of Title 5.

CODIFICATION

Another section 11(b) of Pub. L. 100-198 amended section 1831 [now 3731] of this title.

AMENDMENTS

2022—Subsec. (i). Pub. L. 117-328 added subsec. (i).

2019—Subsec. (d)(4). Pub. L. 116-23 substituted “subparagraph (B) or (C) of section 3703(a)(1) of this title” for “section 3703(a)(1)(B) of this title”.

2008—Subsec. (b)(8). Pub. L. 110-389 substituted “100 percent” for “90 percent”.

2006—Subsec. (a)(12). Pub. L. 109-461, §501(a), added par. (12).

Subsec. (h). Pub. L. 109-461, §501(b), added subsec. (h).

1996—Subsec. (d)(7). Pub. L. 104-110 struck out par. (7) which read as follows: “A loan may not be guaranteed under this subsection after December 31, 1995.”

1994—Subsec. (a)(11). Pub. L. 103-446, §904(a), added par. (11).

Subsec. (e)(1). Pub. L. 103-446, §904(b)(1), inserted “or for the purpose specified in subsection (a)(11)” after “subsection (a)(8)” in introductory provisions.

Subsec. (e)(1)(A). Pub. L. 103-446, §905, inserted before semicolon at end “or, in a case in which the loan is a fixed rate loan and the loan being refinanced is an adjustable rate loan, the loan bears interest at a rate that is agreed upon by the veteran and the mortgagee”.

Subsec. (e)(1)(C). Pub. L. 103-446, §904(b)(2), substituted “may not exceed—” and cls. (i) and (ii) for “may not exceed an amount equal to the sum of the balance of the loan being refinanced and such closing costs (including any discount permitted pursuant to section 3703(c)(3)(A) of this title) as may be authorized by the Secretary, under regulations which the Secretary shall prescribe, to be included in such loan;”.

1992—Subsec. (a)(7). Pub. L. 102-547, §9(b)(1), amended par. (7) generally. Prior to amendment, par. (7) read as follows: “To improve a dwelling or farm residence owned by the veteran and occupied by the veteran as the veteran’s home through the installation of a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system or through the application of a residential energy conservation measure.”

Subsec. (a)(10). Pub. L. 102-547, §9(b)(2), added par. (10).

Subsec. (d). Pub. L. 102-547, §9(a), amended subsec. (d) generally. Prior to amendment, subsec. (d) defined terms “solar heating”, “solar heating and cooling”, “combined solar heating and cooling”, “passive system”, and “residential energy conservation measure” for purposes of subsec. (a)(7).

Subsec. (e)(1)(D). Pub. L. 102-547, §6(1), amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows: “the amount of the guaranty of the loan may not exceed the original guaranty amount of the loan being refinanced;”.

1991—Pub. L. 102-83, §5(a), renumbered section 1810 of this title as this section.

Subsec. (a). Pub. L. 102-83, §5(c)(1), substituted “3704(c)(2)” for “1804(c)(2)” in introductory provisions, “3712(a)(5)” for “1812(a)(5)” in par. (9)(B)(ii), and “3711” for “1811” in concluding provisions.

Subsec. (b). Pub. L. 102-83, §5(c)(1), substituted “3711” for “1811” in introductory provisions and “3731” for “1831” in pars. (5), (7)(i), and (8).

Subsec. (e)(1)(C). Pub. L. 102-83, §5(c)(1), substituted “3703(c)(3)(A)” for “1803(c)(3)(A)”.

Subsec. (e)(2). Pub. L. 102-83, §5(c)(1), substituted “3702(b)” for “1802(b)”.

Pub. L. 102-83, §4(a)(2)(A)(iv), substituted “Secretary” for “Veterans’ Administration”.

Subsec. (g)(2). Pub. L. 102-83, §5(c)(1), substituted “3712(e)(2)” for “1812(e)(2)”.

1989—Subsec. (a)(6). Pub. L. 101-237, §313(b)(1), substituted “Secretary” for “Administrator” wherever appearing.

Subsec. (b)(5) to (8). Pub. L. 101-237, §309(b), inserted “except in the case of a loan described in clause (7) or (8) of this subsection,” before “the loan to be paid” in cl. (5), struck out “and,” at end of cl. (5), substituted semicolon for period at end of cl. (6), and added cls. (7) and (8).

