

THE VETERANS EDUCATION AND BENEFITS EXPANSION ACT OF 2001

1. PURPOSE: H.R. 1291, Veterans Education and Benefits Expansion Act of 2001, was signed by the President on December 27, 2001. A Public Law number has not yet been assigned. This circular explains the provisions of this bill which affect the Loan Guaranty Program.

2. BENEFIT CHANGES

a. VA Loan Entitlement is increased to \$60,000 from \$50,750 for purchase, construction, or rate reduction loans in excess of \$144,000 which are closed on or after December 27, 2001.

b. The Native American Veteran Housing Loan Pilot Program has been extended through December 31, 2005. In addition, tribes may also use the model Memorandum of Understanding (MOU) and model documents developed by the inter-agency One-Stop Mortgage Task Force in lieu of an MOU specifically signed by the Secretary or his designee. A copy of these model documents is available at www.codetalk.gov/ONE_STOPCTR_main.html. This website also maintains a list of tribes who have adopted these model documents and who are, therefore, eligible to participate in the Native American Veteran Housing Loan Pilot Program without entering a separate MOU with VA.

c. Assumption Notice Requirement is modified to require that the loan assumption notice appear conspicuously on at least one of the security instruments for the loan. The notice must read SUBSTANTIALLY, but not necessarily exactly, as follows: "This loan is not assumable without the approval of the Department of Veterans Affairs or its authorized agent".

d. Specially Adapted Housing Assistance is increased from \$43,000 to \$48,000 for severely disabled veterans. This law also increases the maximum housing adaptations grant for less severely disabled veterans from \$8,250 to \$9,250.

e. Extension of Other Housing Authorities are also listed as follows:

- Reservist and National Guard eligibility extended to September 30, 2009.
- Funding fee requirements extended to December 31, 2011.
- Enhanced loan asset sale authority extended to December 31, 2011.
- Net Value formula for procedures applicable to liquidation sales on defaulted home loans guaranteed by the Department of Veterans Affairs is extended to October 1, 2011.

3. VA Form 26-8320, Certificate of Eligibility for Loan Guaranty Benefits (COE), will be revised in the near future to provide for the increase in entitlement. Pending revision of this form, any field stations issuing COEs will annotate VA Form 26-8320 to show that the amount of entitlement may be increased by \$24,000 (rather than the \$14,750 currently listed) for loans in excess of \$144,000. Eligibility Centers will make the necessary adjustments to their respective systems.

4. For loans closed on or after December 27, 2001, in excess of \$203,000, the Loan Guaranty Certificate (LGC) must be annotated to show the increased entitlement amount as well as the increased guaranty percentage. (For example, a loan of \$225,000 will only show guaranty of \$50,750 and a percentage of 22.56. In this instance, the LGC would have to be annotated to show a guaranty amount of \$56,250 and a percentage of 25.) In the near future, the LGC will be updated through an enhancement of the Automated Loan Production System (ALPS) to reflect the increase of entitlement.

5. STATION RELEASES: Field stations with Loan Guaranty activities will reproduce paragraphs 1 through 3 of this circular for immediate release to program participants in their jurisdiction. Copies of these releases need not be submitted to Central Office. Questions may be directed to William White at 202-273-7372.

By Direction of the Acting Under Secretary for Benefits

Keith Pedigo
Director, Loan Guaranty Service

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