

Appendix C. Specially Adapted Housing (SAH) Plan Types and Grant Calculations

Overview

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1. General Information about SAH Plan Types

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• This entire section has been updated.

a. Statutory Maximum Grant Amount The maximum grant amount is reviewed annually and potential increases are based on fluctuations in the designated construction cost index. The Secretary of VA announces any increase in the maximum grant amount at the beginning of each fiscal year. Grant amounts will not decrease from year to year even if the index indicates a decrease in construction costs. No eligible individual may use the SAH grant benefit more than three times up to the maximum dollar amount allowed.

b. Requirements All SAH plan types require the Veteran to reside in the housing unit. In addition, the following requirements must also be met:

- It must be medically feasible for the Veteran to reside in the housing unit.
- It must be structurally feasible to adapt the housing unit.
- It must be financially feasible for the Veteran to acquire and/or maintain the housing unit.
- The ownership requirements outlined in M26-12, Chapter 5, must be satisfied.

c. Types of SAH Plans An eligible individual has the option to use the SAH grant under any of the following plans:

- Plan 1
- Plan 2
- Plan 3
- Plan 4

2. Plan 1: Description and Calculations

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 • This entire section has been updated.

a. Description The Veteran may elect to construct a housing unit on land to be acquired for that purpose if it is suitable for SAH.

b. Limitation The grant amount cannot exceed 50 percent of the Veteran’s total construction cost and land cost, up to the maximum grant amount.

c. Formula The formula used when calculating the grant amount for Plan 1 is:
(Cost of Housing Unit + Land Cost) x 50 percent

d. Calculating the Grant Amount Follow the steps in the table below to calculate the grant amount for Plan 1.

Step	Action
<i>Using the Formula</i>	
1	Add the construction cost and land cost together.
2	Multiply this sum by 50%.
<i>Determining the Grant Amount</i>	
3	Is the calculated amount greater than the maximum grant amount? • If <i>yes</i> , use the maximum amount allowed as the grant amount. • If <i>no</i> , use the amount calculated in Step 2 as the grant amount.

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2. Plan 1: Description and Calculations, continued

e. Example

Situation: The Veteran intends to purchase a lot for \$10,000 and build an adapted housing unit for use as the primary residence. The construction cost is \$110,000. The maximum grant amount at the time is \$67,555 and this is the Veteran's first use of the benefit.

Calculation:

\$110,000	Construction Cost
<u>\$10,000</u>	Land Cost
\$120,000	Subtotal
<u>x 0.50</u>	
\$60,000	Final Amount

Result: Since the final amount of \$60,000 is less than the maximum grant amount, the approved grant amount is \$60,000, *not* \$67,555. The remaining \$7,555 of grant funds may be used for future adaptations.

3. Plan 2: Description and Calculations

Change Date February 12, 2014, Change 1
 • This entire section has been updated.

a. Description The Veteran may build a housing unit on land already owned if it is suitable for SAH.

b. Limitations The grant amount cannot exceed the smaller of the following sums:

- 50 percent of the Veteran’s total cost of the housing unit and land, or
- 50 percent of the Veteran’s cost of the housing unit and the full unpaid balance of the land, up to the maximum grant amount.

c. Formulas The formulas used when calculating the grant amount for Plan 2 are:

1. *(Cost of Construction + Original Land Cost) x 50 percent*
2. *(Cost of Construction x 50 percent) + Unpaid Balance on the Land*

d. Calculating the Grant Amount Follow the steps in the table below to calculate the grant amount for Plan 2.

Step	Action
<i>Calculating the First Formula</i>	
1	Add the construction cost and land cost together.
2	Multiply this sum by 50%.
<i>Calculating the Second Formula</i>	
3	Add the full amount of the unpaid land balance to 50% of the construction cost.
<i>Determining the Grant Amount</i>	
4	Identify the smaller of the two amounts from Step 2 and Step 3.
5	Is the smaller of the two amounts greater than the maximum grant amount? <ul style="list-style-type: none"> • If <i>yes</i>, use the maximum amount allowed as the grant amount. • If <i>no</i>, use the smaller of the two amounts identified in Step 4 as the grant amount.

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3. Plan 2: Description and Calculations, continued

e. Example

Situation: The Veteran purchased a lot for \$20,000 last year. At closing, the Veteran made a \$2,500 downpayment and financed the remaining \$17,500. Currently, the unpaid balance of the loan is \$15,000. The proposed construction cost is \$90,000. The maximum grant amount at the time is \$67,555 and this is the Veteran's first use of the grant.

