If the widow is unable to sell the property and is unable to make the mortgage payments, permitting the loan to go into default, the subsequent foreclosure may result in an indebtedness being established against her. Although such indebtedness may be established against the widow, the VA has taken a very liberal position in such cases and in practically all instances has waived the indebtedness of the widow.

Mortgage protection life insurance would avert these hardships by assuring funds for the payment of the outstanding balance on a guaranteed loan held by a veteran who dies. This would give the widow the privilege of determining whether, based on her particular situation, she may want to continue to reside in the property as a home for herself and children or to sell it under such terms as may be advantageous to her in improving her overall financial condition.

To make such insurance available to veterans at low cost, a large number would have to participate. In that case, one or more private insurance companies would be able to underwrite a group policy at less than ordinary commercial rates. It would cost only three percent more for commercial insurers to operate a group program than for the Government to operate a self-supporting group program.

A group program for mortgage protection life insurance would be practicable only on new loans, where coverage and premium collections can be made almost automatically, unless specifically declined by the veteran. Insurance on outstanding loans would have to be entirely voluntary and would require evidence of insurability.

A group mortgage life insurance program has both advantages and disadvantages. However, the Commission believes that such a program is worth immediate study. Therefore, we recommend that serious consideration be given to making a group plan of mortgage protection life insurance an integral part of the VA loan program, with such coverage mandatory on future loans and optional on outstanding loans. The Commission further recommends that the study include considerations and recommendations looking toward early implementation of such a plan.