VA Loans Made Easy

By: Carlos Scarpero

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www.Scarpero.com

This book is dedicated to my grandfather, LTC William J Scarpero, USAF, part of the Greatest Generation, to serve our great nation.

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Introduction

It is my honor and privilege to share this book with you.

Over the years, I have had the honor of helping hundreds of families obtain mortgage financing to achieve the American Dream.

A few years ago, I was utterly clueless about how to help people with their VA home loan benefits.

Luckily, a few years later, I decided that I needed to know more. Mediocrity was no longer an option for me.

So, I joined a couple of loan officer training programs, and got mentored by the best in the business.

I became the most knowledgeable VA focused loan officer in my market.

I answered hundreds of questions on the Vetted VA Facebook group, the VA Home Loans Subreddit and on the Quora Spaces VA group.

I answered and helped because it’s the right thing to do, not for a paycheck.

I learned what it means to be a true veteran advocate.

I learned that far too many loan officers and Realtors never get past the mediocrity stage with their VA product knowledge.

Veterans suffer when loan officers and Realtors don’t know what they are doing.

It’s a real tragedy when veterans are steered into more expensive mortgage products to due someone else’s ignorance.

That stops today!

My goal with this book is to share my years of experience into these pages as best as I can. That way you can leverage the VA benefits that you have earned.

I’m rooting for you!

Who Qualifies For The VA Loan

How do we know who qualifies for the VA home loan?

It's more complex than you may realize.

The VA, being the way they are, likes to change the rules.

During certain periods, the length of service varies.

If you served during peacetime, the time of service needed is different than if you served during wartime.

Most of you will be in the current era, which is anyone who served after August 2, 1990.

The Iraq War and the War on Terror are considered wartime operations and are covered under those rules.

You need at least two years of service if you served after August 2, 1990.

If you are still on active duty, you can get your VA home loan benefits after only 90 continuous days of service.

Time spent in boot camp does not count toward your service time.

National Guard and Reservists have different service time requirements.

If you served in the National Guard or Reserves, you need at least six years of service and 16 points per year.

If you were ever deployed to active duty under Title 10 or Title 63, there is an exception to the 6-year rule.

In those cases, you only need 90 continuous days of active duty service.

Surviving Spouses

If your spouse was killed in action, you are also eligible for the VA home loan benefit.

This could be from any service-related injury, not just a direct injury on the battlefield.

For example, I'm seeing cases where the veteran got exposed to Agent Orange 50 years ago in Vietnam.

The veteran got cancer years later and died.

Even though a long period has passed since the initial injury occurred, the surviving spouse is still eligible for VA home loan benefits.

Early Discharge Exception

You may also be eligible for the Va home loan if you did not meet the term of service requirements and were discharged early for a medical reason.

In these cases, you must appeal directly to the VA to make your case. The best way to proceed in these cases is to call the VA Service Center at 877-827-3702.

How The VA Loan Works

The VA home loan is a highly beneficial mortgage program.

It is important to note that the VA does not grant the mortgage approval itself.

Instead, they establish the guidelines and provide mortgage insurance in case of default.

The actual funding is provided by mortgage lenders.

Here are some advantages of opting for a VA home loan.

No Down Payment

One of the primary benefits is there is no down payment.

This is excellent news and makes things much easier for most people trying to buy a house.

Lower Rates and Fees

Another great benefit of the VA home loan program is its lower rates and fees than a conventional or FHA mortgage.

Flexible Underwriting

The VA home loan has extremely flexible underwriting standards. The VA has explicitly said they want as many people to get approved as possible.

This doesn't mean that anyone who can't pay their bills can get a VA loan. This means getting a VA loan is easier than a conventional loan.

Gift Funds and Seller Paid Closing Costs Allowed

One of the misconceptions of the VA home loan is people mistakenly think that there are no closing costs on this program.

That's not the case. However, there are several options if you need more funds to bring to closing.

One option where the VA home loan shines is with gift funds.

Other mortgage programs also allow gift funds. However, the VA home loan is unique because it will enable anyone to be a gift donor.

FHA and conventional also allow gift funds. However, they require the donor to be related to the buyer. VA has no such requirement.

If you don't have the money to pay for your closing costs, the VA is exceptionally flexible with the allowance of gift funds.

The VA home loan also allows you to get a seller concession, also called seller-paid closing costs, added to your contract. With a seller concession, the seller would contribute to your closing cost, reducing your cash to close.

VA Home Loans Are Assumable

Another great benefit of the VA home loan is it’s an assumable mortgage loan.

All VA loans are required to be assumable. Lenders cannot get out of this requirement.

I'll tell you more about this program in a later chapter.

No Mortgage Insurance

VA home loans do not have mortgage insurance.

Mortgage insurance is a separate fee that would get added to your payment.

On a conventional mortgage loan, the mortgage insurance is assessed if you put less than 20% down. On a FHA mortgage loan, the monthly mortgage insurance premium is assessed on everyone.

Instead of mortgage insurance, VA home loans have a one-time fee called a funding fee. This fee is assessed on top of the loan and typically financed into the loan amount.

The funding fee is waived if you have a disability rating of 10% or higher.

I'll tell you more about the funding fee in a later chapter.

VA Loan Myth Busting

If you are thinking about getting a VA home loan, you need to be aware of a few myths that are being spread.

Unfortunately, half-truths and misunderstandings have turned into lies.

It really upsets me that this is happening because many veterans who could get a home are not getting one due to these issues.

Myth: *You can only have one VA home loan at a time.*

Truth: You can have multiple VA loans at the same time.

***Myth**: The VA home loan can only be used once.*

Truth: There is no restriction to how many times you can have a VA home loan.

***Myth**: Any veteran can get approved for a VA home loan.*

Truth: The VA home loan has no minimum credit score. While the VA home loan is easier to get approved for than other mortgage loans, some people will not qualify.

***Myth:** The VA loan doesn't have closing costs.*

Truth: While disabled veterans will get a funding fee waiver, and some counties grant property tax waivers, it does have closing costs. You can, however, get the seller to pay closing costs if the seller agrees to it in the contract.

Myth: *VA requires you to stay in the property for at least one year.*

Fact: You will sign an intent to occupy form at closing saying you intend to occupy it for at least one year. This is to prevent rental fraud. However, this rule has several exceptions with any sort of job change or family size change.

Myth: *VA home loans are hard to get approved.*

Fact: This myth has been perpetuated by Realtors who got burned by lousy loan officers who do not know how to process VA home loans. The truth is the VA home loan is one of the most flexible mortgage programs out there.

Myth: *Veterans are risky borrowers since it is a zero-down loan.*

Fact: VA and conventional home loans have nearly identical foreclosure rates. Both mortgage types have lower foreclosure rates than FHA mortgage loans.

Myth: *Veterans are broke since they aren't putting money down.*

Fact: Veteran home buyers have significantly more assets than civilian home buyers.

Myth: *VA home appraisals are impossible to get approved.*

Fact: While VA appraisers will look at a few more safety issues than an appraisal for a conventional home loan, the differences are minimal.

Myth: *VA appraisals come in lower than conventional appraisals.*

Fact: VA appraisals and conventional appraisals come in at nearly identical values. Appraisals are always a statement of the appraiser's opinion. Additionally, the VA appraisal is the only appraisal type with two types of appeals processes.

Myth: *It's impossible to buy a condo on a VA home loan.*

Fact: The VA maintains a very limited condo list. It's quite easy for a good loan officer to help you get a condo added to the VA approved condo list. If the condo is “warrantable” and can get conventional financing, the odds are very good that it can get VA approved as well.

