#### Department of Veterans Affairs M29-1, Part 1, Chapter 8

**Veterans Benefits Administration April 11, 2019**

**Washington, DC 20420**

#### Key Changes

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| Changes Included in This Revision | The table below describes the changes included in this revision of Veterans Benefits Insurance Manual M29-1, Part I, Chapter 8, Loans.***Notes***: * **M29-1, Part 1, Chapter 8, Loans** has been rewritten in its entirety for the purpose of improving clarity and readability. Any substantive changes are itemized in the table below.
* Minor editorial changes have also been made to
* improve clarity and readability
* add references
* update incorrect or obsolete references
* update obsolete terminology, where appropriate
* reorganize/relocate content within **M29-1, Part 1, Chapter 8, Loans** so that it flows more logically
* reassign alphabetical designations to individual blocks, where necessary, to account for new and/or deleted blocks within a topic
* update the labels of individual blocks and the titles of sections and topics to more accurately reflect their content, and
* bring the document into conformance with M29-1 standards.
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| Reason(s) for Notable Change | Citation |
| Explains when a loan may or may not be issued on either a permanent or term policy, including policies surrendered for paid-up insurance (PUA) | Subchapter 8.01 |
| Provides current information on the annual rate of interest charged on NSLI policy loans; explains that all loans issued on or after November 2, 1987 are assigned the variable interest rate  | Subchapter 8.01 |
| Clarifies that a loan may be granted to an insured’s VA-appointed guardian or fiduciary | Subchapter 8.02 |
| Clarifies the procedures for normal or urgent processing of a loan request | Subchapter 8.03 |
| Clarifies that a loan cannot be granted prior to the end of the first policy year and cannot exceed 94 percent of the policy cash value.  | Subchapter 8.09 |
| Clarifies the interest rate can range from 5 to 12 percent per year and that failure to pay the interest does not void the policy unless the total indebtedness exceeds the cash value of the policy.  | Subchapter 8.09 |
| Explains the interest rate on loans requested prior to November 2, 1987 cannot increase during the term of the loan | Subchapter 8.09 |
| Eliminates payroll deductions as a method of repayment for loan indebtedness, as no insureds remain in the service | Subchapter 8.11 |

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| **Reason(s) for Change** | **Citation** |
| Removes language related to when a 5-year convertible term “K” plan has loan value as all “K” policies are beyond the period when loan value becomes available | Subchapter 8.01 |
| Eliminates section 304 premium liens as a type of policy indebtedness from which the amount of the loan will be deducted, as these liens are no longer applicable | Subchapter 8.05 |
| Eliminates section 306 premium liens in relation to reinstatements as these liens are no longer applicable | Subchapter 8.06 |
| Clarifies that in the case of an incompetent insured, a loan disbursement may be issued to the insured, care of his VA-appointed fiduciary | Subchapter 8.07 |
| Eliminates references to special handling of loan disbursements on Philippine accounts where the insured is incompetent as these are now handled the same as all other loan disbursements | Subchapter 8.07 |

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| Rescissions | None |

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| Authority | By Direction of the Under Secretary for Benefits |

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| Signature | Vincent E. Markey, DirectorInsurance Service |

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