

VA Guaranteed Home Loans

Presented by:

Roanoke VA Regional
Loan Center

- Compliments of Mark Jamison, LPO, Cleveland -



What We're Going to Cover

- **Contact Information**
- **Mortgage loan myths**
- **Innovations in VA Home Loans**
- **Who's Eligible For A VA Loan**
- **VA Appraisals**
- **VA Funding Fees**
- **Underwriting (Income & Credit)**
- **VA Loan Volume**
- **Why VA?**

Contact Information

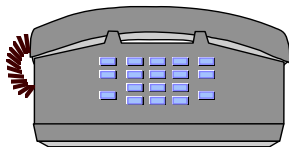


National VA website:

www.homeloans.va.gov

Roanoke VA website:

<http://www.vba.va.gov/ro/roanoke/rlc/>



Toll Free: (800) 933-5499

Dispelling The Myths

Appraisals take forever!

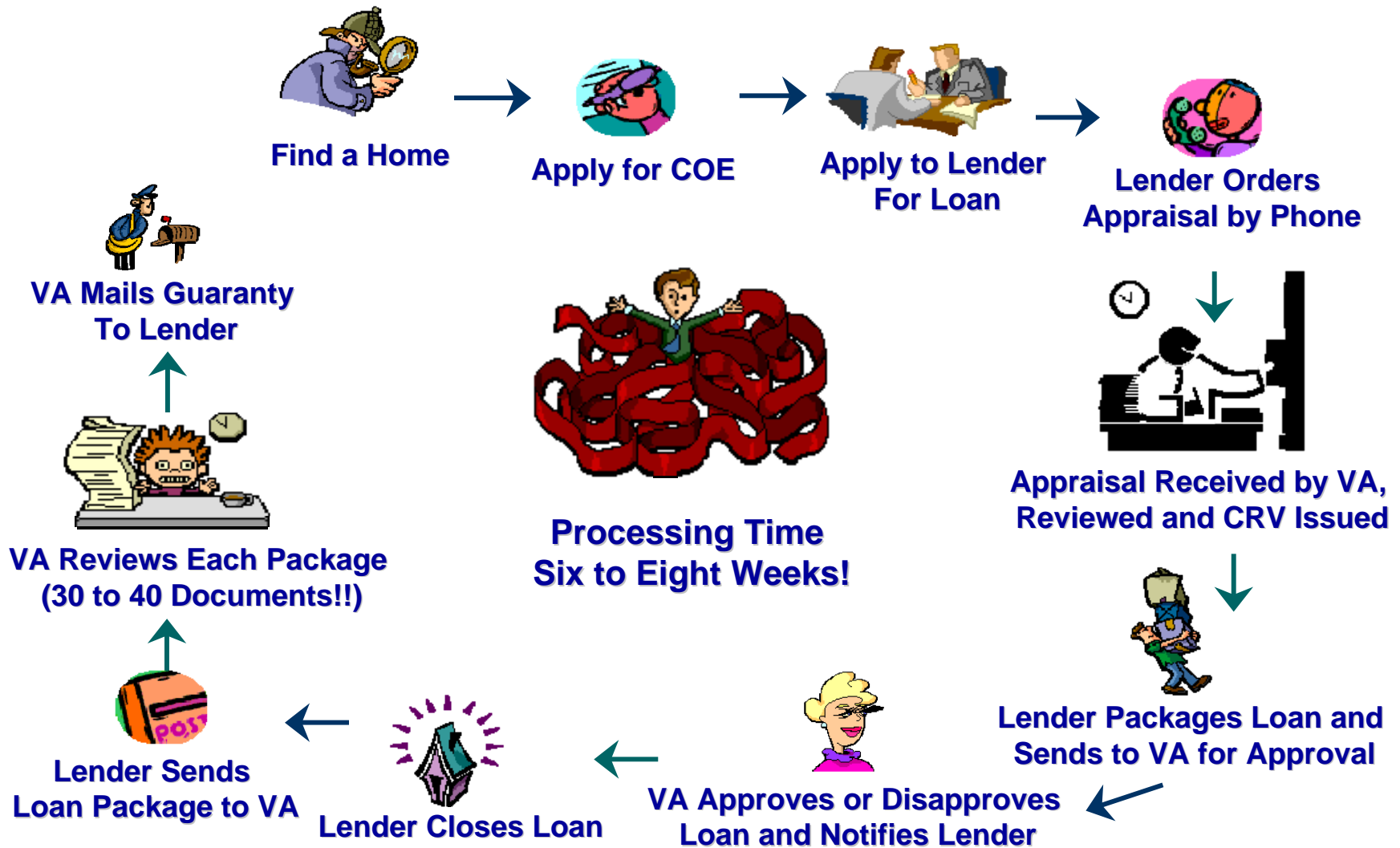
Too much red tape!