Myth: *You can build a rental portfolio from VA home loans.*

Fact: You can retain a home after you move away and rent it out. You can also buy a multi-unit property for up to 4 units and rent out the 3 vacant units. However, you cannot purchase a property with the intent of making it a rental right away. The VA home loan is intended for owner-occupied properties.

Myth: *The VA home loan is expensive.*

Fact: The VA home loan has lower rates and fees than other mortgage types.

Myth: *VA home loans take longer to close.*

Fact: VA home loans and conventional home loans have almost identical time from contract to closing.

Myth: *Sellers must pay for the termite inspection.*

Fact: Anyone can pay for the termite inspection, which typically costs less than $100.

Who You Work With Matters

The VA mortgage program is extremely specialized.

I've seen many situations where an inexperienced loan officer totally screws up a deal.

This is the most significant transaction of your life.

You need someone that knows what they are doing.

A Warning About Online Lenders

I get it. Everything online is supposedly cheaper. I have Amazon Prime myself and use it quite a bit.

But believe it or not, most online lenders don't have the cheapest rates.

Even worse, they have little incentive to close your deal on time.

If their reputation gets tarnished, they move on to the next one.

For locally based lenders like me, it's a different story.

My reputation is everything!

I want every deal to close as promised, even if I must lose money on it.

There's a reason I have a five-star Google rating.

I'll do anything and everything to protect that rating.

Banks Aren't Much Better

You may be tempted to go to your local bank.

Getting your mortgage in the same place you get your checking account is convenient.

Did you know that your local loan officer at the bank does not have to take the same test that mortgage brokers like me must take?

This is one of the side effects of the 2008 financial crisis.

The regulators went down hard on mortgage brokers.

As a result of this, they now require licensing and testing for mortgage brokers.

However, the banks have better lobbyists and got bank loan officers exempted from testing requirements.

The result these days is we now have a two-tier system.

People new to the business go to work at a bank because it's easier to get hired.

They get leads from the bank office and don't need to do the testing.

But on the downside, there is less money potential than working as a mortgage broker.

On the other hand, brokers get little to no leads and must rely on reputation to close the deal.

They are the most experienced loan officers and have a higher earning potential overall.

How To Find Out Who You Are Dealing With

No matter who you potentially want to work with, any loan officer needs to register with the NMLS.

The NMLS has a system where you can check criminal records and work history.

Did your loan officer deliver pizzas last week or have they been doing mortgage lending for the past 20 years?

The NMLS knows everything.

Go to https://www.NmlsConsumerAccess.org for full information about your potential loan officer.

Certification Matters

For the best results, I recommend working with a loan officer who has completed a certification program for VA home loans.

There are a few good ones out there.

The Vetted VA program is the one I recommend and am most familiar with.

This training is one of the most elite certification programs for loan officers.

They have a directory where you can find a loan officer in your area.

That directory can be found at: http://www.VettedVa.com.

They also have a very active Facebook group at:

https://www.Facebook.com/groups/VettedVa

Certification For Real Estate Agents

Real estate agents also have certification programs.

Ideally, you want both the loan officer and agent to complete a VA loan certification program.

There are a few agents in the Vetted VA directory listed above.

Another excellent resource for finding real estate agents is the Military Relocation Professional Program, also known as MRP.

This is a certification that Realtors can get to learn more about working with veteran buyers.

The easiest way to find MRP-certified pros in your area is to go to http://www.Realtor.com and do an advanced search.

Loan Officers and Agents Should Work Together

This is a team you are putting together.

If your loan officer and Realtor know each other and have worked well together, that will get you the best results.

Many of us know each other. If you can get one to refer to the other, that is the best solution.

Reasons Not To Go VA

While the VA home loan is an excellent program, there are a few reasons why you might want to avoid going VA.

Unmarried Borrowers

VA has a weird rule that other mortgage types do not have.

If a veteran and a civilian buy a home together and are unmarried, it is not a zero-down loan.

You must put down 12.5% plus the funding fee in these cases. The total down payment required comes to almost 15%.

In these cases, it could make sense to go conventional or FHA instead.

You Are Making A Large Down Payment

It can get interesting if you put down 20% or more for your home purchase.

With a large down payment, conventional mortgages do not require mortgage insurance.

However, VA requires the funding fee, even when putting 20% down or more.

Is it better to pay the funding fee and get a lower rate on VA or pay a higher rate on conventional without the funding fee?

Based on market conditions, this one can be very close and go either way.

Ask your loan officer for a quote of both VA and conventional to know which program is right for you.

Renovation Loans Are More Limited On VA

One of the great benefits of the VA home loan program is the VA renovation loan.

This program allows you to buy and renovate a home, all in a single mortgage product.

While it's a great program, it does have some limitations. For example, you cannot do structural work on the VA renovation program.

Lenders also limit the repair budgets on this program. Each lender sets their repair limit, typically between $50,000 and $100,000.

If you need a renovation mortgage outside these parameters, an FHA 203K renovation loan may be a better option.

VA Requires More Repairs

It is true. VA loans require more repairs than a conventional mortgage. The VA wants you to feel safe.

This is a good thing. Don't you want to be safe?

This is an area where Realtors like to blow things out of proportion. The differences in repair requirements are minimal.

Sadly, many agents think any home can be sold with a conventional mortgage, and VA requires the house to be perfect.

This is not the case. But depending on the situation, sometimes conventional may be the way to go.

VA Requires A Pest Inspection

VA mortgages require a termite inspection in about 90% of the United States.

Conventional and FHA mortgages do not have a pest inspection requirement.

If you are buying a home with a termite problem, you will need to go conventional or FHA on it because the VA won't approve it.

I'm unsure why anyone would purposely buy a home with termite damage, but those are the rules.

I wish that FHA and conventional mortgages would also require this. It's a good policy that protects the buyer.

VA Does Not Allow Cash Out On A Paid Off House

If you have a house with no mortgage, you cannot take out a mortgage with VA financing.

This is one of many VA rules out there to protect the veteran. Sadly, many mortgage companies did predatory things in the past and caused the VA to institute this rule.

If you need a cash-out refinance and don't have a mortgage, conventional, FHA, or a home equity line are your best options

Rental Income Can Be More Lenient On Other Mortgage Types

Using rental income to qualify can be a great way to qualify for a home loan.

You can use the rental income from the property you are trying to buy. You can also use the rental income from any other property you own.

However, if you are trying to use a VA home loan, you will be more restricted when using rental income for qualification purposes.

VA home loans require you to have cash reserves on hand.

Cash reserves are the money left over in checking and savings accounts after you close the loan.

This can vary from three months when using the reserves from a rental house to six months when using the rental income from the home you are trying to buy.

Conventional and FHA mortgage loans do not have the same cash reserve requirement.

This may be something to consider if you are short on cash reserves.

Keep in mind that the down payment will be less on VA. This could offset the cash reserve issue.

It's something to discuss with your loan officer before proceeding.

Can't Buy Investment Property

VA home loans are for owner-occupied properties only. To buy an investment property, you must get conventional financing or look into a Non-QM mortgage program.

You Are Over Entitlement

If you are over the VA entitlement limit due to having multiple VA loans, you may be required to make a down payment.

This down payment would be 25% of the amount that you are over your entitlement.

In these cases, going conventional or FHA would make more sense.

You Work In The Cannabis Industry

Unfortunately, the marijuana industry is still illegal at the federal level.

