

FOR IMMEDIATE RELEASE

**Enhanced VA Mortgage Options Now Available for Veterans
Of Potential Benefit to Those in Financial Distress**

WASHINGTON (Oct.24) -- Veterans with conventional home loans now have new options for refinancing to a Department of Veterans Affairs (VA) guaranteed home loan. These new options are available as a result of the Veterans' Benefits Improvement Act of 2008, which the President signed into law on October 10, 2008.

"These changes will allow VA to assist a substantial number of veterans with subprime mortgages refinance into a safer, more affordable, VA guaranteed loan," said Secretary of Veterans Affairs Dr. James B. Peake. "Veterans in financial distress due to high rate subprime mortgages are potentially the greatest beneficiaries."

VA has never guaranteed subprime loans. However, as a result of the new law VA can now help many more veterans who currently have subprime loans.

The new law makes changes to VA's home loan refinancing program. Veterans who wish to refinance their subprime or conventional mortgage may now do so for up to 100 percent of the value of the property. These types of loans were previously limited to 90 percent of the value.

Additionally, Congress raised VA's maximum loan amount for these types of refinancing loans. Previously, these refinancing loans were capped at \$144,000. With the new legislation, such loans may be made up to \$729,750 depending on where the property is located.

Increasing the loan-to-value ratio and raising the maximum loan amount will allow more qualified veterans to refinance through VA, allowing for savings on interest costs or even potentially avoiding foreclosure.

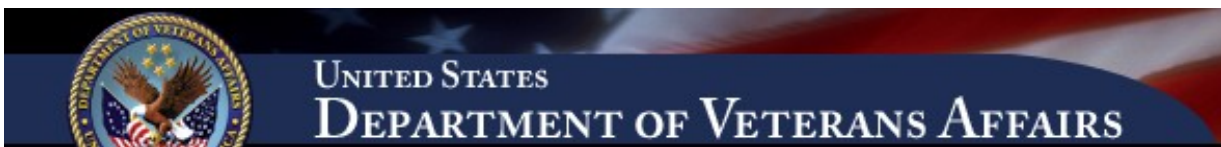
Originally set to expire at the end of this month, VA's authority to guaranty Adjustable Rate Mortgages (ARMs) and Hybrid ARMs was also extended under this new law through September 30, 2012. Unlike conventional ARMs and hybrid ARMs, VA limits interest rate increases on these loans from year to year, as well as over the life of the loans. Since 1944, when home loan guaranties were offered with the original GI Bill, VA has guaranteed more than 18 million home

loans worth over \$911 billion. This year, about 180,000 veterans, active duty servicemembers, and survivors received loans valued at about \$36 billion.

For more information, or to obtain help from a VA Loan Specialist, veterans may call VA at 1-877-827-3702 or visit www.homeloans.va.gov.

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Home Loan Guaranty Services

Welcome to the Loan Guaranty Web Site


Important Announcements:

PDF Documents - To read PDF documents, you need a PDF viewer. Links to viewer software can be found [at this link](#).

NEW! Enhanced VA Mortgage Options Now Available for Veterans Of Potential Benefit to Those in Financial Distress. Please go to [this link](#) for more information.

NEW! Please go to [this link](#) for 2008 Loan Limits for high-cost counties and go to [this link](#) for examples of new guaranty calculations.

NEW! On October 10, 2008, the President signed S. 3023, the Veterans' Benefits Improvement Act of 2008. Please go to [this link](#) for important information to veteran homeowners.



If you have been affected by Hurricane Ike, Hurricane Gustav, or other natural disasters, please click on [this link](#) for important information to veteran homeowners.

NEW! Public Law 110-289 has expanded the Specially Adapted Housing (SAH) grant program, and increased SAH grant amounts. Click on [this link](#) to read the most recent release regarding these changes. Please note that the updates to VA Pamphlet 26-69-1 “*Questions on Specially Adapted Housing and Special Housing Adaptations*” will be posted soon.

NEW! VA Reaching Out to Vets with Mortgage Problems. Read [this link](#) for important information to veteran homeowners.

