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Supplemental Brief: Why San Francisco Housing Creates Barriers for Veterans Using VA Home Loans

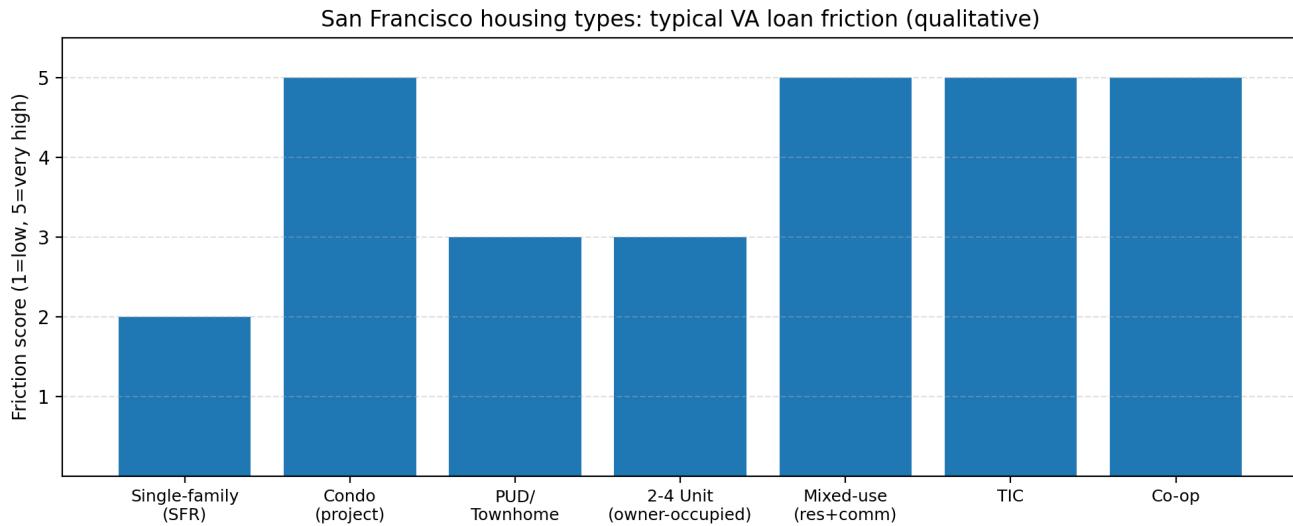
Prepared for the San Francisco Veterans Affairs Commission (VAC)

This supplemental brief is intended to help Commissioners quickly understand why many veterans are practically excluded from large portions of San Francisco housing inventory when they attempt to use their VA Home Loan benefit. The VA program is designed for owner-occupants and relies on an appraisal process that verifies minimum property requirements (MPRs) - the home must be safe, structurally sound, and sanitary at closing. Condominiums have an additional, project-level requirement: the condominium development must be approved by VA before units are eligible for VA loan guaranty.