Because of this, you cannot get a VA home loan if you work at a dispensary. If you are an employee of the dispensary, you could go conventional. If you own the dispensary, going Non-QM is your only option.

You have High Childcare Expenses

VA is the only mortgage type that looks at childcare expenses when qualifying you. If you have high childcare expenses, you might have to go conventional or FHA.

Steps To Buy A House

If you are buying your first home, there are a few things that you need to keep in mind.

Here are the steps you need to take in the home-buying process.

Make A Budget

Before looking at houses, you need to know exactly how much you will spend on your mortgage payment.

Be sure also to include property taxes and homeowner’s insurance and HOA dues, if applicable.

Save Some Money

It's always a good idea to save some money before purchasing a home.

The VA home loan is a zero-down program. However, you should also plan for some expenses out of your own pocket.

If your real estate agent writes it into the contract, you can get the seller to cover closing costs. Remember that it can be harder to get a contract accepted if you do so.

You might also need money after closing to repair the home. It's a good idea to have those funds in savings as well.

Gather Your Documents

The next step is to get all your financial documents ready to go.

You will need income documents like one month of pay stubs and two years of W2s.

If you are collecting social security or a pension, you will also need to get your award letter.

If you are self-employed, you must also provide the last two years of tax returns.

You will need to provide child support or alimony documentation, if applicable.

You will also need to provide the last two months of bank statements for all accounts.

Talk To A Reliable Loan Officer

Once you know how much you want to spend and have your documents ready, the next step is to find a reliable loan officer.

Using a loan officer who is well-versed in the VA mortgage program would be best.

If you don't know of one already, a great place to find a loan officer is the Vetted VA directory at https://www.VettedVa.com

Find A Good Realtor

It's critically important that you have a buyer's agent.

The buyer's agent differs from the person who is listing the house. The home seller’s Realtor is the listing agent. The listing agent works in the seller's best interest, not yours.

It is best to have a buyer's agent knowledgeable about the VA home loan and working with veterans.

The Vetted VA directory at www.VettedVa.com is a great place to look.

You can also ask friends and family who they recommend as an excellent real estate agent in your area.

Get Your Certificate Of Eligibility

Next, you will need to get your Certificate of Eligibility (COE). This document shows that you are eligible to get the VA home loan.

Your loan officer might be able to get this document for you online.

Unfortunately, the process of getting a COE is very inconsistent. If your loan officer cannot get your COE online, you may need to get it from eBenefits.

When you request your COE, you must provide supporting documentation like your DD214 or a Statement of Service.

Decide Your Wants From Your Needs

Now that you know what to spend and a budget, you should have a maximum loan amount from your loan officer.

Now, you need to figure out your priorities. What items are essential in your home purchase, and what are "nice to have" items?

Gather that list and check it twice.

Then the fun begins!

Go Look At Houses

Now that you know how much you want to spend and what you need in a home, it's time to go look at homes with your real estate agent.

Be sure to analyze everything about the home to ensure it's exactly what you are looking for.

Keep in mind that the VA home loan program has a renovation option.

Sometimes, finding a home that meets your exact specifications can be difficult. The VA renovation program can be a great way to turn an imperfect home into the perfect home purchase.

Make An Offer

Now that you have found a home you like, it's time to make an offer.

Your buyer's agent can help advise you on how much you should offer for the home.

Be sure to keep your loan officer informed throughout the process.

If it has been a while since you got pre-approved for the loan, determine if the rates have changed and how much that payment will differ.

Fill Out Disclosures

Once you have an accepted offer, your loan officer will submit the package for disclosures.

Be sure to read the loan estimate and ask questions if you need help understanding anything. I'll dig more into the loan estimate in a later chapter.

Wait For Underwriting

Once you complete the disclosures, the loan officer or processor will send the file to underwriting.

The underwriter will review the file and issue a conditional approval.

At this point, the underwriter will most likely request additional documents from you. You should send all documents requested promptly to close on time.

Schedule A Home Inspection

A home inspection is not required for a VA home loan, but I highly recommend getting one done. They typically cost about $500 and are well worth it. I've seen many instances where someone cheaped out on the inspection and paid the price later.

Renegotiate Any Repairs

If the home inspection uncovers anything wrong with the house you are trying to buy, you can negotiate repairs with the seller. Your buyer's agent will help you with this process.

Get A Pest Inspection

Most people getting a VA home loan need to get a pest inspection. Luckily, these are very cheap, under $100. Your real estate agent can help recommend a reliable inspector in your area. In some markets, the pest inspection is combined with the whole house inspection.

Get An Appraisal

Your mortgage lender will schedule the appraisal for you. Unfortunately, they do not have any control over which appraiser will get the file.

The appraiser will determine the home's value and whether it meets the VA property condition guidelines.

I will tell you more about the appraisal process in a later chapter.

Get Homeowner's Insurance

You must select your homeowner's insurance policy before closing the home. You won't make the first payment on it until your closing date.

If you need an insurance agent, your real estate agent or loan officer can help you find a good one in your area.

Sign More Disclosures

You will sign another disclosure once the homeowner's insurance and the appraisal are approved. This is called the Closing Disclosure or the CD.

The CD needs to be signed at least three days before you close. You must get everything to your loan officer promptly so your CD can be released on time.

Clear To Close

Once the CD is signed, the package goes back into final underwriting review. Hopefully, everything goes well, and you hear the words you have wanted to hear.... clear to close!

Schedule Closing

Once the loan is clear to close, you can schedule the closing. Your real estate agent or loan officer will arrange with the title company to schedule the closing.

Be sure to ask what forms of payment are acceptable for closing. Depending on the amount you need to bring, you may need to wire in the closing funds.

If you are required to wire funds, call the title company directly to confirm the wiring instructions.

Never trust instructions sent via email. Sadly, many scammers are out there stealing emails and forging instructions.

Get Your Keys

Congratulations, you signed the documents and closed on the house. Now, you can get your keys and celebrate!

Closing Costs

When buying a home, you will need to understand the fees you must pay during the mortgage process.

The mortgage lender must send you a loan estimate within three days of application.

Common Fees That You Will See On The Loan Estimate

Discount Points

This is a fee to buy down your mortgage rate. This fee can vary based on your credit score.

Many online lenders will advertise low rates and make up for it with high discount points.

Be careful when you see this. Often, it is better to pay a slightly higher rate and not pay discount points on your loan.

Processing Fee

Some mortgage lenders will charge a processing fee. This is a fee to pay the processor.

It's typically around $500. Ideally, you want to find a mortgage company that does not charge for processing.

Underwriting Fee

This is a fee to pay the underwriter. It's typically around $900.

Again, ideally, you don't want to have an underwriting fee

Credit Report Fee

The credit reporting fee covers the cost of obtaining a credit report and is typically between $60-$100.

Unfortunately, with credit report costs increasing, this fee has been increasing a lot lately.

Flood Certification Fee

This line-item fee is paid to a third party to certify that the home is not in a flood zone and runs between $25 and $40.

Pest Inspection Fee

This is a fee to pay the pest inspector to ensure that there are no termites on the property and no termite damage.

Anyone can pay the pest inspection fee. Typically, it is paid in advance. It typically runs between $40-$100.

Appraisal Fee

An appraisal will be needed for every VA mortgage loan for a purchase.

The VA sets this fee, and it differs depending on where you live. It is typically around $650.

Title Search and Closing Fees

Title fees are required for any VA mortgage loan. These fees cover the cost of a title search, the closing, and the document preparation. Title company fees are between $700-$900.

Title Insurance Fees

A lender's title policy is also required. This policy ensures no issues with the deed to the home and covers the lender if there are any mistakes with the title.