Subsecs. (d) to (g). Pub. L. 101-237, §313(b)(1), substituted “Secretary” and “Secretary’s” for “Administrator” and “Administrator’s”, respectively, wherever appearing.

Subsec. (h). Pub. L. 101-237, §309(a), struck out subsec. (h) which read as follows: “The amount of a loan guaranteed for the purpose specified in subsection (a)(5) of this section may not exceed the amount equal to 90 percent of the appraised value of the dwelling or farm residence which will secure the loan, as determined by the Administrator.”

1988—Subsec. (a)(9)(B)(ii). Pub. L. 100-322, §415(c)(4)(A), substituted “section 1812(a)(5)” for “section 1819(a)(5)”.

Subsec. (g)(2). Pub. L. 100-322, §415(c)(4)(B), substituted “section 1812(e)(2)” for “section 1819(e)(2)”.

1987—Subsec. (a). Pub. L. 100-198, §8(a)(2), substituted “Except as provided in section 1804(c)(2) of this title, any” for “Any”.

Subsec. (b). Pub. L. 100-198, §11(b), substituted “pursuant to section 1831 of this title” for “by the Administrator” in cl. (5) and struck out last sentence which read as follows: “After the reasonable value of any property, construction, repairs, or alterations is deter-

mined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination."

Subsec. (c). Pub. L. 100-198, §3(a)(2), struck out subsec. (c) which read as follows: "The amount of guaranty entitlement available to a veteran under this section shall not be more than \$27,500 less such entitlement as may have been used previously under this section and other sections of this chapter."

Subsec. (e)(1)(B). Pub. L. 100-198, §7(a)(1), struck out "and such dwelling or residence must be owned and occupied by the veteran as such veteran's home" after "refinanced".

Subsec. (e)(1)(D). Pub. L. 100-198, §7(a)(2), struck out "and" at end.

Subsec. (e)(1)(E). Pub. L. 100-198, §7(a)(3), substituted "by more than 10 years; and" for period at end.

Subsec. (e)(1)(F). Pub. L. 100-198, §7(a)(4), added cl. (F).

Subsec. (g)(3). Pub. L. 100-198, §13, inserted at end "If the procedures described in clause (C) of this paragraph include standards for evaluating residual income, the Administrator shall, in establishing such standards, give appropriate consideration to State statistics (in States as to which the Administrator determines that such statistics are reliable) pertinent to residual income and the cost of living in the State in question rather than in a larger region."

Subsec. (h). Pub. L. 100-198, §7(c), added subsec. (h).
1986—Subsec. (b)(3). Pub. L. 99-576, §402(a), inserted "as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section".

Subsec. (g). Pub. L. 99-576, §402(b), added subsec. (g).
1984—Subsec. (a)(9). Pub. L. 98-223, §205(a)(1), added par. (9).

Subsec. (f). Pub. L. 98-223, §205(a)(2), added subsec. (f).
1980—Subsec. (a)(8). Pub. L. 96-385, §401(a)(1), added par. (8).

Subsec. (c). Pub. L. 96-385, §402(a), substituted "\$27,500" for "\$25,000".

Subsec. (e). Pub. L. 96-385, §401(a)(2), added subsec. (e).

1978—Subsec. (a)(6). Pub. L. 95-476, §104(1), struck out requirement that the purchased residential unit be in a new condominium development, struck out provision that such unit could be in a structure built and sold as a condominium, and inserted provision that the criteria prescribed by the Administrator be prescribed through regulations.

Subsec. (a)(7). Pub. L. 95-476, §104(2), added par. (7).

Subsec. (c). Pub. L. 95-476, §105(a), substituted "\$25,000" for "\$17,500".

Subsec. (d). Pub. L. 95-476, §104(3), added subsec. (d).
1976—Subsec. (a). Pub. L. 94-324 substituted "the veteran", "the veteran's" and "the Administrator" for "him", "his" and "he", respectively, wherever appearing.

1974—Subsec. (a)(5). Pub. L. 93-569, §3(1), struck out "Nothing in this chapter shall preclude a veteran from paying to a lender any discount required by such lender in connection with such refinancing."

Subsec. (a)(6). Pub. L. 93-569, §3(2), added par. (6).

Subsec. (c). Pub. L. 93-569, §3(3), substituted "\$17,500" for "\$12,500".

