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# GI mortgage updates are opening doors

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WASHINGTON — The War in Iraq isn't likely to make many more military personnel eligible for favorable GI financing. But the 420,000 reservists called up since Sept. 11, 2001, to fight terrorism and bring democracy to the Middle East will qualify much sooner than normal.

When they return to their families here in the states, moreover, our freedom fighters will find a much more "user-friendly" mortgage program, one that is better able to back the purchase of homes in high-cost areas — and one that will be more in tune with today's mortgage marketplace.

Under legislation signed by President Bush in December, the Department of Veterans Affairs now is standing behind mortgages of up to \$359,650.

Within the next three months or so, the agency will propose more liberal rules that would allow veterans to pay "all legitimate third-party" closing costs.

At first glance, that last step appears as though the VA home loan program will be more expensive. But the opposite is true.

Because VA borrowers are prohibited from paying a number of charges others pay as a matter of course, lenders and sellers are forced to absorb the fees.

Consequently, they either refuse to deal with VA borrowers or raise their prices to cover their extra costs.

Keith Pedigo, longtime director of the VA's Loan Guaranty Service, said the pending change is not a big deal.

Pedigo is far more excited about the decision by Congress to raise the VA guarantee to 25 percent of the conforming loan limit and index the VA ceiling to the conforming limit so it can keep pace with home prices.

There is no doubt that the fighting in the Middle East spurred Congress to act to change the rules.

Under the VA's eligibility rules, reservists and members of the National Guard are not normally eligible for the program until they complete six years of service. But the instant

they are called to active duty they qualify. And reservists account for the majority of the U.S. forces in Iraq and Afghanistan.

Some \$850 billion in VA-guaranteed loans have been written since the program was enacted in 1944 as part of the Servicemen's Retirement Act, better known as the GI Bill, to reward military personnel returning from World War II.

Currently, the VA backs about 260,000 loans a year. Here's a rundown on how the GI home loan benefit, known as an "entitlement," works:

■ The VA doesn't make loans directly. Rather, it promises to pay private lenders if a borrower defaults.

■ Lenders accept the guarantee as a substitute for a down payment.

■ Mortgage rates on VA loans are usually slightly above the market. But there is no mortgage insurance premium, and the loan can be taken over by anyone who buys the house when the borrower decides to move on.

■ If the full benefit is not used, the remainder can be used to buy another house. Also, full benefits usually can be restored if the original property is sold and the loan is paid in full.

The majority of the nation's 24 million veterans are eligible for the benefit.

## Still easier military loans

Enlisted personnel and their families will find it easier to qualify for a mortgage under a new program announced by one of the nation's largest lenders.

Under Countrywide Home Loan's U.S. Military Optimum Loan, which has more liberal qualifying rules than those for VA-guaranteed mortgages, borrowers can count flight or hazardous duty pay, quarters allowances and proficiency pay as part of their base earnings.

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