A lender's title policy typically starts at about $300 and can go up to thousands of dollars on a high-end home.

You can also get an owner's title policy to ensure a clear title.

An owner's title policy not required but highly recommended.

The amount varies by the value of the home you are buying. It is typically around $500.

Filing Fee

The county recorder's office charges filing fees to file the mortgage and deed after the mortgage loan is closed.

These fees typically range from $250 to $350. This varies greatly depending on where you buy the home.

The title company may also charge a courier fee of between $20 and $50 to submit the deed to the county recorder.

Transfer Tax

Most states require a property transfer tax on any real estate transaction. The transfer tax is based on the price of the home.

You can expect to pay between $300 and $1000 for transfer tax. In some states, transfer tax is paid by the seller.

Funding Fee

The funding fee is a one-time mortgage insurance fee from the VA that covers the lender in case of foreclosure.

It's the VA's equivalent of PMI on a Conventional mortgage or MIP on an FHA mortgage.

The funding fee is typically added on top of the loan amount, but you can elect to pay the funding fee at closing or have the seller pay it.

The funding fee amount varies depending on whether you are making a down payment and if it's a first-time use.

For zero down non-exempt veteran homebuyers, this fee is 2.15% for zero down first-time home buyers. This fee is lower if you put down at least 5%.

If you have a disability rating of 10% or higher, the funding fee is waived.

Prepaid Property Taxes and Insurance

You must pay for your first year of homeowner's insurance upfront at closing.

You must also place the taxes and insurance into an escrow account.

The escrow account will be initially funded at closing.

A monthly amount will be added to the account every month to ensure enough money to cover the property taxes and homeowner's insurance.

The amount needed for prepaid taxes and insurance varies based on the amount that is owed.

As a homebuyer, it's essential to get an accurate quote for the property taxes and insurance before an offer is made so you can be sure you can afford it.

How To Get Seller to Contribute Toward Closing Costs

When purchasing a home using VA mortgage financing, you can ask the seller to contribute toward the closing costs.

By having the seller contribute toward closing costs, you can reduce the money you would need to bring to the closing.

If done correctly, you can have a true zero-down closing, which is one with no money down and no money due at closing!

The Realtor needs to list the seller contributions in the contract and coordinate the amount required with your loan officer.

However, there are limitations regarding how much can be requested for seller contributions.

How To Shop Around For A Home Loan

Getting a loan estimate from multiple mortgage companies can be a good idea. That way, you can ensure that you are getting the best deal.

If you are shopping around, make sure it is an apples-to-apples comparison.

Get the competing estimates on the same day.

Rates vary a lot, and the rate can change daily.

Additionally, some lenders may have what appears to be lower rates but have higher fees.

If one has a buydown in the quote, ask the other lender what their quote would be if the same buydown were added. That way, you have the same figures.

Use A Mortgage Broker

Using a mortgage broker is a great way to make it easy on yourself.

A broker will shop the market for you to ensure you get the best deal. For example, the company I work with has 110 approved mortgage companies to which I can send a loan.

Using a mortgage broker can save you a lot of money.

A recent study showed that the average buyer who used a mortgage broker saved $13,809 in interest and fees over the life of the mortgage vs. using a traditional mortgage lender.

Big savings, indeed!

Automated Vs. Manual Underwriting

There are two different types of underwriting available for VA home loans. There is automated underwriting, and then there is manual underwriting.

Automated Underwriting

Automated underwriting is the preferred method because it’s a more straightforward process. During automated underwriting, the loan officer submits the file to the automated underwriting system or the AUS.

The software gives an “approved eligible” or “refer” response during automated underwriting.

If it is “approved eligible,” the underwriter ensures the supporting documentation matches what the AUS asked for.

Manual Underwriting

Sometimes, the AUS software gives a “refer” response. In those cases, the lender can use manual underwriting instead.

Manual underwriting is where a human underwriter determines if the file meets VA guidelines for approval.

The VA Handbook says, “underwriters are encouraged to consider every possible factor in seeking a proper basis for approving loan applications for every qualified veteran, as long as lenders document their reasoning, it is extremely unlikely that VA staff would ever take issue with their decision”.

Lenders don’t want to randomly say, “Well, this person is approved, this person is not.”

Lender Overlays for Manual Underwriting

The VA manual underwriting guidelines are intentionally vague.

Most lenders have overlays for manual underwriting.

For example, some lenders may have a minimum credit score requirement.

Others may require you to be without any late payments for a certain period.

If you require a manual underwrite, a great question to ask is, “Is this requirement a VA guideline or a lender overlay?”

In many cases, veterans are being denied for the manual underwrite by the lender due to the lender overlays.

You could potentially be approved by using a different lender.

Manual Underwriting and Minimum Credit Score

VA mortgage loans do not have a minimum credit score.

However, most lenders will set minimum credit scoring guidelines.

I know of a few lenders that will go down to a 500 credit score, but that's rare. Most set the minimum score for VA manual underwriting at 580 or 600.

VA Manual Underwriting and Debt Ratio

The debt ratio is defined as your debts divided by your income.

For example, if you are making $4000 a month in gross income before taxes and have $2000 a month in debts, you have a 50% debt ratio.

Unlike conventional and FHA mortgage loans, the VA has no maximum debt ratio requirement.

However, getting a manual underwrite approved with over a 50% debt ratio is very hard.

I have only seen one lender that goes to 60%. And even that is in very special cases only.

Other Credit Considerations

Here are some other credit factors that are considered on VA home loans.

Minimum Credit Score

One of the significant advantages of VA loans is that there is no official minimum credit score to get approved for a VA loan.

That doesn't mean everybody can get a VA loan. It means that there is a lot of flexibility in getting approved.

This is where lender overlays come into play.

Some lenders might say, "We have an overlay that we will only approve people at a 580 score."

Other lenders might say, "We only approve people at a 500 score." And some might say, "You know what, we look at certain things on credit and decide that way."

Residual Income

Residual income will be considered for any VA home loan.

This ensures that you have enough money to pay back the loan.

Residual income is your net income after taxes, mortgage payment and other debts.

One unique thing about VA home loans is they also factor in childcare expenses for the residual income requirement.

Other mortgage programs do not factor childcare in their underwriting requirements.

Your residual income is the money left over after your after-tax income and expenses are considered.

After the residual income is calculated, the underwriter will see if you meet the residual income requirement.

This is done by reviewing the VA's residual income chart. The amount of income required varies by location and family size.

For example, a single veteran living in Ohio with no dependents would need $441 in minimum residual income to qualify for a VA home loan.

In contrast, a married veteran with a family of 5 living in Oregon would need at least $1158 in residual income to qualify for a VA home loan.

Chapter 7 Bankruptcy Rules

You will typically need at least two years to have passed to get approved for a VA home loan after a Chapter 7 bankruptcy.

There are a few exceptions at one year, but those can be hard to get approved.

Veterans can sometimes get approved at one year with extenuating circumstances.

Some examples of valid extenuating circumstances are:

- Unemployment due to a layoff
- Prolonged strike
- Medical bills not covered by insurance
- Failure of a business

Chapter 13 Bankruptcy Rules

On a Chapter 13 bankruptcy, it is different because the 13 is based on the bankruptcy filing date.

If you have made 12 on-time payments on the Chapter 13 payment plan, it is possible to get approved for a VA home loan with manual underwriting.

Foreclosure

If you have a foreclosure, you must typically wait at least two years after the deed transfer date to be eligible for VA financing.