1. Core VA Requirements That Intersect With San Francisco Housing

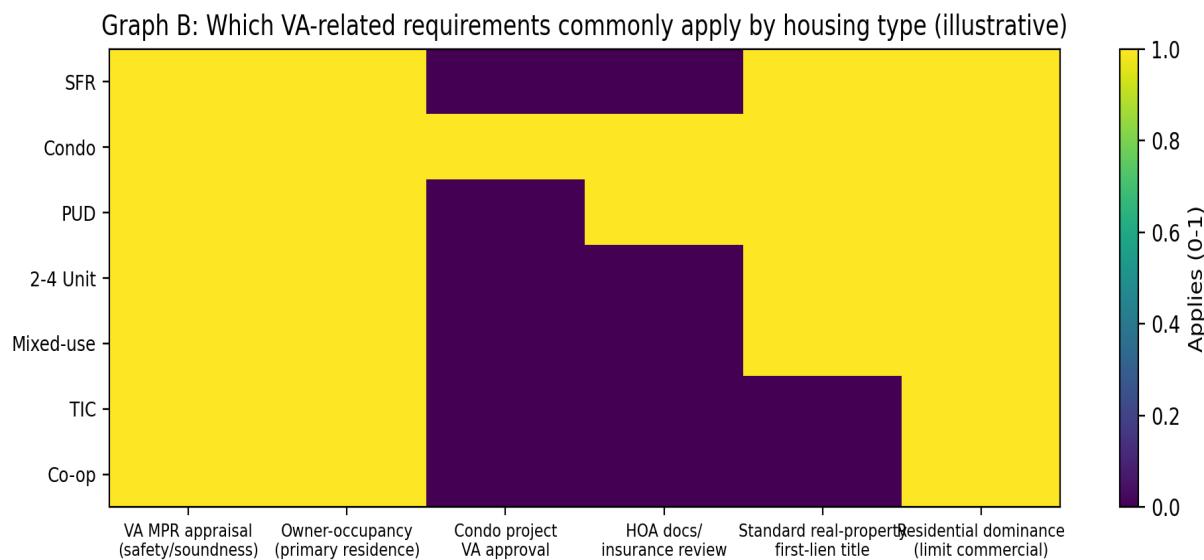
Minimum Property Requirements (MPRs): VA appraisal evaluates whether the property meets minimum standards for safety, soundness, and sanitation; required repairs are typically conditions of closing. **Primary residence occupancy:** The veteran must intend to occupy the home as a primary residence within a reasonable time (commonly referenced as 60 days after closing, with documented flexibility in some cases). **Condominium project approval:** For condos, VA must approve the entire project before a unit is eligible for VA loan guaranty; approval requires review of governing documents and other project information. **First-lien enforceability:** The VA lender must be able to hold a valid, enforceable first lien; non-standard title structures can conflict with this (for example, many TIC and co-op structures).

Graph A: VA loan friction by housing type (qualitative)



Note: Scores are a qualitative screening tool to help prioritize outreach and interventions; they are not based on a City dataset.

Graph B: Housing types vs commonly applicable VA-related requirements (illustrative)



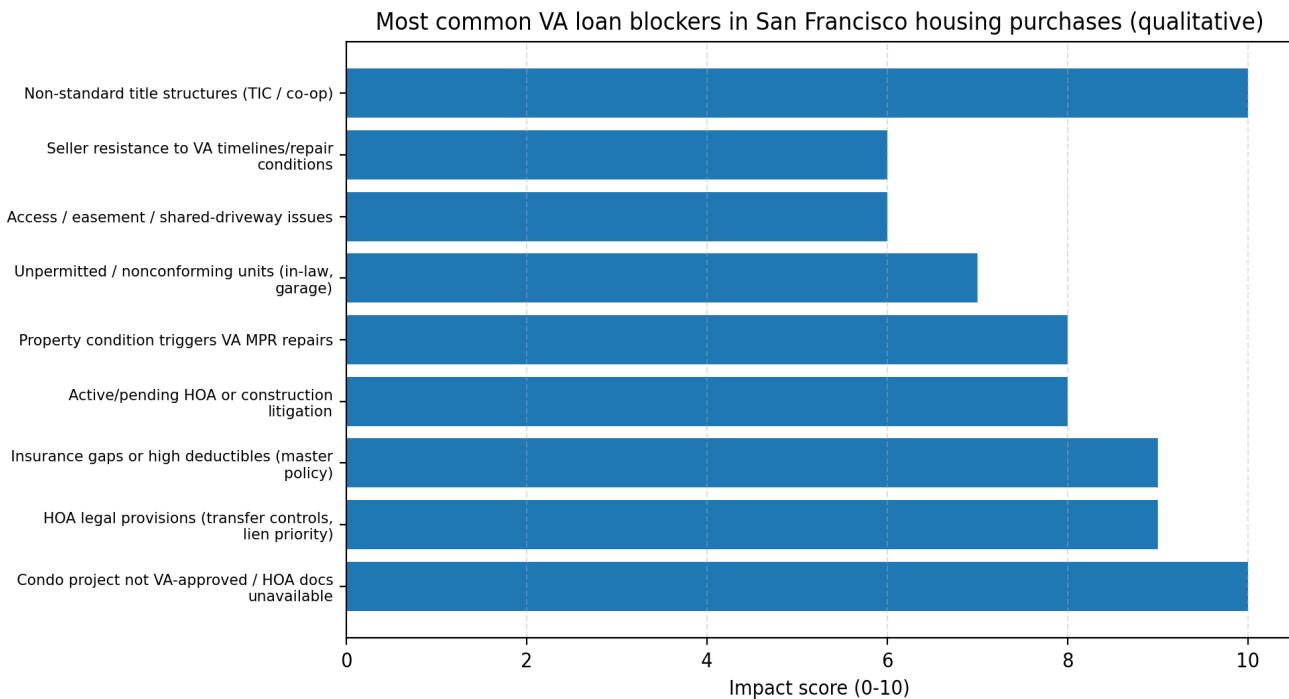
Interpretation: Condos add project approval and broader HOA review; TIC/co-op issues often center on title/first-lien compatibility.