Too much paperwork!

VA takes too long!



Do You Remember The Past ?



Where We Are Today...



Find Home



Go to Lender



14-21 Days

Lender:

- **Determines eligibility electronically using ACE**
- **Uses AUS to get decision in minutes**
- **Orders Appraisal thru TAS**
- **Lender Closes Loan**
- **Obtains Loan Guaranty Electronically**

What Changed?



← How we got from there..

.....To Here →

- Consolidation
- Automation
- Delegation
- Oversight



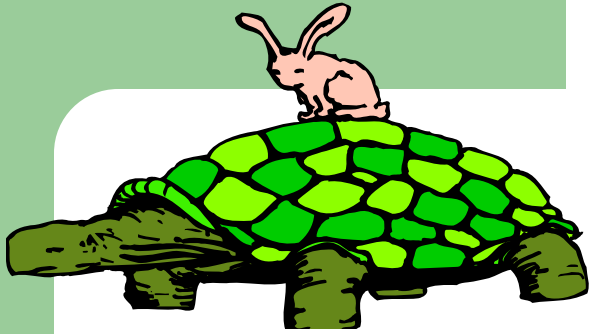
How Long Does The Average VA Loan Sit On a Government Employee's Desk?

- 0 days
- 15 days
- 30 days
- 45 days
- Forever

Automatic Procedure

Lender..

- **Originates**
- **Processes**
- **Underwrites Income & Credit packages and the Appraisal**
- **Closes loan without sending anything to VA**
- **Lender guarantees loan online through a system called WebLGY**



Prior Approval

Lender..

- **Originates**
- **Processes**
- **Submits loan to VA for underwriting**
- **Closes after VA issues commitment, usually in 3-5 days**

99% of VA Loans are Automatics



1% are Priors



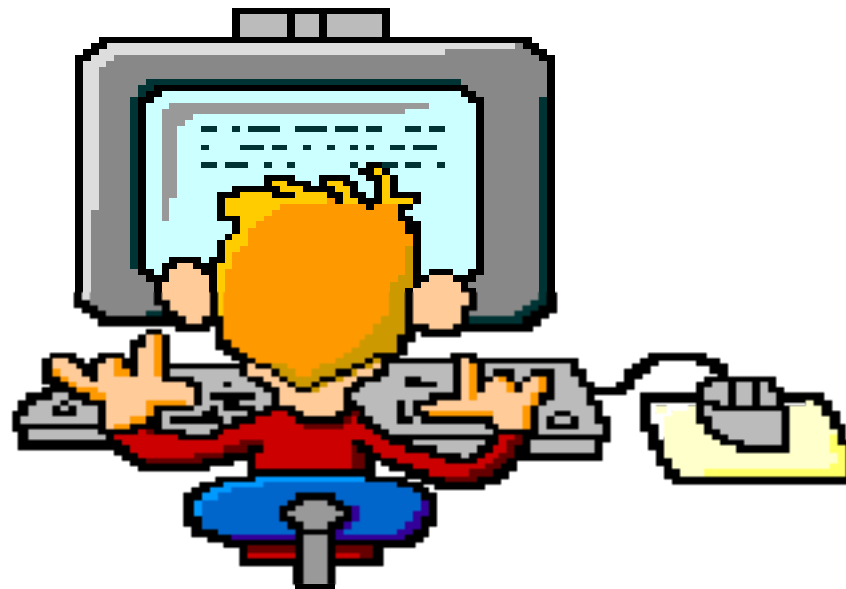
Loans That Must Be Submitted As Prior Approval

- **Joint Loans**
- **Vets in receipt of non-service connected pension**
- **Vets rated incompetent by VA**
- **Interest Rate Reduction Loans when refinancing a delinquent loan**



VETERANS INFORMATION PORTAL (VIP)

<http://vip.vba.va.gov>





Automated Certificates Of Eligibility (ACE)

- An automated system used by lenders to obtain an online certificate of eligibility
- Accessed through the VIP
<http://vip.vba.va.gov>



Veterans Information Portal



Wednesday April 14, 2004

Sign In

User Name:

Password:

[Lost Password?](#)

[Change Password](#)

Public Access

Public portion of the VIP Portal, which does not require authentication. Veterans should enter here.

