

**Public Law 112-154 Honoring America's Veterans and Caring for Camp Lejeune Families  
Act of 2012**

1. Purpose. Public Law (P.L.) 112-154 was enacted on August 6, 2012. This circular discusses a number of provisions pertaining to the Department of Veteran's Affairs (VA) Loan Guaranty Program that were included in the Act.

2. Benefit Changes – General.

a. Occupancy of Property by Dependent Children of Veteran. The law requires Veterans obtaining a VA-guaranteed home loan to certify intent to occupy the home. For Interest Rate Reduction Refinancing Loans (IRRRLs) certification of previous occupancy is sufficient. In cases where a Veteran is unable to occupy the property because of his/her active duty status as a member of the Armed Forces, certification of occupancy by the Veteran's spouse is sufficient. Under P.L. 112-154, the occupancy requirement is also considered met if a dependent child occupies, or will occupy, the property as a home and the Veteran's attorney-in-fact or the dependent child's legal guardian makes the occupancy certification. VA has amended VA Form 26-1820, Report and Certification of Loan Disbursement, to accommodate this change. The form was posted online on October 3, 2012, and is available via <http://www.va.gov/vaforms/>. For any loan closed subsequent to that date, the new VA Form 26-1820 should be used.

b. Adjustable Rate Mortgages (ARMs) and Hybrid Adjustable Rate Mortgages (HARMs). The law makes permanent VA's authority to guarantee "traditional" ARMs and HARMs. Previously VA's authority to guarantee these types of loans was set to expire September 30, 2012.

c. Expanded Criteria for Funding Fee Waivers. P.L. 112-154 expands the criteria for granting funding fee waivers. VA already had the authority to waive the funding fee for active duty Servicemembers who close a loan based on a pre-discharge examination and rating. The law now permits a waiver based on a pre-discharge review of existing medical evidence (for example, service medical and treatment records), that results in issuance of a memorandum rating by VA. This accommodates those Servicemembers who, for whatever reason, cannot undergo a full examination, but for whom existing medical records demonstrate they will be entitled to VA compensation upon discharge from active duty.

Lenders are reminded to ask any active duty loan applicant early in the loan process if he/she filed a claim for VA compensation while on active duty.

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If the response is 'yes', the lender must send VA Form 26-8937, Verification of Benefits, to VA for review. VA will then request a memorandum rating to determine if the Servicemember will receive compensation upon discharge. Once that determination has been made, VA Form 26-8937 will be returned to the lender, noting the Servicemember is exempt from the funding fee.

Funding fee exemption information for Veterans already discharged and receiving VA compensation is noted on the Certificate of Eligibility, or in the case of IRRRLs, the information received when ordering a case number. This provision of the law took effect on August 6, 2012.

d. Loan Fees. P.L. 112-154 extends the present VA funding fee structure through September 30, 2017, one year further than the previous date of September 30, 2016.

e. Maximum Home Loan Guaranty Amount. VA's previous maximum guaranty calculation expired December 31, 2011. As a result, the formula for deriving effective loan limits, coupled with general declines in county median prices, resulted in lower limits for 2012. Effective with the signing of this bill, the method previously used to derive loan limits has been restored through December 31, 2014. This results in some county effective loan limits increasing for the remainder of 2012. VA has posted updated loan limits for the remainder of 2012 on our website at: [http://www.benefits.va.gov/homeloans/loan\\_limits.asp](http://www.benefits.va.gov/homeloans/loan_limits.asp).

Calendar year 2013 county loan limits will be posted once VA receives median price data from the Federal Housing Finance Agency (FHFA). If a county's loan limit decreases in 2013, VA will guaranty the loan using the previous higher limit, if there is proof of a pre-approval based on a sales contract or Uniform Residential Loan Application executed on or before December 31, 2012.

f. Surviving Spouses of Certain Totally Disabled Veterans. P.L. 112-154 expands home loan benefit eligibility to surviving spouses of certain totally-disabled Veterans. Now included as eligible are surviving spouses of certain Veterans who were continuously rated for a service-connected disability, but whose disability may not have been the cause of death. Specifically, P.L. 112-154 grants home loan eligibility to the spouse of a Veteran who:

(1) Was in receipt of (or but for the receipt of retired pay would have received) compensation at the time of death for a service-connected disability rated totally disabling;

(2) Was continuously rated totally disabled for a period of 10 or more years immediately preceding death;

(3) Was continuously rated totally disabling for a period of not less than 5 years from the date of discharge or release from active duty, or

(4) Was a former prisoner of war who died after September 30, 1999, and was continuously rated totally disabled for a period of not less than one year immediately preceding death.