2. What Veterans Commonly Encounter, By Housing Type

Housing type (SF)	Typical VA barrier pattern (most common)
Single-family (SFR)	Older stock leads to repair conditions (roof, electrical, heating, safety items). Seller preference for minimal contingencies can disadvantage VA offers.
Condominium	Project not VA-approved; HOA documents delayed or incomplete; HOA legal terms affecting transfer or lien priority; insurance gaps; litigation.
PUD / townhome	Usually easier than condos, but still subject to HOA docs and lien-priority/insurance review; misclassification (condo vs PUD) can cause delays.
2-4 unit (owner-occupied)	VA appraisal covers all units; habitability issues in rental units; illegal/unpermitted units; seller reluctance.
Mixed-use	Eligibility depends on residential dominance and marketability; commercial share and zoning/access complexities can block financing.
TIC	Non-standard title and shared-ownership structures frequently conflict with first-lien enforceability and lender/VA requirements.
Co-op	Share-based ownership and board controls typically do not fit VA real-property lien requirements; financing availability is limited.

3. Cross-Cutting Issues That Most Often Block VA Purchases in San Francisco

Graph C: Common blockers (qualitative impact)



Note: 'Impact' reflects how often the issue blocks eligibility or derails timelines in practice; it is qualitative and intended for policy discussion.

4. Why This Functions as Structural Exclusion

Veterans can be excluded from homeownership opportunities even when they are fully qualified borrowers because the barrier is often the property or project, not the veteran. In San Francisco, a veteran's VA-backed offer may be disadvantaged by (a) required repairs identified by the VA appraisal; (b) condo project-level approval requirements; and (c) delays or denials caused by HOA documents, insurance, or litigation. The net effect is that veterans are steered toward a smaller subset of housing stock, increasing cost, time, and likelihood of repeated failed offers.

5. Possible Solutions for San Francisco (Policy + Practice Options)

City-facilitated VA condo readiness program: Standardize a "VA-ready" HOA document and insurance package and provide technical assistance to HOA managers. **Timed HOA disclosures:** Require HOA document + insurance summaries to be available pre-listing or within defined response times during escrow.

Model HOA amendments: Encourage amendments that reduce transfer restraints and clarify lien priority consistent with marketable first-lien financing. **Insurance support:** Convene insurers, brokers, and HOA stakeholders to address common master-policy gaps and deductible shocks. **Seller/listing-agent education:** Publish an SF-specific fact sheet that corrects misconceptions about VA timelines and appraisal repairs. **Repair enablement:** Explore local programs that help complete required health/safety repairs quickly when VA appraisal conditions a loan. **TIC pathways:** Support voluntary TIC-to-condo conversions or other pathways that increase financeability without displacing residents. **Measurement:** Track why VA offers fail (project, HOA docs, insurance, repairs) to target interventions.

References (selected primary sources)

VA Minimum Property Requirements: MPRs ensure properties are safe, structurally sound, and sanitary. VA Lender's Handbook (Pamphlet 26-7), Chapter 3: occupancy within a reasonable time is generally within 60 days after closing. VA guidance on Common Interest Communities: condominiums must be VA-approved before units are eligible for VA loan guaranty; VA reviews organizational documents. VA LGY Hub condo report: official lookup for accepted projects.

This brief is for policy discussion and does not constitute legal advice.