You can also use the extenuating circumstances rule to get a VA home loan at one year for foreclosures.

The same extenuating circumstance rules apply.

Some examples of extenuating circumstances are:

- Unemployment due to a layoff.
- Prolonged strike.
- Medical bills not covered by insurance.
- Failure of a business.

Special Circumstances If The Foreclosed Home Had A VA Loan

If the foreclosed loan was a VA loan, it will remain on your entitlement even after the waiting period has passed.

You can settle the old debt to remove the foreclosure from your entitlement. Luckily, you can typically settle it for pennies on the dollar.

To do this, call the VA Regional Loan Center at 877-827-3702.

Occupancy

If you want to buy a home with VA financing, you need to know the occupancy rules.

You will fill out a form at closing stating that you intend to occupy the home within 60 days. The form will also say that you intend to stay in the home for at least one year after closing.

Typically, you are required to occupy the property within 60 days of closing.

There are some exceptions where you can take up to a year to occupy the home.

You will need a good reason for extending occupancy. You must also inform your mortgage lender of when you intend to occupy.

However, I've only seen extensions accepted when you are PCSing.

In those cases, you can quickly get an extension accepted by providing a copy of your orders to your underwriter.

If you are doing delayed occupancy, you can even rent out your home while the home is vacant.

Spouse or Child Can Occupy

The VA guidelines also state that the veteran or the spouse can fulfill the intent to occupy requirement.

Additionally, if you have a dependent child, that can also satisfy the intent to occupy requirement.

You do not need to be in a relationship with the child's parent to meet this requirement.

However, you must qualify for the VA loan based on two housing payments if you have two households.

Deployments Also Count As Occupancy

If you are deployed, you can buy a home while serving overseas. Your overseas address during deployment does not count as permanent residency. The timelines listed above do not count.

Remember that the underwriter will most likely ask when you are scheduled to return.

They will also ensure that you will likely be assigned to a base near where you buy the home upon your return.

If you are deployed, you can rent out the home purchased on VA financing until you return to the US.

The 12-Month Rule

You will sign something at closing stating that you intend to occupy the home at least 12 months after closing.

The key word here is intent. The VA home loan is not intended as a tool for you to build a rental portfolio.

Several provisions in the VA handbook allow you to break intent to occupy.

For example, if you are PCSing less than 12 months after you purchase the home, that is considered a change of circumstance and allowable.

Other instances of change of circumstance include marriage, divorce, having a child, or a non-military-related job change.

For most cases where you are moving a long distance, you will be ok. The underwriters get a lot stricter when it is a same-city move.

Unfortunately, too many people abuse the VA guidelines to try to build their rentals.

When Can You Rent Out Your Home

The VA is very open to renting out your home when you move. They want it done correctly.

If you have a change of circumstance or an allowable reason for delay that has been stated above, you are good to go to rent out your home.

Intermittent Occupancy

The VA also has specific guidelines regarding intermittent occupancy.

Intermittent occupancy is when someone is only in their home for part of the week.

One example of intermittent occupancy is if you live in one city, stay overnight during the week, and then commute back home on the weekends.

The VA is ok with this if you have proof of permanent residency for the location of your house.

Examples include a spouse, children, and voter registration in the area where you claim residency.

Remember, if you use intermittent occupancy, you must qualify based on housing payments in both locations.

Property Types

The VA home loan is very flexible regarding what types of properties you can purchase.

Single Family Homes

Single-family homes are the core of the VA home loan program and are definitely allowed.

Multi-Family Homes

You can buy a multi-family home on a VA home loan. You can buy up to 4 units.

You can collect rental income on the three vacant units and count the rental income toward qualification.

Condos

Condos are allowed on the VA home loan program. The VA maintains a very limited approved condo list.

Sadly, many Realtors and loan officers think that the approved condo list is the final list. This is not the case!

Luckily, any skilled loan officer can a condo to the VA approved condo list if necessary.

If the condo is “warrantable” and available for conventional mortgage financing, it’s very likely that it can get approved for VA financing as well.

Unfortunately, many Realtors and loan officers will try to push veterans into getting a conventional mortgage instead of going VA.

Your best option is to insist on using the VA mortgage benefit that you have earned.

This is one area where having a good loan officer and Realtor in your corner is essential.

Manufactured Homes

Manufactured homes are allowed on VA financing if they are permanently affixed to the ground.

Manufactured homes need to have been manufactured after June 15, 1976.

Additionally, the manufactured home must be at least 400 square feet for a single-wide or 700 square feet for a double-wide.

Farms

The VA allows you to purchase acreage and a farm. There are no acreage limits on the VA home loan.

However, many lenders will establish their own acreage limits.

Mixed-Use Properties

You are allowed to buy a home with mixed-use zoning and a business in place with VA financing. The property needs to be primarily residential. Lenders may establish overlays on top of what the VA requires.

Certificate Of Eligibility

One of the most important documents during the VA mortgage approval process is the Certificate of Eligibility. This document is also called the COE.

This document shows that you are eligible for the VA home loan from a military service standpoint.

You must still qualify for the loan based on income and credit requirements.

How To Get the COE

The easiest way to get the COE is directly from your loan officer.

Depending on when you served, your loan officer may be able to pull it directly from the VA.

If your loan officer cannot pull it, another way to get the COE is by applying through eBenefits.

If that does not work, you can also get it by mailing form 26-1880 directly to the VA.

Items Needed To Obtain The COE

If you were on active duty, you must submit your DD214 with your COE application.

If you were a reservist and never deployed, you must get a Statement of Service and submit that with your COE application.

If you are applying under the surviving spouse rule, you must call the VA Regional Loan Center at 877-827-2902 to obtain your COE.

For more information, go to:

https://www.va.gov/housing-assistance/home-loans/how-to-request-coe/

What The COE Shows

This important document will show your name and the last four digits of your social security number.

It will also show whether you are exempt from paying the funding fee.

It will also show whether you are considered first-time or subsequent use for the funding fee requirement.

Be sure to study your COE carefully since the VA often makes errors on the form.

The lender will use the COE to determine how much to send to the VA for your funding fee if one is due at all.

Entitlement

The COE will also show how much entitlement has been used and if you have any entitlement left.

Entitlement is one of the most confusing aspects of the VA home loan process.

You have two forms of entitlement: basic entitlement and bonus entitlement.

If you have full entitlement, it will show as $36,000 of entitlement remaining on your COE.

Luckily, this does not mean you can only buy a $36,000 house.

That would be a very small loan!

If it says $36,000, you can buy any house you want with no money down, assuming you meet credit and income requirements.

The entitlement will have a number in the first column if the entitlement has been charged.

This happens when you have another VA loan outstanding that you are not paying off at closing or a VA foreclosure on file.

If entitlement has been charged, you can still use your VA home loan benefit under the bonus entitlement rule.

If you are using your bonus entitlement, you must borrow at least $144,000 on your new VA loan.

However, the bonus entitlement needs to be calculated before proceeding.

There is a formula to calculate the bonus entitlement. Your loan officer will help you determine how much entitlement you have left.

If you are over on entitlement, you can still get a VA home loan but you will need to pay 25% of the entitlement overage as a down payment.

In many cases, even with an entitlement overage, you will still get a better deal on VA than you would on conventional or FHA.

It's best to work with a loan officer that can show you all your options so you can make the best decision for your family.

VA Funding fee

Unlike conventional and FHA loans, VA home loans do not have mortgage insurance.

Instead, VA home loans have something called a funding fee. The funding fee is 2.15% if you are not putting down a down payment.

