Study Finds Low Penetration Of VA Home Loans Among Veterans

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Thursday, 27 November 2014
Last Updated Thursday, 27 November 2014

At the outset, VA home loans appear to be one of the best gifts bestowed by the US Government on the veterans who have served the country. For one, lenders offer a $36,000 basic entitlement to people in active duty, or those in the reserve or National Guard, the veterans and even the surviving spouses. In addition to this, VA home loans also come with a zero downpayment benefit for loans up to $144,000. Considering that the median home value in the US is around $176,000, it comes as no surprise then that 90% of VA home loans today are availed with zero downpayment.

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A recent survey of nearly 2000 veterans of the 'Iraq and Afghanistan Veterans of America' found that just 36% of the veterans had taken advantage of the VA home loan facility. This is shockingly low considering that the United States has a homeownership rate of 68%. Why haven't veterans made use of the opportunity provided by VA to secure a home loan that is perhaps the most attractive in the industry? There are three crucial points:

Awareness : There is very little awareness about VA home loans among those in active duty and the veterans. According to some veterans, they were never advised about these benefits by authorities in the first place.

Unfavorable View : Surprisingly, a lot of veterans appear to have an unfavorable view of the VA home loans. Acording to the IAVA, during the real estate boom of the last decade that culminated with the subprime crisis, VA home loans were among the products that lenders pushed through most aggressively. Given their attractive offers, it was easy for the lenders to convince their prospects. As a result, a lot of veterans were among those hit by crisis. Recent veterans continue to hold the VA home loans in negative light.

Red Tape : The VA home loans are still shrouded in a lot of red tape and require clearance from the regional VA loan office in some cases. As a result, lenders find it profitable to push other schemes that have quicker turnaround time.

But not all is lost though. With the US economy having mostly recovered, house ownership is expected to rise back. In addition to this, the bureaucratic hurdles too are expected to come down. For instance,Â according to LowVARates , a company that specializes in VA loans, the VA disability claims backlog has come down by 44% in the past year with it being completely eliminated by 2015. While this does not directly impact mortgate loans, a more efficient VA system is likely to cut red-tape and thus help increase home ownership among other things.

There are a number of reasons that is making VA loans extremely attractive to veterans â€“ Firstly, VA has been moving towards eliminating red tapism. Today, loans can get approved in as fast as 10 days through a streamlined process. Secondly, there is greater security for veterans who avail VA loans today. The US Department of Housing and Urban Department recently urged private insurers to offer guarantees for mortgages sought by veterans. Currently, VA guarantees 25% (or up to $417,000) to lenders in case of loan defaults.

With attractive rates and a better security for the buyers, it will be interesting to see the growth in the loan applications over the next few years. What are your thoughts on this?