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Federal Ruling Represents Major Breakthrough for Military Veterans Seeking to Purchase a Home in Michigan

The Home Builders Association of Michigan announced today that a ruling from the United States Department of Veterans Affairs (VA) has cleared the way for military veterans in the State of Michigan to have full access to affordable financing on all types of homes they seek to purchase here. Until now, they were not fully eligible for their earned VA home purchasing benefit. The VA ruling comes as a result of diligent efforts on behalf of military veterans by Congressman Jack Bergman (R-Michigan) and the Home Builders Association of Michigan.

“We applaud the VA for their willingness to take a closer look at our Michigan marketplace and modify their financing guidelines for single family homes that are built in site condo developments, said Lynne Pratt, HBAM President and Auburn Hills homebuilder. “We are also thankful to Congressman Bergman for interceding and helping our state’s veterans.”

“As a Veteran myself, I know very well the challenges Veterans face while trying to navigate the system,” said Congressman Bergman. “This issue is about fairness and equity. Veterans have made immense sacrifices in service to our country and our freedom. They’ve earned the right to use their Veterans’ benefits to pursue the dream of home ownership. Veterans in Michigan were being denied access to a tool that, for many, is the only way to make their dream a reality. I’m proud of the work that has been done to finally correct this roadblock for Michigan Veterans.”

Several factors in Michigan’s housing market have meant that veterans have been forced to use conventional financing when purchasing a single-family home here. Worse, many have ended up not qualifying for a purchase because of the down payment requirements with conventional lending. Many have also lost out to other bidders because sellers don’t want to wait for VA approvals when others are ready to purchase with conventional financing or cash. Why? The VA interpreted single family homes in site condo developments here in Michigan as “condos” in their processing protocols. This triggered additional reviews that delayed and often eliminated VA financing for such homes

“Recently Chemical Bank had a disabled veteran get approved for financing but then had his offer rejected because the financing was through VA and the home was in a site condo development,” said Marcy Lindhout, Director of Mortgage Lending at Chemical Bank. “The seller ended up accepting a lower offer because the financing was a conventional mortgage product and there were less rules, regulations and hoops to go through. The VA ruling on site condos has eliminated those barrier for our military veterans.”

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The Michigan Condo Act allows developers a more streamlined option for platting and developing property for both traditional condominium projects and single family homes. It is estimated that some 90 percent of all single family homes now constructed in Michigan are actually built in site condo developments. These homes have the same characteristics as single family homes built on traditionally platted property. As single family homes, many of these dwellings would qualify for the VA's single family home financing programs. However, since they were developed under Michigan's condo law and are described as site condos in legal documents, they were being rejected or put through additional review procedures by the VA.

In early 2017 State Representative Jason Wentworth (R-Clare), a veteran himself, asked HBAM Michigan about the challenges he faced in getting a VA loan approved. This triggered HBAM's inquiry.

"I have firsthand experience jumping through hoops and over financing hurdles trying to ensure my chances of a loan through the old VA site condo process," Wentworth said. "That process was 16 steps, two inches thick of paperwork and it took me three months to navigate. Veterans shouldn't be forced to go through such a process and this change is about common sense and simplification."

As HBAM began its investigation Chemical Bank, the state's largest Michigan-based bank, quickly stepped up to provide case studies to help petition the VA.

"This change would have not happened without Chemical Bank's commitment to veterans," noted Robert Filka, HBAM CEO. "At every point of our dialogue with the VA they were there to help illustrate the unfair circumstances veterans were facing. I can't say enough about their team and the work that they've done helping our state's veterans."

The Home Builders Association of Michigan is a professional trade association comprised of 24 local homebuilder associations around the state and their builder, subcontractor and supplier members. HBA of Michigan works to positively promote the building industry and impact legislative, regulatory and legal issues affecting housing affordability.

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