



**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
HOUSE COMMITTEE ON VETERANS' AFFAIRS
JULY 27, 2005**

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify today and present the views of the Department of Veterans Affairs on six bills of great interest to our Nation's veterans.

H.R. 1773

The first bill I will discuss, Mr. Chairman, is H.R. 1773, which would make several amendments to the VA Native American Direct Loan program. Under this program, qualified Native American veterans living on trust land may receive direct housing loans from VA.

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First, this bill would make the Native American Direct Loan program permanent. Under this program, which was enacted as a pilot program in October 1992, VA has made over 450 loans to Native American veterans living on trust lands. This program is currently set to expire December 31, 2008.

VA believes the Native American Direct Loan program has proven to be a viable benefit which provides financing to a unique class of veterans residing in areas where private funding is not generally available. VA looks forward to working with the Congress to extend this program. We are advised, however, that the Department of Justice has some constitutional concerns. We would be pleased to work with the Committee staff and the Department of Justice to address those issues and develop legislation that the Administration can support.

In addition, H.R. 1773 would tie the maximum permitted Native American Direct Loan to the single-family conforming loan limit established by the Federal Home Loan Mortgage Corporation (also known as "Freddie Mac"). The Veterans Benefits Improvement Act of 2004 tied the maximum VA housing loan guaranty to the Freddie Mac single-family conforming loan limit. We believe tying the maximum Native American Direct Loan to the same Freddie Mac limit is appropriate, and VA supports that proposal.

Finally, H.R. 1773 would extend eligibility for a Native American Direct Loan to a veteran who is not a Native American, but who is married to a Native American non-veteran. To be eligible for such a loan, the qualified non-Native American veteran and the spouse must reside on trust land, and both the veteran and spouse must have a meaningful interest in the dwelling or lot.

Due to the scarcity of private financing on tribal trust land, non-Native American veterans who choose to live with a Native American spouse on tribal trust land are effectively precluded from obtaining VA guaranteed loans. VA is

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not certain how many tribes allow non-Native American spouses who reside on trust land to obtain a meaningful interest in the dwelling. In cases where tribal law allows such an interest, VA has no objection to extending this benefit as proposed by H.R. 1773.

VA estimates enactment of H.R. 1773 would produce a discretionary first-year savings of \$708 thousand, and a discretionary 10-year savings of approximately \$23 million.

H.R. 3082

The next item I will address, Mr. Chairman, is H.R. 3082, the “Veteran-Owned Small Business Promotion Act of 2005.”

This bill would:

- Establish a set-aside tool for veteran-owned small businesses;
- Enable surviving spouses of veterans to participate in the Federal marketplace after the loss of their loved one; and
- Provide VA with authority to “Choose Veterans First” when filling requirements for our Department.

H.R. 3082, Mr. Chairman, proposes to establish a nine percent procurement requirement for the Department of Veterans Affairs for both prime contracting and subcontracting. While the Administration supports expanding opportunities for veterans' small businesses in Federal contracting through appropriate goals and incentives, the Administration does not support mandating that a certain percentage of contract dollars go to certain businesses.

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DRAFT BILL -- INCREASE IN ADAPTIVE HOUSING GRANTS

Mr. Chairman, you also requested our views on a draft bill which would increase the maximum Specially Adapted Housing grants. The maximum Specially Adapted Housing grant authorized by section 2101(a) of title 38, United States Code would be increased from \$50,000 to \$55,000, and the maximum Special Housing Adaptations grant authorized by section 2101(b) would be increased from \$10,000 to \$12,000. VA favors enactment of this measure.

These grants were last increased by Public Law 108-183, enacted December 16, 2003. The cost of construction has risen in the past year and a half, and continues to increase. VA believes an increase in the amount of this important benefit to eligible veterans with total and permanent service-connected disabilities is justified and appropriate.

VA estimates that enactment of this draft bill would produce first year costs of \$4.2 million and a 10-year cost of \$46.5 million.

DRAFT BILL -- GRANTS FOR TEMPORARY ADAPTIVE HOUSING

The next draft bill, Mr. Chairman, would authorize the Secretary to provide additional assistance to a veteran who is eligible for Specially Adapted Housing under chapter 21 of title 38, United States Code, and who is temporarily residing in a home owned by the veteran's parent or sibling. This assistance would be in the form of a grant to assist the veteran in adapting the temporary residence to meet the veteran's special needs.

The temporary residence grant for a veteran who is eligible for the grant authorized by section 2101(a) of title 38 could not exceed \$10,000, and in the case of a veteran eligible for the grant authorized by section 2101(b), the

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temporary residence grant could not exceed \$2,000. Only one such grant for a temporary residence would be permitted for any one veteran. If the veteran subsequently receives a grant under section 2101 for a permanent residence, the amount of the assistance received under this proposed authority would be deducted from the maximum grant otherwise authorized by section 2102.

