



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

Mr. Tim McClain
General Counsel
Department of Veterans' Affairs
810 Vermont Avenue, NW
Washington, DC 20420

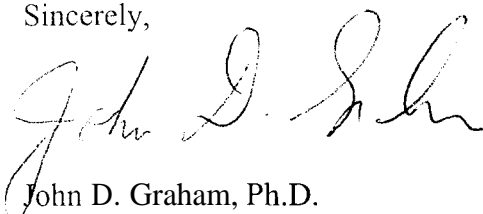
Dear Mr. McClain:

On July 16, 2002, the Department of Veterans' Affairs (VA) submitted an advanced notice of proposed rulemaking (ANPRM) entitled "Loan Guaranty: Availability of Vendee Financing for VA-Acquired Properties" to the Office of Management and Budget (OMB) for review under Executive Order 12866. The ANPRM solicits public comments concerning whether VA should discontinue offering vendee loan financing on the sale of certain property VA acquires following the foreclosure of guaranteed and direct home loans made to veterans. After discussions with VA staff, we have decided to return the rule to the agency.

OMB recommended in the President's FY03 Budget that VA discontinue the practice of offering vendee loans. First, direct loan financing extends VA's liability. In the absence of this program, VA would get cash sales rather than **up** to 30 years of liability. Furthermore, in offering these loans, VA is competing with private sector lenders. Finally and perhaps most importantly, these loans do not provide any benefits to veterans since the terms of these loans are comparable to similar commercial loans.

VA agreed with this assessment and included language in its Congressional Justification stating that "because [vendee financing] extends the government's liability **as opposed** to cash sales, **VA** plans to administratively eliminate the vendee loan program." Since this decision has been made and justified in the President's FY2003 Budget and does not require rulemaking, it does not seem appropriate for VA to solicit public comments implying that the issue is not settled.

Sincerely,



John D. Graham, Ph.D.
Administrator