Subsec. (d). Pub. L. 93-569, §3(4), struck out subsec. (d) relating to guaranty of loans for purchase of a one-family residential unit in a condominium housing project or development as to which Secretary of Housing and Urban Development has issued, under section 234 of the National Housing Act, evidence of insurance.

1970—Subsec. (a). Pub. L. 91-506, §3(1), added par. (5) permitting a veteran to use his loan guaranty eligibility to refinance existing mortgage loans or other liens on dwellings on farm residences he occupies and provided that veterans using loan guarantees for such refinancing may pay points demanded by a lender.

Subsec. (d). Pub. L. 91-506, §3(2), added subsec. (d).

1968—Subsec. (b). Pub. L. 90-301, §2(a), substituted "loan to be paid" for "price paid or to be paid" in par.

(5) of first sentence and inserted sentence at end relating to notification of veteran concerned of determination of reasonable value of any property, construction, repairs, or alterations.

Subsec. (c). Pub. L. 90-301, §1(a), increased limitation on amount of guaranty entitlement from \$7,500 to \$12,500.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2019 AMENDMENT

Amendment by Pub. L. 116-23 applicable with respect to a loan guaranteed under this section on or after Jan. 1, 2020, see section 6(d) of Pub. L. 116-23, set out as a note under section 3703 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by section 3(a)(2) of Pub. L. 100-198 applicable to loans closed on or after Feb. 1, 1988, but not applicable to any loan for which a guaranty commitment is made on or before Dec. 31, 1987, see section 3(d) of Pub. L. 100-198, set out as a note under section 3703 of this title.

Section 7(d) of Pub. L. 100-198 provided that:

"(1) The amendments made by subsections (a) and (b) of this section [amending this section and section 1819 [now 3712] of this title] shall apply to loans made more than 30 days after the date of the enactment of this Act [Dec. 21, 1987].

"(2) The amendment made by subsection (c) of this section [amending this section] shall apply to loans for which commitments are made more than 60 days after the date of the enactment of this Act."

Amendment by section 8(a)(2) of Pub. L. 100-198 applicable with respect to loans made more than 30 days after Dec. 21, 1987, see section 8(c) of Pub. L. 100-198, set out as a note under section 3704 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by sections 401(a) and 402(a) of Pub. L. 96-385 effective Oct. 7, 1980, and Oct. 1, 1980, respectively, see section 601(b), (d) of Pub. L. 96-385, set out as a note under section 1114 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by sections 104(2), (3) and 105(a) of Pub. L. 95-476 effective Oct. 1, 1978, and amendment by section 104(1) of Pub. L. 95-476 effective July 1, 1979, except with respect to the authority to prescribe regulations for the implementation of such amendment, which is effective Oct. 18, 1978, see section 108(a), (b) of Pub. L. 95-476, set out as a note under section 3702 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-324 effective June 30, 1976, see section 9(a) of Pub. L. 94-324, set out as a note under section 3701 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

Amendment by Pub. L. 93-569 effective Dec. 31, 1974, except that amendment by section 3(2), (4) of Pub. L. 93-569 effective ninety days after Dec. 31, 1974, see section 10 of Pub. L. 93-569, set out as a note under section 3702 of this title.

RATIFICATION OF ACTIONS DURING PERIOD OF EXPIRED AUTHORITY

Any action taken by Secretary of Veterans Affairs before Feb. 13, 1996, under provision of law amended by title I of Pub. L. 104-110 that was taken during period beginning on date on which authority of Secretary under such provision of law expired and ending on Feb. 13, 1996, considered to have same force and effect as if such amendment had been in effect at time of that action, see section 103 of Pub. L. 104-110, set out as a note under section 1710 of this title.

REPORTS ON ENERGY EFFICIENT MORTGAGES GUARANTEED UNDER THIS SECTION

Pub. L. 102-547, §9(c), Oct. 28, 1992, 106 Stat. 3642, directed Secretary of Veterans Affairs to transmit report

on energy efficient mortgages to Committees on Veterans' Affairs of Senate and House of Representatives not later than 1 year after date on which Secretary first exercises authority to guarantee loans under section 3710(d) of this title and for each of the 3 years thereafter, prior to repeal by Pub. L. 104-110, title II, § 201(b), Feb. 13, 1996, 110 Stat. 770.

