

### **The Veterans Housing Opportunity and Benefits Act of 2006**

1. PURPOSE: On June 15, 2006, the President signed P. L. 109-233, the Veterans Housing Opportunity and Benefits Act of 2006. This circular explains provisions impacting the Loan Guaranty Program.

2. BENEFIT CHANGES

a. Specially Adapted Housing

(1) The law authorizes VA to provide Specially Adapted Housing (SAH) assistance to veterans who are temporarily residing in a home owned by a family member. This assistance would be in the form of a grant to assist the veteran in adapting the family member's home to meet his or her special needs. Those eligible for the grant would be permitted to use up to \$14,000 of the maximum grant amount for a 2101(a) grant or up to \$2,000 of the maximum grant amount for a 2101(b) grant. This new provision does not authorize VA to make such grants available to assist active duty servicemembers.

(2) The law changes the one-time only usage of grant benefits. Although a veteran may now use his or her benefits up to a total of three times, the aggregate amount of assistance cannot exceed the maximum amounts allowable for either the 2101(a) or 2101(b) grant.

(3) The law reestablishes VA's authority to make SAH grants (but not the temporary grants referred to above) to active duty service personnel awaiting disability discharge.

(4) No temporary grant assistance may be provided after June 15, 2011.

(5) The benefits administered under chapters 17, 21, and 31 of Title 38. These provisions cover assistance provided under the Home Improvement and Structural Alteration (HISA), SAH, and Independent Living (IL) benefit programs.

b. Temporary Funding Fee Increase: The law increases the funding fee from 3.3 percent to 3.35 percent for subsequent loans with less than a five percent down payment closed during Fiscal Year 2007 (October 1, 2006 – September 30, 2007).

LOCAL PRODUCTION AUTHORIZED

c. Hybrid Adjustable Rate Mortgages

- (1) The law removes the current one percentage point restriction to subsequent annual adjustments to interest rates on hybrid adjustable rate mortgages (HARM) with an initial fixed-period rate of 5 years or more. The Secretary now has the authority to determine annual adjustments for loans where the initial rate is fixed for 5 or more years. Until further notice, annual adjustments may now be up to 2 percentage points.
- (2) Effect on HARMs Guaranteed Prior to Enactment of the Act: The provisions of this Act will not affect existing HARMs. VA HARMs made prior to this Act will be subject to the terms in effect at the time they were made. For example, a HARM with an initial fixed-period rate for 5 years or more closed prior to this Act is limited to a 1 percentage point adjustment in subsequent years.

d. Native American Direct Loans

- (1) The law makes the Native American Direct Loan (NADL) program permanent.
- (2) The \$80,000 maximum loan amount is eliminated, as is the need for Secretarial determination of higher loan amounts in high cost areas. Instead, the new limit on NADLs is the same as the Federal Home Loan Mortgage Corporation (also known as “Freddie Mac”) single-family conventional conforming loan limit. That limit is currently \$417,000 for loans located in the 48 contiguous States and \$625,000 for loans in Alaska, Hawaii, and the South Pacific. Increases in these loan limits will be published annually, based upon the annual adjustment in the Freddie Mac conventional conforming loan limit.
- (3) The law extends eligibility for NADL to a veteran who is not a Native American, but who is married to a Native American non-veteran. To be eligible for such a loan, the qualified non-Native American veteran and the Native American spouse must reside on trust land, and both the veteran and spouse must have a meaningful interest in the dwelling or lot.

3. STATION PROCEDURES: Stations should disseminate this information as widely as possible using their local websites. It is not necessary to prepare “hard copy” local releases, although, stations may do so at their discretion. Central Office will be placing this information on the Loan Guaranty website and there will also be a link from the portal. Central Office will be providing further information on aspects of the law shortly.

June 22, 2006

Circular 26-06-5

4. RESCISSION: This circular is rescinded October 1, 2008.

By Direction of the Under Secretary for Benefits

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