The 2.15% is the funding fee for first-time use. The funding fee is higher if you go zero-down again the next time you use your VA mortgage benefits.

If you put at least 5% down, the funding fee would be lower.

If you are collecting the VA disability at any level, the funding fee is waived.

You can finance the funding fee if you want.

For example, if you are buying a $250,000 home at zero down and it's your first time using the VA home loan, the funding fee would be 2.15% of $250,000, which comes to $5375.

Your total loan amount if financing the funding fee would be $255,375.

Appraisals

One of the critical steps in the VA mortgage process is the appraisal.

This part freaks a lot of people out. But it does not need to be scary.

Your mortgage processor will place the appraisal order.

The appraisal is ordered through a system called Web LGY that's directly connected to the VA.

The Web LGY system will randomly assign the appraisal order to a VA-approved appraiser who lives near the home you are trying to buy.

Unfortunately, your mortgage lender cannot control which appraiser will receive the order.

A few years ago, we could control which appraiser took the appraisal order, but that practice was banned after the 2008 financial crisis.

The VA has set prices for how much your appraisal will cost, and the appraiser is not allowed to charge extra fees for mileage or rush orders.

This is a unique feature of VA appraisals.

Unfortunately, when the market heats up, appraisers on conventional and FHA loans will often charge extra fees for mileage and rush orders.

Another benefit of the VA appraisal process is a set time limit for the appraiser to complete the appraisal.

The time the appraiser must complete the appraisal varies by state. Most states have this return requirement between five and ten business days.

If your appraisal is not returned in a timely manner, your loan officer can file a complaint to the VA to get the appraisal completed.

The VA takes these complaints very seriously. The appraisal almost always comes back very quickly after a complaint is filed.

If the appraiser gets too many complaints, he could lose the right to do VA appraisals.

Unfortunately, many less experienced loan officers do not realize that the VA can step in when there is a slow appraisal.

This lack of knowledge can cause severe delays in the mortgage process.

The Purpose of The Appraisal

There are two purposes of the appraisal. The first purpose of the appraisal is to ensure that you are not overpaying for the property.

The appraisal's second purpose is to ensure the property meets the VA Minimum Property Requirements (also known as MPRs).

What To Do If The Appraisal Comes In Short

If the appraisal comes back for less than the purchase price, you have a few options.

The first option is to renegotiate with the seller to see if they will lower the price.

The second option is to bring the difference between the purchase price and the appraised value to closing as a down payment.

The third option is to appeal the appraisal.

How To Appeal A VA Appraisal

Unlike conventional and FHA mortgage loans, the VA mortgage allows for an appeals process if you feel the appraisal was too low.

The Two Levels of Appraisal Appeals

The VA offers two levels of appeals in the appraisal process. The first level of appeal is called Tidewater.

In the Tidewater situation, the appraiser sends a notice to the loan officer and Realtors saying the appraisal will not meet the purchase price.

The Realtors involved in the transaction are invited to send comparable homes to the appraiser. This gives the appraiser more info to see if an acceptable value of the home can be reached.

If Tidewater is done and the valuation is still too low, the appraisal moves to the second level of appeal. The second level is called Reconsideration of Value.

In a Reconsideration of Value request, the lender directly appeals to the VA to request that a new valuation of the property be made.

Two Different Types of Reconsideration of Value

Two different kinds of appeals can be made when a Reconsideration of Value is requested.

The first item that can be appealed is comparable homes.

In this type of request, Realtors in the transaction gather new comparable homes that can be used on the appealed appraisal.

The loan officer instructs the Realtors in the transaction to support the appeal with documentation.

The second item that can be appealed is the adjustments.

In this type of appeal, the loan officer and Realtors are ok with the comparable homes used but don't like how the appraiser analyzed the data.

With an adjustment appeal, the Realtors submit evidence showing why they feel the adjustments are low on the appraisal.

Using the data gathered from the Realtors, the VA appraisal team determines whether the appeal will be approved.

Appraisal vs Home Inspection

When you are buying a home, getting a home inspection is critical.

While the VA does not require that you get a home inspection, I highly recommend it.

I've seen way too many people buy a home without getting a home inspection and later regret it when something goes wrong.

A home inspection is different from an appraisal.

A home inspection is done with the help of a licensed home inspector.

This person will tell you if items are broken or may break soon.

The appraiser will tell you if the home meets the minimum property requirements that are needed for a VA home loan.

VA Minimum Property Requirements

The second reason for appraisals is to determine if the property meets the VA Minimum Property Requirements.

The VA wants you to live in a "safe, sound, and sanitary home."

Keep in mind that if you find a home that does not meet the requirements, it will not cause a loan denial.

The owner will need to fix the deficient items before closing or you can do a VA renovation loan.

Here is a checklist of items that the VA-approved appraiser will be looking for to make sure that the minimum property requirements (MPR)s are met. These requirements are outlined in more detail in the VA Handbook Chapter 12

- The home must be termite-free if you are in a termite zone. The termite report is a separate report and needs to be completed by a pest inspector.
- The home must be free of hazards that affect the health and safety of occupants or the property's structural soundness.
- Handrails are required on stairs with three or more risers.
- Severe tripping hazards must be remedied (i.e., major buckling of concrete).
- Business use is acceptable but cannot be more than 25% of the property square footage.
- Mechanical systems must be adequate, safe, and protected from elements.
- Conventional heating systems must be present in all homes to maintain a temperature of 50 degrees or more in areas with plumbing.

- Solar systems for water and space heating must have reliable backup systems.
- The roof must be functional. While the VA doesn't specify roof age, two years of remaining life is the standard most lenders look at. The roof must have at most three layers of shingles.
- The crawlspace must have adequate access, be clear of debris, and be properly vented. Must have access to ductwork and plumbing.
- Excessive dampness or ponding of water in the crawlspace must be corrected.
- Natural ventilation of attics and crawl spaces must be provided.
- Laundry and storage space may be shared in a two to four unit building.
- The rear yard must have access. Row units may be through an alley, easement, or passage through the subject dwelling

- Private streets must have permanent easement and be maintained by HOA or maintenance agreement.
- The living unit must have its own access.
- There must be space between buildings for maintenance of exterior walls.
- Lot must drain away from dwelling.
- Exterior wood must be protected from the elements. Chipped or peeling paint must be remedied.
- Properties built before 1978 must have all defective paint surfaces remedied, both interior and exterior.
- Property cannot be located within a high-pressure gas or petroleum easement. If located within 220 yards' special certifications will be required.
- The property cannot be located within a high-voltage electric line easement.
- Private water systems must be tested.
- Water treatment systems are allowed only if public water is not available.

- Shared wells must be adequate and have maintenance and well-sharing agreements.

As you can see, all these requirements are very reasonable.

These requirements can easily be met unless you are buying a home that requires a lot of work.

Remember that every rule the VA has in place is for your benefit.

This is a good thing. The VA wants to see Veterans protected!

Refinancing A VA Home Loan

The VA loan offers two types of refinances: the cashout refinance and the IRRRL streamline refinance.

VA Cashout Refinance

The VA Cashout Refinance loan is a mortgage program that allows you to take cash from your home's equity.

You can borrow up to 100% of the property value if specific requirements are met.

You can use the funds for anything you wish when borrowing 90% of the property value.

Some of the common uses include:

- Getting a lower rate
- Converting a conventional loan to VA
- Home improvement projects
- Paying off high-interest credit cards and personal loans
- Paying for a wedding
- Paying for a dream vacation
- Buying a car

Net Tangible Benefit Test

The VA allows you to borrow as much as 100% of the property value if your proposed new loan is for one of the following reasons:

- The new VA loan eliminates monthly mortgage insurance.