VA believes the intent of this draft bill is laudable, and has no objection to the concept of this legislation. Before VA can endorse this or any similar legislation, however, we believe more study of this new proposal is required and a number of practical issues need to be resolved.

For example, Mr. Chairman, the veteran would have no ownership interest in the temporary residence, and would be at the mercy of the parent or sibling for being permitted to continue to occupy the adapted temporary residence. Should the owner need or desire to sell the residence, or if the veteran and relative have a falling out, the veteran could be forced to vacate the residence prematurely and would lose the benefit of this one-time assistance. In addition, a number of veterans needing a temporary residence may not be able to obtain accommodations with a parent or sibling. We question whether qualified temporary residences should be so limited.

Due to the high costs of construction, many homes cannot be adequately adapted, even as a temporary residence, for the amount proposed for the new grant. Likewise, when a veteran who has received such temporary assistance acquires a permanent residence, the grant for that home would be reduced by the amount of such initial grant. Because the veteran did not own the temporary residence, the veteran will have no equity to apply to the new residence. The reduction in the final grant might adversely affect the affordability of a permanent adapted home for some veterans. Thus, we need further study to ensure we are

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not converting this important program into one that supplies two inadequate grants.

We would be pleased to meet with Committee staff to discuss our concerns in greater detail, Mr. Chairman.

VA estimates enactment of this draft legislation would produce no increase in benefits costs and insignificant administrative expenses.

**DRAFT BILL -- DISABLED VETERANS' OUTREACH PROGRAM AND
LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES**

The next draft bill, Mr. Chairman, would direct the Secretary of Labor to establish professional qualifications for Disabled Veterans' Outreach Program Specialists (DVOPs) and Local Veterans' Employment Representatives (LVERs) under the program of employment and training services authorized by chapter 41 of title 38, United States Code, and administered by the Department of Labor, Veterans' Employment and Training Service. This program offers employment and training services to eligible veterans by providing grants to states to fund, among other things, DVOP and LVER positions. Under this grant program, funds are allocated to State Workforce Agencies using a formula that takes into account the number of veterans seeking employment within their state and the veterans' unemployment rate in that state.

It is not clear what specific professional qualifications are intended to be addressed by this proposal. However, since this program is administered by the

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Department of Labor, we respectfully defer to the views of that Department regarding the merits of this proposal.

**DRAFT BILL -- OFFICE OF NATIONAL DISABLED VETERANS
SPORTS PROGRAMS AND SPECIAL EVENTS**

The final draft bill, Mr. Chairman, would establish an Office of National Disabled Veterans Sports Programs and Special Events in VA. This office would establish and carry out sports programs for disabled veterans. In addition, the office would arrange for VA to sponsor sports programs for disabled veterans conducted by other groups if the Secretary determines that the programs are consistent with VA's goals and missions. The office would provide for, facilitate, and encourage disabled veterans to participate in these programs. Finally, the office must cooperate with the United States Olympic Committee to promote the participation of disabled veterans in the Paralympics.

VA opposes enactment of this bill. VA is very supportive of the National Special Rehabilitative Events and veteran participation in the Paralympics. However, VA has significant concerns about the name proposed for the new office and the intent of this bill.

In 2000, VA established an Office of National Programs and Special Events. This Office is responsible for management and hosting of VA's National Rehabilitative Special Events. This year, this office is conducting many national events for veterans including the 25th National Veterans Wheelchair Games, the 20th Winter Sports Clinic, the 17th Creative Arts Festival, and the 19th Golden Age Games.

The name proposed for the new Office is inaccurate and misleading. The National Special Rehabilitation Events focus on rehabilitation, health promotion

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and disease prevention by encouraging veterans to lead healthy active lifestyles. As a group, their primary function is health-related rather than as “sports” events. Furthermore, the Creative Arts Festival is not a sports program at all, and many of the Golden Age Games’ geriatric participants are not “disabled” veterans. In addition, we do not believe that there is a need to create another office that would be limited to working solely on sports programs involving disabled veterans. In our view, VA’s existing office does an excellent job of managing these programs. It would create management inefficiencies to separate these functions into two offices.

VA is currently cooperating with the United States Olympic Committee by referring elite disabled veteran athletes who have participated in VA National Special Rehabilitation Events to their sports program for the Paralympics. VA is also cooperating with the National Senior Games Association to encourage VA patients to participate in their senior games. However, the senior games and the Paralympics are primarily sports competitions, not health promotion or rehabilitation activities. Therefore, we believe that it would be inappropriate for VA to provide direct support or resources to these activities because they do not fall within VA’s healthcare mission.

This concludes my statement, Mr. Chairman. I will be pleased to respond to any questions you or the members of the Subcommittee may have.