User Registration

VBA employees can login using their existing VBA user ID and password.

Help

Frequently asked questions, comments, and suggestions.

Program Information

Executive-level information about the Veterans Information Portal (VIP).





UNITED STATES DEPARTMENT OF VETERANS AFFAIRS

- [VA Home](#)
- [VIP Home](#)
- [About VA](#)
- [Organizations](#)
- [Apply Online](#)
- [Logout](#)
- [Contact VA](#)

Welcome, Mark

- My Services**
 - My Info
 - White Pages
- My Pages**
 - Customize
 - Home
- Applications**
 - Access Manager
 - eAppraisal
 - Email
 - FileNet
 - Loan Guaranty
- Reports
 - TAS
 - webELI
 - webLGY**
 - CPB
 - Life In [Open webLGY](#) ne
 - myHealthVet
 - VONAPP

VETERANS INFORMATION PORTAL

VIP Announcements

Date	Message
11/29/2007	Conforming Loan Limits Unchanged for 2008

Featured Items and Information

- [CPB](#) - Locate VA Registered Builders, Condominiums and/or PUDs across the US
- [VONAPP \(Veterans On Line Applications\)](#) - Enables veterans to apply for benefits using the Internet
- [AutoForm](#) - Application for Service-Disabled Veterans Insurance
- [Publications](#) - Federal Benefits Publications for

Information for Veterans

- Benefits Information
- Operations Enduring Freedom and Iraqi Freedom
- Compensation and Pension Benefits
- Education Benefits (GI Bill)
- Vocational Rehabilitation & Employment Services
- Benefits for the surviving spouse, dependent children
- Information about life insurance for service members and veterans
- Burial Benefits
- VBA Regional Office Home Pages

Special Programs

- Homeless Veterans
- Minority Veterans
- Women Veterans

SAH Tracking

To begin, please enter t
Veteran SSN:

[Tracking Report](#) ▶

Loan Guaranty Info

- Property Management
- Construction & Valuation
- Real Estate Professionals
- VA Monitoring Unit
- Loan Production
- Video Broadcasts

Returning Users

- Lenders Handbook
- Link to CAIVRS
- VA Funding Fee Payment
- Military Pay and Housing Allowance charts

WebLGY - VA Loan Guaranty System - Microsoft Internet Explorer

File Edit View Favorites Tools Help


Back Forward Stop Refresh Home Search Favorites History Full Screen Mail Size Print

Address <https://weblgy.vba.va.gov/WebLGY/UserLogin.do> Go Links

VA WebLGY 8.1.2 HELP Mark Jamison January 18, 2008

Select Loan Veteran Eligibility Work Buckets Administration Contact RLC

- Create Record ▶ Certificate of Eligibility
- Search ▶ Certificate of Veteran Status
- Prior Loan Validation ▶ Certificate of Eligibility
- Call Center ▶
- Reports ▶



webLGY

javascript:setMain("/WebLGY/CreateRecordCOE.do") Trusted sites

Start | Inbox - Mic... | Microsoft P... | Veterans In... | WebLGY - ... | 7:24 AM

Automated Certificate of Eligibility

Please Enter The Indicated Information In The Spaces Below

Name *	First *	Middle	Last *	Suffix
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
SSN *	<input type="text"/>			
Date of Birth *	<input type="text"/>			
Service Number	<input type="text"/>			
Alternate Name	First	Middle	Last	Suffix
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Active Duty *	<input type="text"/>			



Microsoft



CERTIFICATE OF ELIGIBILITY

AUTHORIZATION NUMBER 2437-117

**FOR LOAN GUARANTY BENEFITS
(ACE Generated)**

NAME OF VETERAN

SERVICE NUMBER
SOCIAL SECURITY NUMBER

ENTITLEMENT CODE **10**

BRANCH OF SERVICE **ARMY** DATE OF BIRTH **6/25/1967**

Prior loans which affect entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Used	Status

This veteran's available basic entitlement is \$36,000.00*

*Veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. The available basic entitlement is increased by up to \$24,000 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25 percent. Available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For more information about maximum loan amounts, contact the nearest VA Regional Loan Center for further information.