[Implementation of Public Law 109-233, Section 101 - Specially Adapted Housing](#)

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For answers to questions on some of our most requested subjects, click on the following links:

- [What's New](#) *Updated 10/29/2008
- [Veteran's Information Portal \(VIP\)](#)
- [Veteran's Information Portal \(VIP\) Help Desk](#)
- [VA Regional Loan Centers](#)
- [General Eligibility Questions, including how to get a Certificate of Eligibility](#)
- [Frequently asked questions \(FAQ\)](#)
- [Information on VALERI](#) *Updated 11/3/2008
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Reviewed/Updated Date: November 3, 2008

VA Guaranty Calculation Examples

The following examples illustrate some common situations involving VA-guaranteed loans. They are by no means comprehensive. Due to variations in the amount of entitlement available to an individual veteran, loan limits for individual counties, and purchase prices for homes, situations may arise which are not covered here. Lenders are encouraged to contact the appropriate VA Regional Loan Center prior to closing a loan if there are questions about the VA guaranty calculation.

Example 1

Veteran has full entitlement available and is purchasing a home for \$300,000 where the county loan limit is \$417,000.

$\$417,000 \times 25\% = \$104,250$ Maximum Guaranty and Available Entitlement
 $\$300,000 \times 25\% = \$75,000$ Guaranty and Down Payment Combination Required

Since VA's guaranty is limited to the lesser of 25% of the county loan limit or 25% of the loan amount, VA will guaranty \$75,000 on Veteran's \$300,000 loan in this county. A down payment should not be required.

Example 2

Veteran has used \$48,000 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$320,000 where the county loan limit is \$625,000.

$\$625,000 \times 25\% = \$156,250$ Maximum Guaranty
 $\$156,250 - \$48,000 = \$108,250$ Entitlement Available
 $\$108,250 \times 4 = \$433,000$ Maximum Loan Amount with 25% Guaranty

Since the proposed loan amount will be less than \$433,000, the lender will receive 25% VA Guaranty on the loan of \$320,000. A down payment should not be required.

Example 3

Veteran has used \$104,250 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$380,000 where the county loan limit is \$815,000.

$\$815,000 \times 25\% = \$203,750$ Maximum Guaranty
 $\$203,750 - \$104,250 = \$99,500$ Entitlement Available
 $\$99,500 \times 4 = \$398,000$ Maximum Loan Amount with 25% Guaranty

Since the proposed loan amount will be less than \$398,000, the lender will receive 25% VA Guaranty on the loan of \$380,000. A down payment should not be required.

Example 4

Veteran has full entitlement available and is purchasing a home for \$480,000 where the county loan limit is \$417,000.

$$\begin{aligned} \$417,000 \times 25\% &= \$104,250 \text{ Maximum Guaranty and Entitlement Available} \\ \$104,250 / \$480,000 &= 21.72\% \text{ Guaranty} \end{aligned}$$

Since VA's Guaranty will be less than 25%, a down payment will likely be required to meet investor requirements.

$$\begin{aligned} \$480,000 \times 25\% &= \$120,000 \\ \$120,000 - \$104,250 &= \$15,750 \text{ Down Payment} \end{aligned}$$

Example 5

Veteran has used \$27,500 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$320,000 where the county loan limit is \$417,000.

$$\begin{aligned} \$417,000 \times 25\% &= \$104,250 \text{ Maximum Guaranty} \\ \$104,250 - \$27,500 &= \$76,750 \text{ Entitlement Available} \\ \$76,750 / \$320,000 &= 23.98\% \text{ Guaranty} \end{aligned}$$

$$\$76,750 \times 4 = \$307,000 \text{ Maximum Loan Amount with 25\% Guaranty}$$

Since VA's Guaranty will be less than 25%, a down payment will likely be required to meet investor requirements.

$$\begin{aligned} \$320,000 \times 25\% &= \$80,000 \\ \$80,000 - \$76,750 &= \$3,250 \text{ Down Payment} \end{aligned}$$

Example 6

Veteran has used \$36,000 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$120,000 where the county loan limit is \$417,000.

Since the loan amount will not be over \$144,000, the veteran's additional entitlement cannot be used. Therefore, the guaranty would be 0%: \$0 / \$120,000

Example 7

Veteran has full entitlement available and is purchasing a home for \$800,000 where the county loan limit is \$729,750.

$$\begin{aligned} \$729,750 \times 25\% &= \$182,437.50 \text{ Maximum Guaranty and Entitlement Available} \\ \$182,437.50 / \$800,000 &= 22.81\% \text{ Guaranty} \end{aligned}$$

$\$800,000 \times 25\% = \$200,000$ Guaranty and Down Payment Combination Required
 $\$200,000 - \$182,437.50 = \$17,562.50$ Down Payment

NOTE: Lenders should contact their investor to determine secondary market requirements.