Department of Veterans Affairs

Selling Your GI Home?

Read this-and get your GI loan liability released or, with an eligible veteran buyer, get your entitlement restored

VA Pamphlet
26-68-1
Revised
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Veterans Benefits
Administration

How to get your GI loan liability released when you sell your GI home

1. If you sell the property which secures your GI loan, remember that you will still be legally liable to the Government on that loan, *even though you no longer will be the owner of the property, unless (a) your loan is paid in full* in connection with the sale, or (b) the *VA releases you in writing from liability on the loan,* or (c) you sell the property to an eligible veteran with sufficient loan entitlement who agrees to assume your loan and substitute his or her loan entitlement for yours. Please keep in mind that being released from liability does not enable you to have your loan guaranty entitlement restored unless a substitution of entitlement has been completed.

2. If your loan is not paid in full, *and you are not released from liability by the VA,* or granted a substitution of entitlement, and the person to whom you sell your home or any later owner defaults on your GI loan, any amount which the VA is required to pay to the holder of your loan under the loan guaranty contract will represent an amount which you will owe to the Government. *This is so even though your purchaser assumes personal liability for the repayment of your loan!*

3. Therefore, if you are thinking of selling your property and allowing your GI loan to continue on the property, you should write, or call, the VA office that guaranteed your loan before you sign a sales contract and ask for the necessary forms and instructions on how to obtain a substitution of entitlement, or how you can be released from personal liability to the Government. Be sure you do this and protect yourself from continuing liability.

4. CAUTION. If your GI loan closed on or after March 1, 1988, and the GI loan will not be paid in full as part of the sale, then the approval of the VA or your lender is required *prior* to selling your home. Should you fail to obtain this approval, your lender has the right to declare your entire loan balance due and payable at once and may foreclose the mortgage and file a claim with the VA. You would be liable to the VA for the amount of any claim paid in such a situation. You can avoid future liability by obtaining a release from liability from the VA or your lender prior to the purchaser assuming your VA loan.

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Official Business
Penalty for private use
$300