CONDITIONS

LENDER

Date **6-18-2002 12:24:15**



Reference Number: 887091 Type: Certificate Of Eligibility Status: Pending
Veteran Name: GREGORY LARSON SSN: 999-99-9999

- Eligibility Record
 - Details
 - Veteran
 - Active Duty(0)
 - Reserve Duty(0)
 - Prior Loans(0)
 - Return Application
 - Change History
 - Event Log
 - Notes(0)
- Electronic Application
- E-Docs
 - Correspondence(0)
 - Upload
- Call Center Calls
 - View Calls(0)
 - New Call

Add Correspondence

Correspondence Information	
Document Type *	<input type="text" value="HUD 1"/>
Description	<input type="text"/>
Upload File *	<input type="text"/> Browse...
Public	<input type="checkbox"/>

Submit

ACE Facts

- **For use by lenders and mortgage brokers**
- **No application for certificate of eligibility needed**
- **Vet's SSN & Name all that's required to use ACE system**
- **Typical successful ACE candidate is a first time user of VA program, discharged after 1980 and served on active duty for 2 years**

ACE Facts (cont.)

- **40% success rate for all Certificates of Eligibility attempted through ACE**
- **ACE certificates of eligibility no longer printed on green or gold safety paper.**
- **ACE certificates printed from computer on white paper.**
- **Authorization number distinguishes authenticity**
- **95,941 certificates of eligibility were issued directly online to lenders (10/1/06 – 9/30/07)**

ACE Facts (cont.)

- 166,791 certificates of eligibility were issued nationwide through the ACE system (lender issued or VA issued)
- 98% of all certificates of eligibility were issued through ACE nationwide
- We hope lenders will soon be able to code restorations of entitlement into ACE and obtain certificates of eligibility for subsequent users.

ACE Can't Make All Determinations

- **Reserves/National Guard**
- **Prior VA loan foreclosure**
- **Insufficient time/discharge type**
- **Unmarried surviving spouse**

Who Is Eligible For A VA Home Loan?

Honorably discharged veterans who served:

- **2 years on active duty**
- **6 years in the Reserve/National guard**
- **POW's held in captivity for 90 days or more**
- **90 days of wartime duty called up under U.S.C. Title 10**
- **181 days of peacetime duty called up under U.S.C. Title 10**
- **Some unmarried surviving spouses**

90 Days Wartime

- **World War II – (9/16/40 - 07/25/47)**
- **Korean Conflict – (06/27/50 - 1/31/55)**
- **Vietnam – (08/05/64 - 05/07/75)**
- **Persian Gulf - 08/02/90 ...**

181 Days Peacetime

- **Post WWII - 7/26/47 - 6/26/50**
- **Post Korean - 2/1/55 - 8/4/64**
- **Post Vietnam - 5/8/75 - 8/1/90**

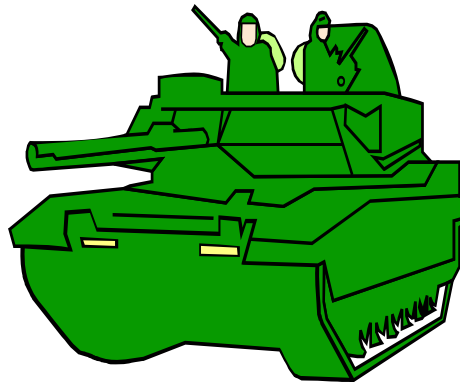
2 Year Requirement

- **Enlisted person - After September 7, 1980**
- **Officer – After October 16, 1981**

(90 days applies to Persian Gulf wartime service called up under U.S.C. Title 10)

Reserve & National Guard

**6 Years Total Service unless
activated under Title 10**



If ACE Is Not Successful: How To Obtain A COE

VA Department of Veterans Affairs **CERTIFICATE OF ELIGIBILITY**

Page 1 of 1

AUTHORIZATION NUMBER 2437-117 FOR LOAN GUARANTY BENEFITS (ACE Generated)

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ENTITLEMENT CODE 10 BRANCH OF SERVICE ARMY DATE OF BIRTH 6/25/1967

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CONDITIONS

LENDER Date 6-18-2002 12:24:15



VA Eligibility Center

**Winston Salem Eligibility
Center
P.O. Box 20729
Winston Salem, NC 27120**

Obtaining A COE

- **VA Form 26-1880**
- **Proof of service documentation (DD214, active duty statement of service or Reserve/National Guard points statement)**
- **If veteran had previous VA home that was sold, a copy of the HUD-1 Settlement Statement**



Entitlement Cont.

