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**Chapter 36. Veterans’ Mortgage Life Insurance**

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**36.01 GENERAL**

1. Veterans’ Mortgage Life Insurance (VMLI) was effective for the first time on August 11, 1971, and was authorized by Public Law 92-95. It is available to any eligible Veteran/Servicemember who is or has been granted assistance in securing a suitable housing unit under 38 U.S.C. chapter 21, against the death of the Veteran/Servicemember, unless the Veteran/Servicemember elects in writing not to be insured or fails to respond to a request from the VA for information on which a premium can be based.
2. The VA Insurance Center administers and supervises the program. Responsibilities of the VA Insurance Center include maintaining records of all activities incident to the release of notifications of eligibility for VMLI and the necessary follow-up requirements; the control and processing of replies; liaison with the Hines Information Technology Center for the establishment and control of deductions from benefits for the monthly premiums; payment of death claims; and the accumulation and control of all material relating to VMLI coverage.
3. The insurance issued under this program cannot be assigned.
4. To be eligible for VMLI the Veteran/Servicemember must:
5. have received a Specially Adapted Housing (SAH) grant or a Special Housing Adaptation (SHA) grant under 38 U.S.C. chapter 21;
6. be obligated for a mortgage loan on the housing unit;
7. reside or will soon reside in a mortgaged housing unit; and,
8. not have reached their 70th birthday.
9. The United States Government bears the cost of the insurance except for the premiums paid by the insured Veterans/Servicemembers. As the premiums collected from insureds' benefits do not cover the cost of this program, VA requests annual mandatory budget appropriation through the Veterans’ Insurance and Indemnities fund (36X0102) to subsidize the shortfall between premium collections and VMLI payments. The VI&I appropriation fund is maintained by VBA Accounting Policy and Reporting Division (VBA-APRD) in VBA Central Office. When the VI&I cash balance in Philadelphia falls below one million dollars, which typically occurs once or twice a month, the VA Insurance Center (VAIC) Accounting Staff emails the VAIC Actuarial Staff to request cash. The VAIC Actuarial Staff confirms VI&I cash balance and sends a cash replenishment request to VBA Credit Reform Staff, who then forwards the request to VBA-APRD. A VBA-APRD Accountant prepares a Transfer of Disbursing Authority (TDA) in the amount requested by the VAIC Actuarial Staff and the VAIC Accounting Staff records the replenishment in the Insurance General Ledger. The administrative costs associated with operating the VMLI Program is funded by annual discretionary budget appropriations through the VBA General Operating Expenses (GOE) and Office of Information and Technology (OI&T) accounts.

**36.02 AUTOMATIC INSURANCE**

1. This life insurance shall automatically insure the home mortgages of any eligible Veteran/Servicemember whose grant was approved and fully disbursed and who on the date the grant was approved or on the date the grant was fully disbursed, was obligated on a mortgage loan on the housing unit purchased, constructed, or remodeled in part with the grant.
2. However, an eligible Veteran/Servicemember will not be automatically insured if they:
3. have attained the age of 70 at the date the SAH/SHA grant was approved and/or mortgage obligation is established, or
4. elect in writing not to be insured, or
5. fail to respond within 30 days after the date a final request is made or mailed to him or her for information on which the premium can be based.

**36.03 CONTINUING ELIGIBILITY**

An eligible Veteran/Servicemember who is not automatically insured under this program and who is obligated or becomes obligated under a mortgage loan on a housing unit, upon application in writing to VA for insurance under this policy, submission of mortgage information on which the premium can be based, payment of the required premium, and upon approval by VA, will be insured under this program. Subject to the legislative maximum amount of insurance, and to the reduced maximum amount of insurance available to them and to the other requirements, an eligible Veteran/Servicemember is entitled to be insured under this program, or to apply for such insurance as often as they become obligated under a mortgage loan or a refinanced mortgage loan on a housing unit or a successor housing unit owned and occupied by them.

**36.04 MAXIMUM AMOUNT OF INSURANCE**

1. The maximum amount of insurance in force at any one time shall not exceed the lesser of the following amounts:
2. The current legislative maximum.

