

# Mortgage Assistance and Relief for Veterans

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On 10 October 2008, the Veterans' Benefits Improvement Act of 2008 (S. 3023) was signed into law. Major provisions of the law directly impact the Veterans Administration Home Loan Guaranty Programs, originally established in 1944 under the original GI Bill, and amends Sections 3703, 3707, and 3710 of Title 38, United States Code. Eligibility requires good credit, no prior mortgage defaults, and a residence with a value at least as much as being borrowed. The end result is enhanced opportunities for veterans to obtain or refinance an existing mortgage (including a sub-prime mortgage) with a VA loan and potentially avoid foreclosure.

### Home Loan Guaranty Amount:

Section 3703(a)(1) of Title 38, United States Code, is amended to provide that for any loan closed between 10 October 2008 and 31 December 2011 (except in Alaska, Guam, Hawaii, and the U.S. Virgin Islands), the maximum loan guaranty amount will be the greater of twenty-five (25%) percent of (a) \$417,000 or (b) 125 percent of the area median price for a single-family residence, but in no case to exceed 175 percent of the limitation determined under section 305(a)(2) for the calendar year in which the loan is originated. This equates to a maximum loan amount of \$1,094,625 (in January 2009).

In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the maximum loan guaranty amount will be the greater of twenty-five (25%) percent of (a) \$625,500 or (b) 125 percent of the area median price for a single-family residence. This equates to a maximum loan amount of \$1,641,937.50 (in January 2009).

The new law also reduces the loan origination fee for home

loans to one (1%) percent of the loan value. The maximum loan guaranty amounts will be adjusted annually. In addition, the loan guarantee amount will be reduced by any previously used entitlement that has not been restored.

### Home Loan Refinancing:

Section 3710(b)(8) of Title 38, United States Code, is amended by increasing to one hundred (100%) percent (up from ninety (90%) percent) the maximum refinanced loan guaranty amount. This will allow home loan refinancing up to \$417,000 in most locations, and up to \$729,750 in high-cost areas. The amendment also eliminates the loan origination fee for refinancing. All other VA loan program requirements will remain the same.

### Extension of Adjustable Rate Loan Guaranty Programs:

Section 3707 of Title 38, United States Code, is amended by extending the Adjustable Rate Mortgage ("ARM") and Hybrid Adjustable Rate Mortgage ("HARM") programs through 30 September 2012 (the program had expired on 30 September 2008). All VA program requirements related to ARMs and HARMs will remain in effect.

The ARM and HARM programs originated in 1993 as a demonstration project. The program's interest rate adjustment provisions: (1) correspond to a national interest rate index; (2) adjust the monthly payment on an annual basis; (3) are limited to a single annual interest rate adjustment (with a maximum increase or decrease of one (1%) percentage point; and (4) are limited, over the term of the mortgage, to a maximum increase of five (5%) percentage points above the initial contract interest rate. ⚡