Less than \$36,000 of basic entitlement on COE means previously used entitlement has not been restored!

UNRESTORED ENTITLEMENT MAY LIMIT THE GUARANTY AND LIMIT THE LOAN AMOUNT!

What Does A Certificate Of Eligibility (COE) Mean To You?

- **GNMA, FNMA and FHLMC require government loans to have a minimum of 25% guaranty coverage**
- **Basic entitlement – under old law, allows for up to \$36,000 for loans not to exceed \$144,000**
- **Bonus entitlement – under new law allows for additional bonus entitlement of \$68,250 to be used for purchases over \$144,000 (not to exceed \$273,000)**
- **Certificate of eligibility tells the lender, broker or real estate agent how much entitlement a veteran has**

What Does A Certificate Of Eligibility Mean To You (cont.)?

- **A veteran who never used the VA loan program has the full \$36,000 of basic entitlement and \$68,250 of bonus entitlement available to purchase a home**
- **A veteran who previously used the VA home loan program would need to sell the home and transfer title to obtain the full basic and bonus entitlement back (restoration of entitlement)**
- **A veteran can obtain a certificate of eligibility over and over, provided they have adequate entitlement**

Maximum VA Loan Amounts

- **VBA Act of 2004 allows VA loans to meet a 25% guaranty up to Freddie Mac's conforming loan limits, as adjusted annually**
- **For calendar year 2008, the no down payment, maximum VA loan (after funding fee is added) can not exceed \$417,000**
- **VA's maximum guaranty on a \$417,000 loan is \$104,250, or $\$417,000 \times 25\% = \$104,250$**

Maximum VA Loan Amounts

- **Maximum VA loan is the lesser of the appraised value or the purchase price**
- **VA loan is based on available entitlement**
- **Secondary market requirements for GNMA, FNMA and FHLMC require at least a 25% guaranty**

2 Open VA Loans Consecutively (For Eligibility Purposes Only)

- **Veteran purchased home using VA loan in 1985**
- **Loan is still active and being paid on**
- **Veteran wants to move, but cannot or does not sell home**
- **Remaining basic and bonus entitlement can be used for another purchase**
- **Basic rule: remaining entitlement x 4 = maximum VA loan**

Partial Entitlement Remaining Entitlement Scenario

- Veteran purchases a home in 1985 for \$100,000
 - VA guarantees 25% of loan or \$25,000
 - Loan is still open and being paid on
- Remaining Entitlement:
- \$36,000 basic entitlement
- 25,000 used
\$11,000 remaining basic
+68,250 bonus entitlement
\$79,250 total entitlement left
x 4
\$317,000 maximum loan to obtain 25% guaranty

We've Raised The Roof!

Effective August 2007,
GNMA will now pool VA
home loans that exceed
\$417,000, provided there is
a combination of VA
guaranty and down
payment to meet the 25%
coverage



Maximum VA Loan Amount

Limited to the lesser of:

Appraised Value or Purchase Price

+

VA Funding Fee

+

Energy Efficient Improvements

VA Appraisals

What's changed at VA regarding appraisals?!!!

- ✓ **40% increase in number of appraisers in all states**
- ✓ **All appraisers must be e-commerce compliant**
- ✓ **Appraisers are expected to communicate with all parties**
- ✓ **Lender Appraisal Processing Program (92%)**
- ✓ **Timeliness issues aggressively monitored**

Types Of VA Loans

- **Purchase or construct a home**
- **Purchase a VA/HUD approved condo or townhouse**
- **Purchase farm property**
- **Purchase a home and improve at the same time**
- **Manufactured home on permanent foundation**
- **Interest Rate Reduction Refinance Loans (IRRRL)**
- **Cashout Refinances (Maximum loan is \$144,000)**
- **Energy Efficient Improvement**

