Veterans Affairs loans have spiked since 2007 recession: Study

The percentage of veterans and active duty service members who applied for a first-time home loan partially guaranteed by the U.S. Department of Veterans Affairs nearly doubled in the run up to the financial crisis, a new study from the Consumer Financial Protection Bureau shows.

The share of first-time home buying service members and veterans using VA mortgages increased from 30 percent in 2007 to 63 percent in 2009. That climb roughly paralleled the use of Federal Housing Administration (FHA) and U.S. Department of Agriculture (USDA) loans used by non-service members.

But in subsequent years following the recession, first-time home buyers' reliance on FHA and USDA loans decreased, the study found, while the use of VA loans had reached 78 percent by 2016.

With greater use of government-sponsored loan programs came a fall in the use of conventional mortgages. Prior to the crash, 60 percent of service members and veterans were using conventional loans, but by 2016 only 13 percent were using them.

The use of VA loans has also given service members and veterans more buying power, according to the report. The median first-time home buyer VA loan increased from $156,000 in 2006 to $212,000 in 2016, roughly tracking along the same line as conventional loans taken out by non-service members.

Those figures stand in stark contrast to the FHA, USDA and conventional mortgages taken out by service members and veterans. In 2006, the median non-VA loan was $130,000 and that had only increased to $150,000 by 2016.

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VA loans also afforded veterans and service members with nonprime credit scores more stability through the housing crisis. Roughly 5-7 percent of first-time buyers with a VA mortgage originated in 2006 and 2007 reported an early delinquency – 60 days or more delinquent on payment within one year of origination. Over that same period, early delinquency rates for non-VA loans for service members and veterans were as high as 13 percent.

VA-guaranteed loans offer the option to purchase with no downpayment, no mortgage insurance and provide strong loan-servicing protections than many other mortgages, according to the CFPB.

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