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Oregon
John A. Kitzhaber, MD, Governor

Senate Committee on Veterans and Emergency Preparedness

SB 35 – Amends Loan-to-Value Ratio for ODVA Home Loans

Mr. Chair and Members of the Committee,

For the record, my name is Tom Mann, Administrator for the Veteran Services Division for the Oregon Department of Veterans' Affairs. One of the veteran benefits that I am responsible for is the ORVET Home Loan Program and I am here today in support of SB 35 – which amends the Loan-to-Value ratio ODVA can use when making home loans to veterans.

Currently under state law, the Agency can offer a 100 percent loan to value ration loan. In other words, a veteran could put no money down and may borrow up to 100 percent of the loan amount. If they do so, however, they must purchase Mortgage Insurance to secure any loan that is made for more than 80 percent of the home price. The federal VA Guarantee home loan does not require mortgage insurance, but instead requires the lender to loan beyond the 100 percent loan to value ratio – the current amount is 103 percent. The federal VA uses the extra three percent as mortgage insurance to guarantee the loan.

The Oregon Department of Veterans' Affairs is considering expanding its loan offerings to include loans guaranteed by the United States Department of Veterans' Affairs. Better known as a "VA Loan," such loans actually are local monies loaned to veterans with the benefit of the federal VA "guaranteeing" the loan should the veteran default. Such a guarantee is considered a veteran benefit by the federal VA and is offered to veterans through participating lenders. Our agency is not yet participating in the federal VA loan guarantee program, but is considering doing so. However, if we were to do so, ODVA must be able to have an LTV rate higher than 100 percent to meet USDVA requirements. SB 35 facilitates that requirement.

That said, if ODVA does not venture into federal VA Guarantee, SB 35 will not affect our current loan process.

Thank you for your consideration and I'd be happy to answer any questions you may have.