Calculation 1:

\$90,000	Construction Cost
<u>\$20,000</u>	Land Cost
\$110,000	Subtotal
<u>x 0.50</u>	
\$55,000	Final Amount

Calculation 2:

\$90,000	Construction Cost
<u>x 0.50</u>	
\$45,000	Subtotal
<u>\$15,000</u>	Unpaid Balance
\$60,000	Final Amount

Result: Since the amount derived from the first calculation (\$55,000) is **less than** the amount derived from the second calculation (\$60,000) and does *not* exceed the maximum grant amount, the approved grant amount is \$55,000. The remaining \$12,555 of grant funds may be used for future adaptations.

4. Plan 3: Description and Calculation

Change Date February 12, 2014, Change 1
• This entire section has been updated.

a. Description The Veteran may remodel (adapt) an existing housing unit if it is suitable for SAH.

b. Limitations

- If the remodeling cost exceeds the maximum grant amount, the difference must be paid by the Veteran. See Chapter 5, Section 7 for instructions on processing a grant when the construction cost exceeds the maximum grant amount.
- If the remodeling cost is less than the maximum grant amount, the formulas shown below must be used to calculate the maximum grant amount.

c. Formulas The formulas used when calculating the grant amount for Plan 3 are:

1. *Cost of Remodeling*
 2. *(Remodeling Cost x 50 percent) + [(Original Cost of Housing Unit + Original Cost of Land) x 50 percent]*
 3. *(Remodeling Cost x 50 percent) + (Unpaid Balance on the Housing Unit + Unpaid Balance on the Land)*
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4. Plan 3: Description and Calculation, continued

d. Calculating the Grant Amount

Follow the steps in the table below to calculate the grant amount for Plan 3.

Step	Action
1	Is the remodeling cost <i>equal to</i> or <i>greater than</i> the maximum grant amount? <ul style="list-style-type: none"> • If <i>yes</i>, use the maximum amount allowed as the approved grant amount. • If <i>no</i>, go to Step 2.
<i>Calculating the Second Formula</i>	
2	Multiply the remodeling cost by 50 percent.
3	Add the original land cost and the original cost of the housing unit together and multiply the sum by 50 percent.
4	Add the amounts from Steps 2 and 3 together.
<i>Calculating the Third Formula</i>	
5	Multiply the remodeling cost by 50 percent.
6	Add the total unpaid balances on the housing unit and land together.
7	Add the amounts from Steps 5 and 6 together.
<i>Determining the Grant Amount</i>	
8	Identify the smaller of the two amounts from Steps 4 and 7.
9	<ul style="list-style-type: none"> • If the amount from Step 8 is less than the remodeling cost from Step 1, then use the remodeling cost from Step 1 as the maximum grant amount.
10	If the amount from Step 8 is more than the remodeling cost from Step 1, use the amount from Step 8 as the maximum grant amount. Any grant funds over and above the remodeling cost may be used to reduce the principal balance(s) on the housing unit and land, or can be saved for a future use.

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4. Plan 3: Description and Calculation, continued

e. Example

Situation: The Veteran intends to purchase and remodel an existing housing unit. The purchase price is \$150,000. The unpaid mortgage balance will be \$125,000 and the remodeling cost is estimated to be \$60,000. The maximum grant amount at the time is \$67,555, and this is the Veteran's first use of the grant.

Calculations for the first formula:

\$60,000	Remodeling Cost
<u> x 0.50</u>	
\$30,000	Subtotal
\$150,000	Original Cost of Housing Unit
<u> x 0.50</u>	
\$75,000	Subtotal
\$30,000	Subtotal
+ \$75,000	Subtotal
\$105,000	Final Amount

Calculation for the second formula:

\$60,000	Remodeling Cost
<u> x 0.50</u>	
\$30,000	Subtotal
\$30,000	
+ \$125,000	Unpaid Balance on Housing Unit and Land
\$155,000	Final Amount

Result: Since the amounts derived from the first calculation (\$105,000) and the second calculation (\$155,000) both exceed the maximum amount allowed, the approved grant amount is \$67,555. The information below illustrates how the grant funds may be applied.

\$67,555	Maximum Grant Amount
<u>\$60,000</u>	Remodeling Cost
\$7,555	Remaining Grant Funds

In this example, the remaining grant funds may be used in one of two ways:

- save the remaining grant funds for a subsequent use, or
- reduce the principal balance on the housing unit and land.

5. Plan 4: Description and Calculation

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- This entire section has been updated.

a. Description The Veteran may use the grant for an existing housing unit that has been, or will be, purchased and satisfies all SAH Minimum Property Requirements (MPRs).

b. Limitations The grant amount *cannot* exceed the smaller of the following sums:

- 50 percent of the Veteran's cost of the housing unit and the land, or
- the full amount of the unpaid balance, if any, on the cost of the housing unit and land, up to the maximum grant amount.