These newly eligible surviving spouses are not required to pay a funding fee. Additionally, a surviving spouse who is newly eligible under Section 202 of P.L. 112-154, and who also would be eligible for home loan guaranty benefits under his/her own entitlement, is not limited to only one of the various entitlements available.

g. Assistance to Veterans Affected by Natural Disaster. Section 701 of P.L. 112-154 offers assistance to Veterans affected by natural disaster. First, P.L. 112-154 adds a new Section 2109 to Chapter 21 U. S.C. which authorizes the Secretary to provide additional Specially Adapted Housing (SAH) grant assistance to Veterans whose homes have been destroyed or damaged by natural or other disasters. This new assistance would enable a Veteran to use SAH grant funds to purchase or construct a new home, or to repair an existing home that was damaged. Use of the grant under this new section would not count toward the maximum number of uses available under law. Likewise, use of the grant under this new section would not be counted toward the aggregate maximum amount of SAH grant assistance available under law. Additionally, a Veteran who, at the time of the disaster, had already used the maximum number of grants and/or the full aggregate grant maximum amount **is** eligible for assistance under this section. The effective date of any additional grant funds under this section is August 6, 2013.

Second, Section 701 also amends 38 U.S.C. § 3703(d) to allow VA to guarantee a loan, regardless of whether such loan is subordinate to a superior lien created by a public entity that has provided, or will provide, assistance in response to a major disaster. As part of state disaster relief programs, states may opt to create covenants ensuring that grant recipients rebuild their homes in accordance with program specifications. These covenants may take the form of a senior-position lien. P.L. 112-154 allows a VA-guaranteed loan to take a subordinate position to a superior lien that results from disaster assistance. This means that Veterans' homes are more likely to be repaired, thereby potentially reducing the likelihood of foreclosures and guaranty claims.

### 3. Benefit Changes – SAH.

#### a. Expansion of Eligibility for SAH Assistance for Veterans with Vision Impairment.

P.L. 112-154 amends the requirement to central acuity of 20/200 or less in the better eye with the use of a standard correcting lens. Visual acuity is further defined to include a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees. The effective date of the new vision impairment eligibility is October 1, 2012.

b. Temporary Expansion of Eligibility for SAH Assistance for Certain Veterans with Disabilities Causing Difficulty with Ambulating. Effective October 1, 2012, P.L. 112-154

*temporarily* adds certain severe injuries and disabilities, which affect ambulation, to the eligibility criteria for the SAH grant program under Section 2101(a) of Title 38 U.S.C. **This expanded eligibility expires on September 30, 2013.** These are expanded rating decision issues and will not impact SAH grant administration until those rating determinations are made.

(1) The new eligibility criteria specified in the law are “the disability is due to the loss or loss of use of one or more lower extremities which so affects the functions of balance or propulsion as to preclude ambulating without the aid of braces, crutches, canes, or a wheelchair.”

(2) P.L. 112-154 also requires that the disability be incurred on or after September 11, 2001, and that the Veteran became permanently disabled on or after that same date.

(3) The expanded authority in P.L. 112-154 expires on September 30, 2013, and requires that VA must receive applications for assistance on or before that date in order for a Veteran to receive consideration for assistance.

c. Revised Limitations on Grant Assistance Furnished for Acquisition and Adaptation of Housing for Disabled Veterans. Section 204 of P.L. 112-154 amends Section 2101(d) of Title 38 U.S.C. to exclude the Temporary Residence Assistance (TRA) grant from the aggregate limitations on assistance furnished to an eligible Veteran pursuant to Section 2102 of Title 38 U.S.C.. This provision is not effective until August 6, 2013, any TRA grants approved prior to that date would require that funds be deducted from the maximum grant assistance available under either the SAH or Special Housing Adaptation (SHA) program. Note, the law does not exempt the TRA grant as a grant use. Use of a TRA grant will still continue to count as one of the three authorized grant uses.

d. Improvements to Grant Assistance for Disabled Veterans Residing in Housing Owned by a Family Member. Effective with enactment, Section 205 amends Section 2102(A) of Title 38 U.S.C. to increase the amount of housing assistance available through TRA grants. TRA grant assistance under Section 2101(A)(b)(1) for SAH cases is raised from \$14,000 to \$28,000, and TRA grant assistance under section 2101(A)(b)(2) for SHA cases is raised from \$2,000 to \$5,000. In addition to the grant amount increases, the law extends VA’s authority to make TRA grants through December 31, 2022, and beginning on October 1, 2012, TRA grants will be indexed to the cost of construction in the same manner that SAH and SHA grants are currently. This will enable TRA grants to keep pace with the cost of inflation.

e. Enactment Dates for TRA Grants. Due to the different enactment dates of Section 204 and Section 205 of P.L. 112-154, ***it may be beneficial, depending on individual circumstance and need, for a Veteran to postpone use of the TRA grant until August 6, 2013.*** The provision in Section 204, which would allow the TRA grant to NOT count against SAH maximum grant assistance amounts, does not take effect until **August 6, 2013.**

Veterans using the TRA grant before that date will have the amount of the TRA grant deducted from the statutory maximum of SAH/SHA grant funds available to them. Veterans using the TRA grant on or after August 6, 2013, will retain the full SAH/SHA maximum grant assistance amount *above and beyond* the TRA grant amount.

4. Updated Information on SAH Maximum Grant Amounts. VA will be posting updated SAH grant amounts and limitations for Fiscal Year 2013 on our website at:  
[http://www.benefits.va.gov/homeloans/sah\\_info.asp](http://www.benefits.va.gov/homeloans/sah_info.asp).

5. Recission: This circular is rescinded January 1, 2015.

By Direction of the Under Secretary for Benefits

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