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December 22, 2003

REGIONAL LOAN CENTER MEMORANDUM NO. 03-22

TO: LENDERS AND SERVICERS

SUBJ: THE VETERANS BENEFITS ACT OF 2003

1. PURPOSE

HR 2297, the Veterans Benefits Act of 2003, was signed by the President on December 16, 2003. The Public Law Number assigned is 108-183. This Regional Loan Center Memorandum explains provisions of the bill that affect the Loan Guaranty Program.

2. BENEFIT CHANGES

a. Specially Adapted Housing:

(1) A qualifying member of the Armed Forces may now apply for and receive an adaptive housing grant **prior** to actually being discharged from the service.

(2) The grant amount for the most severely disabled veterans is increased from \$48,000 to \$50,000.

(3) The grant amount for less severely disabled veterans is increased from \$9,250 to \$10,000.

b. Reserve/Guard Eligibility: The law provides permanent authority for housing loans for persons qualifying based on service in the Selected Reserve. Previously, eligibility for this group was set to expire on September 30, 2009.

c. Funding Fee Changes: The law makes the following adjustments to the loan guaranty funding fees. There is no change in the funding fee amounts for IRRRL loans, Native American Direct Loans, or Loan Assumptions.

(1) The fee for an initial loan, with no down payment, closed on or after January 1, 2004 and up until September 30, 2004, is 2.20 percent for a veteran of active duty and 2.40 percent for persons qualifying solely on Reserve or Guard duty.

(2) The fee for an initial loan with no down payment, closed on or after October 1, 2004 through September 30, 2011, is 2.15 percent for a veteran of active duty and 2.40 percent for persons qualifying solely on Reserve or Guard duty.

(3) The fee for a subsequent loan with no downpayment, for both veterans of active duty and Reserve/Guard, increases to 3.30 percent for loans closed on or after January 1, 2004 through September 30, 2011.

(4) The funding fee for a loan closed before October 1, 2011, with a down payment of greater than 5 but less than 10 percent is 1.50 percent for a veteran of active duty and 1.75 percent for persons qualifying solely on Reserve or Guard duty.

(5) The funding fee for a loan closed before October 1, 2011, with a down payment of 10 percent or more is 1.25 percent for a veteran of active duty and 1.50 percent for persons qualifying solely on Reserve or Guard duty.

d. **Vendee Loan Program**: The law reinstates the vendee loan program which VA administratively terminated on January 31, 2003. It increases the maximum number of purchases of real property the Secretary may finance in a fiscal year to 85 percent. It also requires VA to sell a minimum of 50 percent of acquired properties with vendee loans. This provision will expire September 30, 2013.

e. **Liquidation Sales Procedure**: The law extends VA liquidation sales procedures set forth in 38 USC 3732 (the no bid formula), presently scheduled to expire on October 1, 2011. The new expiration date is October 1, 2012.

/s/D. F. MUNRO
D. F. MUNRO
Loan Guaranty Officer