1. The amount of the unpaid principal of the mortgage loan outstanding on the date of approval of the grant on a housing unit owned and occupied by the eligible Veteran/Servicemember, or on a housing unit being or to be constructed or remodeled for them when the grant is approved. Such initial amount of insurance may be adjusted upward, subject to the maximum amount of insurance available to the eligible Veteran/Servicemember, or downward, depending upon the amount of the mortgage loans outstanding on the date of full disbursement of the grant, or on the date of final settlement of the purchase, construction, or remodeling agreement, whichever date is the later date.
2. The amount of the unpaid principal outstanding on the mortgage loan on the newly acquired housing unit on the date insurance under VMLI is placed in effect, when an eligible Veteran/Servicemember ceases to own the housing unit purchased in part with a grant, or a second housing unit that was acquired at a later date and which was subject to a mortgage loan that resulted in their life being insured under this program and they became obligated under a mortgage loan on another housing unit occupied or to be occupied by them.
3. The amount of the incurred or refinanced mortgage loan, when an eligible Veteran/Servicemember incurs or refinances a mortgage loan, subject to the limits of the reduced maximum coverage.
4. The amount of insurance shall not exceed the principal amount of the outstanding mortgage loan, when the title to a housing unit is or will be vested in an eligible Veteran/Servicemember and their spouse, If title to an undivided interest in a housing unit is or will be vested in a person other than the spouse of an eligible Veteran/Servicemember, the amount of insurance on the eligible Veteran/Servicemember's life shall be computed to be such part of the total of the unpaid principal of the loan outstanding on the housing unit as is proportionate to the undivided interest of the Veteran/Servicemember in the entire property. For example, if the Veteran/Servicemember has an undivided interest of 50 percent, the insurance will be reduced by 50 percent and the premium adjusted accordingly. The Veteran/Servicemember will be advised by letter of the action taken.

**36.05 EFFECTIVE DATE OF PROTECTION**

1. The insurance will be effective on the date the grant is approved, if on that date the eligible Veteran/Servicemember is obligated under a mortgage loan, and such Veteran/Servicemember is automatically insured unless they elect in writing not to be insured, or fail to respond within 30 days after the date a final request is made or mailed to them for information on which the premium can be based.
2. The insurance will be effective on the date of approval of a grant, if such insurance did not become effective because he or she was not obligated under a mortgage loan on that date, or because he or she elected in writing not to be insured, or failed to timely respond to a request for information on which the premium could be based, or for any other reason, the insurance will be effective on a date agreed upon by the Veteran/Servicemember and VA, but only if they file an application in writing with VA, submit mortgage information on which the premium can be based and are or become obligated under a mortgage loan upon the date agreed upon as the effective date of insurance.
3. When an eligible Veteran/Servicemember disposes of the title to a housing unit purchased, constructed or remodeled, in part, with a grant or a subsequently acquired housing unit, and becomes obligated under a mortgage loan on another housing unit occupied or to be occupied by them, the insurance will be effective on a date requested by the Veteran/Servicemember and agreed to by VA, but only if the eligible Veteran/Servicemember files an application for and is entitled to the insurance; submits mortgage information on which the premium can be based and is obligated under a mortgage loan on the date the insurance is to become effective.
4. When a Veteran/Servicemember insured under this program refinances the mortgage loan to avoid a default, to consolidate liens, to renew or extend the time for payment of the indebtedness, and in cases in which the housing unit is being bought, built, remodeled or enlarged by increasing the amount of such an indebtedness, any increase in the amount of insurance or any change in the rate of reduction of the insurance will be effective on a date requested by the Veteran/Servicemember and agreed to by VA, but only if they file an application, and furnish the mortgage information on which the premium can be based.
5. All insurance will begin immediately after midnight on the applicable effective date and end immediately before midnight on the applicable termination date.

**36.06 PREMIUMS**

1. The premium rates are based on the 2001 Commissioners Standard Ordinary (CSO) Mortality Table.
2. The premium due date for all policies is the 11th of the month.

1. A grace period of 31 days from the premium due date will be allowed for the payment of any premium except the first premium. During the grace period the insurance on the life of the insured will continue in force. If the premium is not paid before the expiration of the grace period, the insurance will automatically be discontinued at the end of the grace period.
2. Premiums are based on the mortality costs of insuring standard lives, and are, therefore, lower than any commercial premiums for similar coverage.
3. The law authorized and directed the VA to deduct the premiums charged for Veterans/Servicemembers the life insurance under this program from any compensation payable to them by VA, and to pay such monthly premiums to the VA Insurance Center. An insured Veteran/Servicemember, not drawing compensation from VA, must pay his or her premiums directly to the VA Insurance Center. It is the responsibility of the insured to see that these direct premiums are paid monthly.
4. Premiums are determined by the insurance age of the Veteran/Servicemember, the outstanding balance of the mortgage at the time of application, the remaining length of time the mortgage has to run, and the amount of coverage elected by the Veteran/Servicemember, not to exceed the outstanding balance of the mortgage.