- The term on the new loan is shorter than the loan being refinanced.
- Bills are being consolidated, which increases your total cashflow.
- The new VA loan replaces an interim loan to construct, alter or repair the home.
- The new VA loan refinances an adjustable-rate loan to a fixed-rate loan.

Funding Fee

If you are non-exempt, you must pay the funding fee at the subsequent use rate of 3.6% when doing a cashout refinance.

If you are exempt from the funding fee due to service-related disabilities, the funding fee will also be waived on the refinance.

Unlike a purchase, if a funding fee is due, it cannot be financed on top of the home's appraised value.

For example, if you are refinancing a home that is appraised at $250,000, the funding fee would be $9000 (3.6% of $250,000).

The $9000 would be taken from your available funds, and the remaining $241,000 would be available for whatever else is needed.

The IRRRL Streamline Refinance Program

The IRRRL, pronounced "Earl", is a streamlined VA refinance program for you to get a rate and term refinance of your VA loan.

With the IRRRL program, you are doing a rate and term refinance to get a lower rate. You cannot get any cash back on the IRRRL program.

This program does not require an appraisal or even proof of income.

It only requires some title work and basic documentation to show that you still own the property.

Because of the streamlined documentation process, the IRRRL has very low closing costs.

Frequently Asked Questions About The IRRRL Streamline Refinance Program

Can The Program Be Used If I Am Behind On My Mortgage Payments?

If you are delinquent on your VA loan, you may still qualify for the IRRRL to get caught up if the situation that caused the delinquency has been resolved. However, the IRRRL would require special approval from the VA.

Do I Have To Use The Same Lender Again For The IRRRL Refinance?

No, you may use any approved VA mortgage lender for your IRRRL streamline refinance.

How Long Do I Need To Wait To Do An IRRRL Streamline Refinance?

You cannot close on the new IRRRL until the latter of 210 days have passed since the original VA loan was funded or six payments have been made.

You may start the application process for the IRRRL before this date.

Is There A Minimum Rate Drop That The Rate Needs To Go Down Before A Refinance?

To prevent predatory lending in VA loans, Congress passed the Protecting Veterans From Predatory Lending Act in 2018, which was clarified in VA Circular 26-18-13.

This law requires the IRRRL loan to be at least 1/2% interest rate lower than the original VA loan.

An exception is made if you are refinancing an adjustable rate into a fixed-rate mortgage loan.

What is the fee recoupment rule for IRRRL mortgage loans?

This rule was also clarified in VA Circular 26-18-13, which says that the closing costs associated with the IRRRL must be recovered in 36 months or less by dividing the closing costs by the lower payment.

This requirement does not apply when there is a term reduction. This rule is there to prevent predatory lending.

I No Longer Live In The Property. Can I Get The IRRRL Mortgage Loan?

Yes, you can. You will need to certify that you lived there when you took out the first VA loan but you do not need to currently live in the property to get the IRRRL.

How Does The IRRRL Affect Entitlement?

Your remaining entitlement stays at exactly the same amount when doing an IRRRL, even if the IRRRL is for a different loan amount than the original VA loan.

What Is The Term Extension Rule With IRRRL Mortgage Loans?

To prevent predatory lending, the VA sets a limit on term extensions. This limit is 10 years longer than the term remaining on the VA loan refinanced, with a cap of 30 years. For example, if you have ten years left on your current VA loan, your IRRRL term needs to be 20 years or less.

Is There A Funding Fee For Getting An IRRRL?

Yes, all veterans who are not exempt pay a 1/2% funding fee when getting an IRRRL. Veterans with exempt status due to a service-related disability do not need to pay the funding fee.

Can Closing Costs Get Financed With The IRRRL?

Yes, you can get closing costs financed with the IRRRL, or the lender can use lender credits to offset the closing costs. However, the total loan amount, including financed closing costs, cannot exceed 100% of the property value.

Assumptions

All VA home loans are required to be assumable.

The recent rise in mortgage rates has caused a massive interest in home buyers getting an assumption.

What Is A Mortgage Assumption?

A mortgage assumption is where someone takes over the payments of a mortgage holder.

There are several reasons you should consider getting a mortgage assumption.

For example, if you are trying to get a co-borrower (like an ex-spouse) off the mortgage, an assumption is a way to do it without refinancing the loan.

This is a much cheaper process than doing a refinance.

Additionally, assumptions carry over the interest rate of the original loan.

In this rising rate environment, assumptions can create opportunities to save money on interest.

Benefits and Drawbacks Of An Assumption For A Buyer

The main benefit of doing an assumption as a home buyer is that the interest rate carries over to the new loan.

However, the big drawback is you need to get the equity to the seller somehow.

You can't roll the equity into the loan you are assuming.

The easiest way to get the seller their equity is by paying the difference out of pocket.

If you cannot come up with the funds to pay for the equity, you cannot use an unsecured loan.

You could take out a second mortgage on the home you are buying.

However, VA guidelines state that the second mortgage must also be assumable.

Unfortunately, most second mortgages are not assumable.

Benefits and Drawbacks for the Seller For An Assumption

The biggest benefit to sellers offering an assumption is the potential to get a higher purchase price for your home.

The biggest drawback is that if your buyer is not VA-eligible, the assumed mortgage stays on your entitlement.

Because of this reason, I only recommend that you do the assumption with a VA-eligible home buyer.

How To Do A Mortgage Assumption

A mortgage assumption must be done with the current mortgage holder.

VA regulations stipulate that the mortgage company must honor the assumption request.

However, you still need to qualify for the assumption. All guidelines need to be met.

Unfortunately, mortgage companies hate doing assumptions. This is because they don't make any money on them.

However, new VA guidelines state that mortgage assumption requests must been completed promptly.

Per the VA Circular 26-23-10, the mortgage lender has 45 days to approve or deny your assumption request.

If you feel that the mortgage company is dragging your feet on approving your assumption, call the VA Regional Loan Center at 877-827-3702.

Disability Tax Waivers

In many states, if you have a VA disability, you can get a waiver on your property taxes.

This varies a lot by the state and sometimes even by the county.

For example, in Ohio, where I live, they calculate the property tax discount by deducting $50,000 from the home's appraised value.

Additionally, Ohio only allows property tax discounts if the veteran is 100% disabled.

Other states allow all property taxes to be waived if you are at 100% disability.

Some states will also allow for a partial tax deduction if you have a disability rating of less than 100%.

Here is an excellent resource for finding your area's property tax exemption rules.

https://vettedva.com/disabled-veteran-property-tax-exemption/

How To Collect The Property Tax Exemption

The property tax exemption is not automatic.

You will need to apply for the exemption.

Usually, this is done with the county auditor. Some states call this person the county assessor.

That's the best place to start. If the rules differ in your area, that county official will direct you to the right department.

Escrow Payments

Until your tax exemption is approved, you will put money into an escrow account to cover your property taxes.

If you anticipate getting a tax waiver, I recommend you ask your loan officer if the mortgage company allows you to waive property tax escrows.

Some mortgage companies allow this, and some do not. It never hurts to ask.

If you put money into an escrow account and later get your property tax waiver approved, your mortgage lender will refund any monies paid into escrow.

Using Waivers To Qualify

Since your total mortgage payment is lower with the property tax waiver, some lenders will allow you to use the exempted tax rate for qualification purposes.

This will help you qualify for a higher loan amount.

However, this varies a lot by lender and by state.