VA Appraisals

Minimum Property Standards

- ✓ **Safe** – meets local/county safety codes (electrical, structural and location)
- ✓ **Sanitary** – well, septic and sanitary sewer pass local/county inspection
- ✓ **Sound** – meets local/county structural building codes

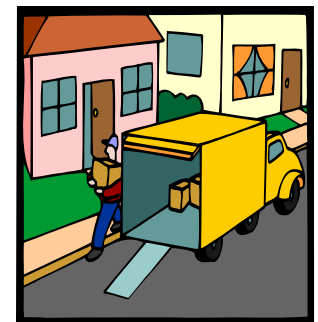
Bottom Line: NO “FIXER UPPERS!”

Basic Rule Of VA Loans Regarding Owner Occupancy

- **Generally, must occupy within 60 days**

Exceptions –

- **IRRRLs – do not have to occupy**
- **Spouse of veteran can satisfy occupancy**
- **If veteran is on active duty, must occupy within 12 months**



VA FUNDING FEE

- Funding fee can be added to the based loan amount
- Funding fee amount varies depending on loan type, down payment, and whether or not veteran had VA loan previously
- Funding fee is paid online at www.pay.gov/va
- Some borrowers are exempt

VA Funding Fees



Loan Type	Active Duty Funding Fee %	Reservist/National Guard Funding Fee %
Purchase	2.15%	2.40%
Subsequent Use	3.30%	3.30%
Cashout	2.15%	2.4%
Subsequent	3.3%	3.3%
5+ % Down	1.50%	1.75%
10+ % Down	1.25%	1.50%
IRRRL	.50%	.50%
Assumption	.50%	.50%

Veterans Exempt From Funding Fee

- Veteran receiving 10% disability compensation from VA
- Veteran receiving military pension from VA, in lieu of compensation
- Surviving spouse of a veteran who died as a result of active duty injuries

UNDERWRITING

Underwriter's Objective:

Determine that the veteran is a satisfactory credit risk, and has the income to qualify for the loan



INCOME

- **Stable and Reliable**
- **Anticipated to continue**
- **Sufficient in amount**
- **Reportable/Verifiable**

Income



- **Income must be “verifiable”**
- **Prefer a 2 year history, but consideration given for at least 12 months on the job**
- **Veteran can obtain VA loan immediately out of the military if employment is related to military technical experience**
- **Explain significant gaps in employment**

Verification



Standard:

- VA Form 26-8497, Verification of Employment, or
- Pay stubs

Alternative:

- Telephone verification
- Pay stubs (30 days)
- W 2s for 2 years



Other Types of Verifications

- **Faxed & Internet Verifications**
- **Employment Verification Services**
- **Leave & Earning Statement (LES) for Active Duty Service (available at “my pay”)**
- **Income tax returns (self employment) & YTD P&L and balance sheet**
- **Other.....**



Income less than 12 months...

- Generally not considered stable and reliable
- Carefully consider:
 - ~ Employer's evaluation of probability of continued employment
 - ~ Special training/education/skills required

If using this income...

... you must explain why!!!

Overtime, Part Time and Bonus Income

- Generally not considered stable and reliable unless 2 year history
- Verification for at least 12 months – income may be used to offset debts of 10 to 24 months

Credit History



- **3-File Merged (MCR)**
- **Residential Mortgage Credit Report (RMCR)**
- **Verify Rent/Mortgage history**

Does VA

Consider Credit Scores?

YES

NO

Automated Underwriting Systems (AUS)

- ❖ **Most major lenders approved to use AUS systems**
- ❖ **Typical VA “Accept” is in the 640 credit score range**

Automated Underwriting Systems Approved By VA

- **Desktop Underwriter**
- **Loan Prospector**
- **Countrywide's CLUES**
- **Chase's ZIPPY**
- **PMI/AURA For VA Loans**



AUS “Accept” For VA Loans

- **In the 640 mid-credit score range**
- **“Accept” gives credit clearance with waiver of certain derogatory issues**
- **AUS “Accept” does not mean loan is clear to close**
- **Veteran must still meet debt ratio and residual income factors**



AUS Refer or Manual Underwrite:

What We Consider For Approval

- Review individual trade lines – derogatories in last 12 months?
- Collection accounts – minor or major?
- Charge offs – how much and how long ago?
- Federal debt – cannot close with open, unpaid Federal debt
- Judgments – cannot close with open, unpaid judgments
- Absence of credit history



