

Veterans home loan program a model of stability in mortgage industry (Opinion)



(Gordon Oliver/Special to The Oregonian/OregonLive)



By Guest Columnist

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By Chris Birk

Veterans in Oregon and across the country are turning to their hard-earned home loan benefits like never before.

The historic Veterans Administration home loan program had its biggest year ever in 2016, fueled by a surge of millennial veterans and service members. The VA backed more than 707,000 loans last fiscal year, nearly double the program's volume from five years ago.

Created as part of the original GI Bill, these flexible, \$0 down mortgages are helping a new generation of veterans and military families put down roots. VA loan volume in the Portland area and across Oregon has jumped about 75 percent from just a couple years ago.

This is a deserving demographic that believes in homeownership. Earlier this year, the national homeownership rate dropped just below 63 percent, marking a 50-year low. VA estimates the veteran homeownership rate is closer to 82 percent.

For many veterans and military families, the challenge has been securing financing in an era of tight lending and lagging wage growth. Military buyers can face unique credit and financial challenges that put conventional financing out of reach. VA loans allow qualified buyers to purchase with no down payment, no mortgage insurance and less-than-perfect credit.

The average VA buyer in 2016 had a FICO credit score nearly 50 points lower than their conventional counterpart, according to mortgage software firm Ellie Mae. It can take veterans and military families years to save the 5 percent down payment most conventional loans require.

This benefit program is also proving to be an economic springboard for those elusive millennial homebuyers. The VA estimates millennial-age veterans and military members accounted for a third of all loans last year, spurred by the \$0 down advantage and more forgiving credit guidelines.

In many ways, VA loans continue to fulfill their original mission to help level the playing field for those who've served our country. But they've also become a surprising model of stability in the mortgage industry.

One of the most under-the-radar stories of the housing recovery is that a no-down payment loan has led the way in foreclosure avoidance. VA loans have had a **lower foreclosure rate than both FHA and prime conventional loans** for 25 of the last 35 quarters, according to the Mortgage Bankers Association.

Part of that success stems from the VA's common sense requirements for discretionary income, an underwriting feature absent from other loan types. But loan program leadership is also committed to helping veterans keep their homes.

The VA keeps tabs on its more than 2 million active mortgages. Loan program staff members can intercede on behalf of troubled homeowners and encourage lenders and servicers to consider foreclosure alternatives.

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Since 2008, those efforts have helped more than 500,000 veterans avoid foreclosure.

Over the last decade, millions of veterans and military families have found a foothold in the housing market using the VA loan program. But millions more are still missing out.

VA surveys have found about 1 in 3 homebuying veterans didn't know they had a home loan benefit. These government-backed loans aren't the right answer for every would-be homebuyer. But understanding all of your mortgage options is key to making the savviest financial decision possible.

For so many veterans and military members, this hard-earned benefit winds up being the most powerful lending option on the market.

Chris Birk is author of "The Book on VA Loans: An Essential Guide to Maximizing Your Home Loan Benefits" and Director of Education for Veterans United Home Loans.

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