



# Oregon

Kate Brown, Governor

Department of Veterans' Affairs  
Office of the Director  
700 Summer St NE  
Salem, OR 97301  
800-828-8801 | 503-373-2085  
[www.oregon.gov/odva](http://www.oregon.gov/odva)

**DATE:** February 23, 2021  
**TO:** House Committee on Veterans and Emergency Management  
**FROM:** Jennifer Donovan, Legislative Director, Oregon Department of Veterans' Affairs  
**SUBJECT:** HB 2878 – Refinancing Options for Veterans

Chair Evans and Members of the Committee,

Thank you for providing this opportunity to provide testimony on HB 2878. The Department has no position on this bill, but would like to share information about how the bill may affect agency operations and ODVA's Veterans' Home Loan program. Oregon is one of only five states that offers a veteran home loan program. This Oregon benefit is separate and distinct from the federal VA Home Loan Guaranty and has loaned approximately \$8 billion in low-interest home loans to more than 334,000 veterans since 1945. The primary source of funding for the Oregon Veterans' Home Loan program are bond proceeds from Qualified Veteran Mortgage Bonds (QVMBs). Under the IRS guidelines for QVMBs, refinancing is allowed in a limited manner therefore, the Veterans' Home Loan Program does not provide refinancing options for veterans, nor does it provide loan guaranties like the federal program.

## BILL SUMMARY

HB 2878 provides that ODVA will enter into agreements with lending institutions to provide loan guaranties for veterans wishing to refinance a loan on a primary residence. The bill requires ODVA to define the terms of the agreements and to set fees for services that would provide fiscal stability to the program. The bill creates the Veterans Refinancing and Reintegration Services Fund within the Oregon State Treasury for payment of claims on loan or credit guarantees, administration of the program, and purchase or buyout of superior or prior liens, mortgages or security interests, among others.

## DISCUSSION

The Veterans' Home Loan Program offers limited refinancing options to veterans due to federal tax law limitations. This bill does not alleviate this preclusion, but seeks to find an alternative means for veterans to qualify for refinancing options from other lenders. Chair Evans, the sponsor of the bill, seeks to provide support to veterans who may not meet certain credit criteria to qualify for lender refinancing by creating a loan security guaranty fund to be administered by ODVA. At this point, ODVA cannot determine potential volume, or if this is a viable program. Though the policy objective of providing service to a greater number of veterans is always of interest to the agency, we would require extensive time to consult with a number of lending institutions to determine if this proposed refinancing/guarantee program could move forward in its current form and evaluate the internal structure necessary to administer the contracts and

funds. Additionally, the Department will need to analyze the possible impact to the Veterans' Home Loan Program portfolio. Given that veterans may be refinancing existing loans currently held in the Veterans' Home Loan Program, the program may see significant run-off.