If you are going to be able to get a property tax exemption, you should inform your loan officer about this. Ask if they can exclude the taxes from your debts.

VA Renovation Loans

Are you struggling to find your dream home?

What if, instead of looking for your dream home, you were able to create your dream home?

A VA renovation loan (also called a VA rehab loan) is a VA loan with a renovation component. In other words, you are financing home improvements into the loan.

How To Find A VA Renovation Lender

Unfortunately, very few mortgage companies offer the VA renovation program.

The VA suspended the renovation program during Covid due to appraisal issues. Luckily, several lenders brought the program back over the past year.

Even worse, very few loan officers know how to process VA rehab loans properly.

VA Renovation Loan Guidelines

The VA outlines their guidance for the VA renovation program in Chapter 7, Section 4 of the VA Handbook.

There is very little official guidance for VA renovation loans. Mortgage lenders have created their own guidelines for the VA renovation program.

VA Renovation Repair Limits

There is no official limit for how much you can spend on repairs for a VA renovation mortgage.

Most VA mortgage lenders set their repair limit at $50,000 for the VA renovation program.

I have seen a few lenders that will cap the repairs at $100,000.

Minimum Credit Scores

The VA home loan does not have a minimum credit score.

Each lender has a minimum credit score requirement for the VA renovation loan program.

However, most mortgage companies will require a 620 credit score or higher to get approved for a VA renovation loan.

A few mortgage companies out there will allow a VA Renovation Loan with a 580 credit score.

If your credit score is below 580, you will most likely be out of luck getting a VA Renovation Loan.

Property Types Allowed For VA Renovation Financing

VA loans are limited to four units, and there is no distinction between VA reno and regular VA loans.

VA approved condos are also allowed on the VA renovation program.

Ineligible Properties For VA Renovation Loans

No official guidance about what properties are ineligible for a VA renovation loan exists.

If the property is VA approved, then it is VA reno approved.

Eligible Repairs For A VA Renovation Mortgage

Just like with property types, there is no official guidance from the VA regarding eligible repairs.

Each lender sets their own standards for repairs.

Most lenders emphasize using the VA reno loan to fix health and safety issues.

Some examples of this are fixing lead-based paint connecting water and public sewage. Other safety issues include eliminating obsolescence, mold remediation, and repairing roofing, siding, gutters, and downspouts.

Additionally, you could install a fence, build a driveway, or remodel a kitchen on VA renovation financing.

VA Renovation Ineligible Repairs

Again, there is no official guidance from the VA regarding ineligible items.

Keep in mind that most lenders will not allow structural repairs.

Additionally, most lenders will not allow oil tanks, luxury improvements, and landscaping.

Repair Timeline

There is no official guidance from the VA regarding repair timelines.

Every lender has a rule that says that repairs need to be completed promptly.

While this requirement varies per lender, most lenders have this requirement set at between 4 and 6 months after closing.

Additionally, most lenders say that you cannot do any repair that prevents you from occupying the home for more than 15 days.

If your repair is more extensive and you need to be out of the home past the 15-day limit, borrowing on the FHA 203k renovation program instead makes more sense.

Self Help

VA has no official guidance regarding doing the work yourself.

However, be prepared to hire a contractor to do the work.

Most lenders will not allow you to do the work yourself.

This is a very common rule when using renovation financing. FHA 203k and the Fannie Mae HomeStyle program have similar rules.

How To Determine Eligible Loan Amount

The eligible loan amount for the loan application will be determined by adding the purchase price to the repair budget.

The appraiser will make an appraisal to determine the after-repair value. This is a projected value considering the value the repairs add to the home.

If after-repaired value is higher than your purchase price plus your repairs, you are good to go.

If after repaired value is lower than the purchase price plus repairs, the loan amount will be lowered to the after-repaired value.

Occupancy For A VA Renovation Loan

As with all VA loans, you will need to occupy the property within 60 days of closing. There’s no distinction between VA renovation and a regular VA loan for this guideline.

Some lenders will make exceptions for this and allow occupancy to be extended up to one year.

The VA has specific guidelines on this. However, I’ve only seen extended occupancy approved if someone is PCSing and it takes over 60 days to move into the home.

Frequently Asked Questions About VA Renovation Loans

Can A VA Renovation Loan Be Used To Purchase A Foreclosure?

You can buy a foreclosure with a VA renovation loan, assuming no structural repairs are needed.

Can A VA Renovation Loan Be Used To Buy A Home At Auction?

The VA does not have any rules against buying a home at auction but remember that most auctions will only accept cash offers.

Can A VA Renovation Loan Be Used To Buy A HUD Home?

A VA renovation loan can be used to buy a HUD-foreclosed home.

Buying New Construction

Home buying these days is very competitive.

You may be thinking that new construction is the way to go.

It's a great way to create the home of your dreams.

There are several ways you can accomplish this with the VA home loan.

Buy In An Existing Subdivision

The easiest way to buy new construction is by purchasing a home in a subdivision with an established builder already in place.

You pick out the lot and select your desired home.

You can typically make minimal customizations to the home.

Sometimes, you can pick out the types of counters and flooring.

Sometimes, you can also decide whether or not you want a basement or other amenities.

Then, you put down your deposit and wait for the builder to build the home for you.

The builder covers all building costs, and you close normally once the home is completed.

It is a regular VA closing, and nothing additional is needed.

One-Time Close Construction Loan

The One Time Close Construction loan is great if you want maximum flexibility.

With this option, you find the lot, make plans, and pick your builder.

It's considered one loan instead of getting a short-term construction loan and refinancing.

The One-Time Close VA loan closes before you break ground.

The initial draw is done to cover your building costs, and then additional draws are taken to pay the contractors.

Once the home is completed, it converts to a regular VA home loan.

Drawbacks of The VA One-Time Close Program

While the On- Time Close VA program can be a great option, there are some drawbacks you need to consider when choosing this program.

Hard To Find

Many lenders do not offer the One Time Close VA Construction loan.

You will need to ask around to find someone who offers it.

Feel free to contact me at https://www.scarpero.com if you need help finding a nearby mortgage company participating in the program.

Higher Rates

The One Time Close program has rates that are than a regular VA home loan. It's not a huge difference, but it's something to consider.

Double Payments

You must make interest-only construction loan payments on the home being built during the construction period.

This will be in addition to the housing payment for your departing residence.

Two Payments are Needed to Qualify

If you own a home and plan on going straight from the current home into the new one, you must qualify based on two mortgage payments.

This could result in a lower qualification amount than if you did a regular VA loan.

Possible Entitlement Overage

If you have a VA loan in the departing residence, the amount of that loan would go against available entitlement.

Depending on your remaining entitlement, you may have to make a down payment on the One Time Close loan.

Fees Paid Up Front

Whenever you build a home from scratch, some fees must be paid before you break ground.

Some examples of these fees include lot purchase, survey, clearing the lot, licensing, and architect costs.

These fees can be added to your construction budget and refunded at closing.

As you can see, you have many options for buying new construction. With some research and planning, taking advantage of your VA mortgage benefits can be significant.

Conclusion

Wow, we made it.

I hope that you learned a lot about VA home loans.

Thank you for reading this book.

Let's connect!

I would be honored to answer any VA mortgage questions you may have.

I can be reached at:

My Website

https://www.Scarpero.com

My Cell Number

937-572-3713

I'm also a moderator for the following groups.

Vetted VA Facebook Group

https://www.facebook.com/groups/vettedva

VA Home Loans Subreddit

https://www.reddit.com/r/VAHomeLoans/