**36.07 NOTIFICATION OF VETERAN**

1. If a Veteran/Servicemember becomes eligible to apply for the insurance, a copy of their VA Form 26-1836, Specially Adapted Housing Grant Record Card, is transmitted electronically to the VA Insurance Center through a data-sharing interface with Loan Guaranty Service’s Specially Adapted Housing Program. A file containing the VA Form 26-1836, Specially Adapted Housing Grant Record Card for every Veteran/Servicemember approved for a grant that day is transmitted daily.
2. The electronic grant card includes the statement “Veteran requests VMLI”. There are two checkboxes. A checkmark in the “Yes’ checkbox indicates the Veteran/Servicemember desires VMLI coverage. A checkmark in the “No” checkbox indicates the Veteran/Servicemember declines coverage. A checkmark in the “Yes” checkbox is accepted as an electronic signature and considered the same as a signed VA Form 29-8636 Application for Veterans’ Mortgage Life Insurance.

**36.08 PROCESSING REQUEST FOR VMLI COVERAGE**

1. Veterans/Servicemembers that elect VMLI coverage via the electronic grant card or submit VA Form 29-8636 are sent a letter requesting specific mortgage documentation so a premium may be calculated. The letter requests a reply within 31 days from the date of the letter. If a response is not received within 45 days, a second notification letter will be sent to the Veteran/Servicemember. If a response is not received within 45 days after the second notification, a final notice is sent to the Veteran/Servicemember stating that VA will not contact the Veteran/Servicemember again for mortgage documentation, and the case is closed. The Veteran/Servicemember may apply for VMLI up to age 70.
2. Upon receipt of a VA Form 29-8636 from a Veteran/Servicemember who has been eligible for the insurance but did not contract for the coverage because they were not obligated under a mortgage loan on the date of eligibility; or elected in writing not to be insured; or failed to timely respond to a request for information on which premiums could be based; or refinanced an existing mortgage; or obtained a new mortgage on a new housing unit after selling a housing unit which was already insured, the procedure outlined in 36.05a will be followed.
3. Upon receipt of the above information, Veterans Claims Examiners (VCEs) in the Live Claims Division (297) will process for VMLI coverage.

**36.09 PROCESSING NO-MATCH CASES (OTHER THAN DEATH)**

1. Upon receipt of a VA Form 29-8636 with part A completed, and there is no record of a VA Form 26- 1836 Specially Adapted Housing Grant being received, it will be necessary to contact the Specially Adapted Housing Unit of the Loan Guaranty Service to request status of the Veteran/Servicemember. 297 VCEs with access to the Specially Adapted Housing Special Housing Adaptation online portal may utilize that system to determine the grant status of the Veteran/Servicemember.
2. If the VA Form 26-1836 has been received but the information on the VA Form 29-8636 does not agree with the information on the card, action will be taken to resolve the discrepancy. If the file number does not agree, the Veteran/Servicemember will be researched through VA systems to determine the correct file number.

**36.10 PROCESSING INPUT TO ESTABLISH DEDUCTIONS**

1. The VA Insurance Center will electronically export a file each month of all VMLI Deduction from Benefits requests processed since the previous export. The electronic export will be on or near a date established by the Hines Information Technology Center.
2. The Live Claims Unit Chief or Section Chiefs will process the monthly VMLI Deduction from Benefits export that is transmitted to the Hines Information Technology Center for processing.

**36.11 CERTIFICATES**

Each insured Veteran/Servicemember will receive a certificate from VA setting forth the benefits to which they are entitled under the insurance, and the essential features of it, including any provisions limiting the coverage, or reducing the benefits, to whom benefits are payable, and to whom proof of claim should be submitted. The amount of insurance coverage is shown on the certificate.