It is important to remember the following:

- The housing unit must meet all SAH MPRs or the MPRs must be properly waived.
 - If the Veteran is acquiring a housing unit that has been adapted, grant funds can be applied towards the purchase price at closing.
 - If there is an unpaid balance on the cost of the housing unit and land, grant funds can be used to reduce the principal balance.
 - If there is no unpaid balance on the cost of the housing unit and land, the grant calculation will always result in a grant amount of *zero*. Therefore, the Veteran will not be able to use the grant for that specific housing unit but the grant may be used on a subsequent housing unit. **For this reason, it is not possible to directly reimburse a Veteran for work completed if there is no unpaid balance on the cost of the housing unit or land. See Examples 2 and 3 below.**
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c. Formulas The formulas used when calculating the grant amount for Plan 4 are:

1. *(Original Cost of Housing Unit + Original Cost of Land) x 50 percent*
 2. *Unpaid Balance on Housing Cost + Unpaid Balance on Land Cost*
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5. Plan 4: Description and Calculation, continued

d. Calculating the Grant Amount

Follow the steps in the table below to calculate the grant amount for Plan 4.

Step	Action
<i>Calculating the First Formula</i>	
1	Add the construction cost and land cost together.
2	Multiply this sum by 50 percent.
<i>Calculating the Second Formula</i>	
3	Add the full amount of the unpaid balance on the land cost to the full amount of the unpaid balance on the housing unit cost. This typically represents the outstanding mortgage principal balance.
<i>Determining the Grant Amount</i>	
4	Identify the smaller of the two amounts from Step 2 and Step 3.
5	Is the smaller of the two amounts greater than the maximum grant amount? <ul style="list-style-type: none"> • If <i>yes</i>, use the maximum amount allowed as the grant amount. • If <i>no</i>, use the smaller of the two amounts identified in Step 4 as the grant amount.

e. Example 1

Situation: A Veteran purchased an adapted housing unit for \$150,000. Currently, the unpaid balance on the cost of the housing unit and land is \$40,000. The maximum grant amount at the time is \$67,555 and this is the Veteran's first use of the grant.

Calculations for the first formula:

$$\begin{array}{r}
 \$150,000 \text{ Cost of the Housing Unit and Land} \\
 \times \quad 0.50 \\
 \hline
 \$75,000 \text{ Final Amount}
 \end{array}$$

Calculations for the second formula:

\$40,000 Unpaid Balance on the Cost of the Housing Unit and Land

Result: Since the amount derived using the second formula (\$40,000) is less than the amount derived using the first formula (\$75,000) and does *not* exceed the maximum grant amount, the approved grant amount is \$40,000.

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5. Plan 4: Description and Calculation, continued

f. Example 2

Situation: Many years ago, a Veteran purchased a partially adapted housing unit for \$120,000. It has since been paid off. The Veteran then paid cash for additional adaptations to meet his/her needs and is now requesting reimbursement for the money spent on the additional adaptations. The maximum grant amount allowed at the time is \$67,555 and this is the Veteran's first use of the grant.

Calculations for the first formula:

$$\begin{array}{r} \$120,000 \text{ Cost of Housing Unit and Land} \\ \times \quad 0.50 \\ \hline \$60,000 \text{ Final Amount} \end{array}$$

Calculations for the second formula:

\$0 Unpaid Balance on the Cost of the Housing Unit and Land

Result: Since the amount derived from the second calculation (\$0) is less than the amount derived from the first calculation (\$60,000), the grant amount is \$0. **Even though the Veteran paid for a partially adapted housing unit and then spent personal funds on additional adaptations, he/she cannot be directly reimbursed because the result of the grant calculation is zero.** The Veteran may elect to use the grant for new adaptations to the current housing unit or on a future housing unit.

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5. Plan 4: Description and Calculation, continued

g. Example 3

Situation: Recently, a Veteran purchased an adapted housing unit at a reduced price from a charitable organization that helps wounded Veterans. The purchase price was \$200,000 and the current outstanding mortgage balance is \$186,000. The housing unit meets all SAH MPRs. The maximum grant amount allowed at the time is \$67,555 and this is the Veteran's first use of the grant.

Calculations for the first formula:

$$\begin{array}{r} \$200,000 \text{ Cost of Housing Unit and Land} \\ \times \quad 0.50 \\ \hline \$100,000 \text{ Final Amount} \end{array}$$

Calculations for the second formula:

\$186,000 Unpaid Balance on the Cost of the Housing Unit and Land

Result: Since the amounts derived from the first calculation (\$100,000) and second calculation (\$186,000) exceeds the maximum grant amount allowed, the approved grant amount is \$67,555. **The Veteran may elect to apply the grant funds as a mortgage principal reduction or receive them as a direct reimbursement.**