§ 3711. Direct loans to veterans

(a) The Congress finds that housing credit for purposes specified in section 3710 or 3712 of this title is not and has not been generally available to veterans living in rural areas, or in small cities and towns not near large metropolitan areas. It is therefore the purpose of this section to provide housing credit for veterans living in such rural areas and such small cities and towns.

(b) Whenever the Secretary finds that private capital is not generally available in any rural area or small city or town for the financing of loans guaranteed for purposes specified in section 3710 or 3712 of this title, the Secretary shall designate such rural area or small city or town as a "housing credit shortage area". The Secretary shall, with respect to any such area, make, or enter into commitments to make, to any veteran eligible under this title, a loan for any or all of the purposes described in section 3710(a) or 3712 of this title (other than the refinancing of a loan under section 3710(a)(8) or 3712(a)(1)(F)).

(c) No loan may be made under this section to a veteran unless the veteran shows to the satisfaction of the Secretary that—

(1) the veteran is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans or manufactured home loans, as appropriate, a loan for such purpose for which the veteran is qualified under section 3710 or 3712 of this title, as appropriate; and

(2) the veteran is unable to obtain a loan for such purpose from the Secretary of Agriculture under title III of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.).

(d)(1) Loans made under this section shall bear interest at a rate determined by the Secretary, not to exceed the rate authorized for guaranteed home loans, or manufactured home loans, as appropriate, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2)(A) Except for any loan made under this chapter for the purposes described in section 3712 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to \$33,000 as the amount of guaranty to which the veteran is entitled under section 3710 of this title at the time the loan is made bears to \$36,000; and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to \$36,000 as the amount of the loan bears to \$33,000.

(B) The original principal amount of any loan made under this section for the purposes described in section 3712 of this title shall not ex-

ceed the amount that bears the same ratio to \$33,000 as the amount of guaranty to which the veteran is entitled under such section at the time the loan is made bears to \$20,000. The amount of the guaranty entitlement for purposes specified in section 3710 of this title of any veteran who is granted a loan under this section, or who before October 18, 1978, was granted a loan under this section, shall be charged with the amount that bears the same ratio to \$20,000 as the amount of the loan bears to \$33,000.

(3) No veteran may obtain loans under this section aggregating more than \$33,000.

(e) Loans made under this section shall be repaid in monthly installments, except that in the case of any such loan made for any of the purposes described in paragraphs (2), (3), or (4) of section 3710(a) of this title, the Secretary may provide that such loan shall be repaid in quarterly, semiannual, or annual installments.

(f) In connection with any loan under this section, the Secretary may make advances in cash to pay taxes and assessments on the real estate, to provide for repairs, alterations, and improvements, and to meet the incidental expenses of the transaction. The Secretary shall determine the expenses incident to origination of loans made under this section, which expenses, or a reasonable flat allowance in lieu thereof, shall be paid by the veteran in addition to the loan closing costs.

(g) The Secretary may sell, and shall offer for sale, to any person or entity approved for such purpose by the Secretary, any loan made under this section at a price which the Secretary determines to be reasonable under the conditions prevailing in the mortgage market when the agreement to sell the loan is made; and shall guarantee any loan thus sold subject to the same conditions, terms, and limitations which would be applicable were the loan guaranteed for purposes specified in section 3710 or 3712 of this title, as appropriate.

(h) The Secretary may exempt dwellings constructed through assistance provided by this section from the minimum land planning and subdivision requirements prescribed pursuant to subsection (a) of section 3704 of this title, and with respect to such dwellings may prescribe special minimum land planning and subdivision requirements which shall be in keeping with the general housing facilities in the locality but shall require that such dwellings meet minimum requirements of structural soundness and general acceptability.

(i) The Secretary is authorized, without regard to the provisions of subsections (a), (b), and (c) of this section, to make or enter into a commitment to make a loan to any veteran to assist the veteran in acquiring a specially adapted housing unit authorized under chapter 21 of this title, if the veteran is determined to be eligible for the benefits of such chapter 21, and is eligible for loan guaranty benefits under this chapter.

(j)(1) If any builder or sponsor proposes to construct one or more dwellings in a housing credit shortage area, or in any area for a veteran who is determined to be eligible for assistance in acquiring a specially adapted housing unit under chapter 21 of this title, the Secretary may enter