**36.12 CHANGE OF ADDRESS**

1. Whenever a Veteran/Servicemember who has received a housing grant submits a change of address to VA, notification of the address change will be included in the daily transmission of the electronic VA Form 26-1836, Specially Adapted Housing Grant Record Card.
2. If the address change involves a Veteran/Servicemember with VMLI in force, the insured will be immediately requested to inform VA if the change of address indicates termination of ownership of the housing unit on which the mortgage insurance was obtained. The Veteran/Servicemember will also be advised that they may also obtain mortgage insurance on a new housing unit when they have divested themselves of ownership of the prior VMLI-insured home.
3. If the address change involves a Veteran/Servicemember without VMLI in force, no additional action will be taken and no diary will be established nor a follow-up made.

**36.13 ADJUSTMENT OF PREMIUMS**

The following rules apply when adjusting VMLI premiums:

1. A recalculation of the premium is required whenever the prepayment(s) on the mortgage under which the amount of insurance is determined amounts to $3,000 or more from the original date of the insurance or from the date the premium was last adjusted.
2. When the adjustment is made retroactively because of an error, the premium must be computed at the original age.

1. When an adjustment is made because of a current prepayment, the premium must be computed at the current age.
2. If the prepayment is made after the effective date of the mortgage insurance, the adjustment will be made as of the next monthly due date following the coverage reduction.
3. Refunds of over-deductions will be made by the VA Insurance Center to the insured.

**36.14 MISSTATEMENT OF AGE**

If the age of any insured person has been misstated, a premium adjustment will be made. If the correct age is younger than the stated age, VA will refund to the insured any overpayment of premiums. If the correct age is older than the stated age, the insured person must pay VA the difference between the premiums paid and the premiums due at the correct age. If the age discrepancy is discovered at point of claim and the older age is correct, the amount of insurance payable will be the amount of insurance in force less the amount of premiums payable based on the correct age of the insured.

**36.15 TERMINATION OF INSURANCE**

1. Insurance under this program shall terminate when whichever of the following events occurs first:
2. Satisfaction of the Veteran/Servicemember's indebtedness under the loan upon which the insurance is based;
3. Termination of the Veteran/Servicemember's ownership of the property securing the loan;
4. Request of the Veteran/Servicemember;
5. Discontinuance of payment of premiums by the Veteran/Servicemember;
6. Expiration of the period of time required for the amortization of the loan if all payments had been timely made, in cases in which the insurance is reduced in accordance with the schedule for the reduction in the principal of the mortgage loan.
7. Termination of the mortgage protection life insurance will in no way affect the guaranty or insurance of the loan by VA.

**36.16 AMOUNT OF BENEFITS**

1. The amount of benefits payable will be the lesser of the following amounts:
2. Legislative maximum,
3. The reduced maximum amount of insurance available to the Veteran/Servicemember,
4. The amount of the unpaid principal of the mortgage on the insured's housing unit on the date of their death,
5. The amount of the principal of the mortgage on the insured's housing unit that would have remained unpaid on the date of their death had all loan, interest and other payments on the loan, been paid in full when due.
6. In addition to the amounts specified in subparagraph a above, interest will be paid on the benefit amount at point of claim, at the per diem rate, from the date of the last scheduled mortgage payment preceding the date of death of the insured to the date of payment of benefits under this insurance program.
7. In addition to the interest specified in subparagraph b above and the amounts specified in sub paragraph a (3) or (4) above, there will be paid the amount of any prepayment penalty resulting from paying of benefits of this insurance which, when added to the amounts payable under subparagraph a (3) or (4) above, does not exceed the amounts specified in subparagraph a (1) or (2) above, whichever amount is applicable.
8. No payments shall be made under this insurance when the insurance is reduced in accordance with the schedule for reduction of the principal for a period of time required to liquidate the mortgage, if all payments had been timely made.
9. The amount of benefits otherwise payable shall not be reduced because of any payment made or due on the mortgage on the date of death of the insured.

​**36.17 PAYMENT OF CLAIMS**

Any amount of VMLI in force on the date of death of the insured shall be paid only to the holder of the mortgage. If VA is the holder of the mortgage, the insurance proceeds shall be credited to the indebtedness and, as appropriate, deposited in either the direct loan or the Loan Guaranty revolving fund. If there is more than one mortgage on a housing unit at the time the insured dies, the proceeds will be payable to the holder of the mortgages in the order of the priority of the liens.