

(e) The term *owned* means the eligible individual has or will acquire an interest in the housing unit which is:

- (1) A fee simple estate, or
- (2) A leasehold estate, the unexpired term of which, including renewals at the option of the lessee, is not less than 50 years, or
- (3) An interest in a residential unit in a cooperative or a condominium type development which in the judgment of the Under Secretary for Benefits or the Executive Director, Loan Guaranty Service, provides a right of occupancy for a period of not less than 50 years: *Provided*, The title to such estate or interest is or shall be such as is acceptable to prudent lending institutions, informed buyers, title companies, and attorneys, generally, in the community.

(f) The term *eligible individual* means a person who has been determined by the Secretary to be eligible for benefits pursuant to 38 U.S.C. chapter 21.

(Authority: 38 U.S.C. 501, 2101, 2101A, 2106)

[37 FR 282, Jan. 8, 1972, as amended at 42 FR 43835, Aug. 31, 1977; 61 FR 29027, June 7, 1996; 82 FR 48631, Oct. 19, 2017; 86 FR 51275, Sept. 15, 2021]

#### §8a.2 Maximum amount of insurance.

(a) Each eligible individual is authorized an initial amount of insurance up to a maximum of \$200,000 in VMLI to insure his or her life during periods he or she is obligated under a mortgage loan, except that, as to an individual housing unit, whenever there is a reduction in the actual amount of insurance in force as provided for in §8a.4(a) the amount of VMLI thereafter available to insure the life of the same individual on the same housing unit is permanently reduced by a like amount.

(b) The maximum amount of insurance in force on any one life at one time shall not exceed the lesser of the following amounts:

- (1) \$200,000.
- (2) For insurance issued prior to December 24, 1987, the reduced maximum amount of insurance then available to an eligible individual.
- (3) The amount of the unpaid principal of the mortgage loan outstanding on the date of approval of the grant on a housing unit then owned and occupied by the eligible individual, or on a

housing unit being or to be constructed or remodeled for the eligible individual, and such initial amount of insurance may be adjusted upward, subject to the maximum insurance available to the eligible individual, 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.

(4) Where an eligible individual ceases to own the housing unit which was subject to a mortgage loan that resulted in his or her life being insured under VMLI, and becomes obligated under a mortgage loan on another housing unit occupied or to be occupied by the eligible individual, the amount of the unpaid principal outstanding on the mortgage loan on the newly acquired housing unit on the date insurance hereunder is placed in effect.

(5) Where an eligible individual incurs or refinances a mortgage loan, subject to the provisions of paragraph (a) of this section, the amount of the incurred or refinanced mortgage loan.

(6) 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 individual, the amount of VMLI or his or her 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 individual in the entire property.

(7) All claims, arising out of the deaths of insured individuals occurring prior to October 1, 1976, shall be subject to the \$30,000 lifetime maximum amount of insurance then in effect. All claims, arising out of the deaths of insured individuals occurring on or after October 1, 1976, but prior to December 1, 1992, shall be subject to the \$40,000 lifetime maximum amount of insurance then in effect.

(8) All claims, arising out of the deaths of insured individuals occurring prior to December 24, 1987, shall be subject to the provisions of paragraph (a) of this section then in effect which limited the amount of VMLI coverage to a lifetime maximum per eligible individual.

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(c) Any eligible individual who prior to October 1, 1976, was covered by \$30,000 VMLI and who on that date became eligible to have his or her coverage increased may elect to retain the lesser amount of coverage he or she had in effect prior to that date.

(Authority: 38 U.S.C. 501, 2101, 2101A, 2106)

[52 FR 48682, Dec. 24, 1987, as amended at 59 FR 59921, Nov. 21, 1994; 61 FR 29027, June 7, 1996; 82 FR 48631, Oct. 19, 2017]

### § 8a.3 Effective date.

(a) Where the grant was approved prior to August 11, 1971, VMLI shall be effective August 11, 1971, if on that date, the eligible individual was obligated under a mortgage loan, and any such eligible individual is automatically insured, unless he or she elects in writing not to be insured, or fails to respond within 60 days after the date a final request is made or mailed to the eligible individual for information on which his or her premium can be based.

(b) Where the grant is approved on or after August 11, 1971, VMLI shall be effective on the date of approval of the grant, if on that date the eligible individual is obligated under a mortgage loan, and any such eligible individual is automatically insured, unless he or she elects in writing not to be insured, or fails to respond within 60 days after the date a final request is made or mailed to the eligible individual for information on which his or her premium can be based.

(c) In any case in which an individual would have been eligible for VMLI on August 11, 1971, or on the date of approval of his or her grant, whichever date is the later date, but 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 his or her premium could be based, the insurance will be effective on a date agreed upon by the individual and the Secretary, but only if the individual files an application in writing with the Department of Veterans Affairs for such insurance, submits evidence that he or she meets the health requirements of the Secretary, together with information on which his or her pre-

miums can be based, and is or becomes obligated under a mortgage loan upon the date agreed upon as the effective date of his or her insurance.

(d) In any case in which an eligible individual disposes of the 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 the eligible individual, the insurance will be effective upon a date requested by the individual and agreed to by the Secretary, but only if the eligible individual files an application for such insurance, submits evidence that he or she meets the health requirements of the Secretary, furnishes information on which his or her premium can be based, and is or becomes obligated under a mortgage loan on the date the insurance is to become effective.

(e) In any case where an eligible individual insured under VMLI, refinances the mortgage loan which is the basis for such insurance on his or her life, any increase in the amount of insurance or any delay in the rate of reduction of insurance will be effective only if the eligible individual files an application for insurance, submits evidence that he or she meets the health requirements of the Secretary, and furnishes information on which his or her premium can be based.

(Authority: 38 U.S.C. 501, 2101, 2101A, 2106)

[42 FR 43835, Aug. 31, 1977, as amended at 61 FR 29027, June 7, 1996; 82 FR 48631, Oct. 19, 2017]

### § 8a.4 Coverage.

(a) The amount of VMLI in force on his or her life at any one time shall be reduced simultaneously (1) with the reduction in the principal of the mortgage loan, whether or not the mortgage loan is amortized, and (2) in addition, if the mortgage loan is amortized, according to the schedule for the reduction of the principal of the mortgage loan whether or not the schedule payments are timely made.

(b) If the amount of the mortgage loan exceeds \$200,000, or the reduced maximum amount of insurance selected by an eligible individual, whichever amount is the lesser, the amount