Bankruptcy ~ Chapter 7

- **Discharged 2 + years ago if bankruptcy was caused by borrower's financial mismanagement**
- **Discharged 12 months ago - must be due to circumstances beyond borrower's control**
- **Must have documentation**
- **Must have re-established credit in most recent 12 months**



Bankruptcy ~ Chapter 13 & Consumer Credit Counseling

- *This indicates an effort to pay and may be viewed as evidence of acceptable credit **if**:*
- **12 month payment history, no lates**
- **Acknowledgment of trustee or agency**



Foreclosures

- **Develop facts and circumstances**
- **Same waiting periods as Chapter 7 Bankruptcy**
- **Prior VA Loan:
Ensure no debt to Government
and entitlement restored**



Debts & Obligations

- **May remove debts with 10 monthly payments remaining (if not significant)**
- **Only monthly revolving and installment accounts considered**
- **Child care is a monthly obligation**
- **Investigate all allotments on LES or pay stubs**
- **Verify and consider Alimony and Child Support**



Debts & Obligations You May Disregard

- **Co-obligor on another's loan:**
 - **evidence payments made by someone else**
 - **No reason to believe applicant will need to make payments in the future**
- **Student Loan payments deferred 12 months or more.**
- **401K loans (or other loans secured against deposited funds).**



Assets

- **Sufficient in amount**
- **VA Form 26-8497a, Verification of Deposit**
- **Alt Docs: Last two bank statements**
- **Internet and faxed verifications**

VA's Standards



- ✓ **Debt-to-income Ratio – 41%**
- ✓ **Residual Income - should meet VA's residual income tables**
- ✓ **Lender must complete Loan Analysis, VA Form 26-6393**

Debt Ratio 46% - \$50 Residual Shortfall

- Approve Loan
- Reject Loan
- Could go either way



Contract Issues

- **Contingent on VA financing VA**
- **“Escape Clause” is mandatory**
- **Seller must pay termite inspection**

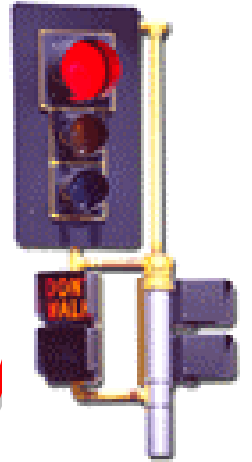


Allowable Fees & Charges

- **Appraisal Report & Compliance Inspections**
- **Credit Report**
- **Prepaid Taxes and Hazard Insurance**
- **Title Exam and Title Insurance Fees**
- **Flood Zone Determination**
- **Environmental Endorsements (3.0, 8.1, 103.5)**
- **Recording Fees and Taxes**
- **EPA Endorsement**
- **Origination Fee (1%)**
- **Reasonable Discount Points**
(May roll up to 2 points into an IRRRL)

Fees That Can Never Be Charged To A Veteran

- **Termite/Pest Inspection**
- **Septic Inspection (as mandated by county)**
- **Well Inspection (as mandated by county)**
- **Mortgage Broker Fee**



VA Compromise Sales (Short Sales)

- **VA or VA approved mortgage servicer can approve**
- **Offer must be adequate so shortfall is less than loss from foreclosure**
- **Realtor receives broker fee at closing.**
- **Helps veterans, helps servicers, helps VA save money and avoid obtaining REO property**

VA Compromise Sales (Short Sales)

<u>Compromise Sale</u>		<u>Foreclosure</u>	
Payoff:	\$100,000	Total Indebtedness:	\$100,000
Net Proceeds:	\$ 90,000	Net Value to VA:	\$ 85,000
Compromise Claim:	\$ 10,000	Claim Amount:	\$ 15,000

Savings to VA: \$5,000 and VA does not have to take back a property to re-sell.



2007 VA loan statistics

- **131,339 VA loans nationwide**
- **\$24.5 billion in VA loan volume**
- **Average VA loan \$196,885**

What VA's Guarantee Means (Foreclosure Avoidance Statistics)

2007 Servicing Successes (nationwide):

- VA interventions to bring loan current: 8,494
- Deeds in lieu of foreclosure: 380
- Compromise Sales: 906
- Refundings (VA purchased mtg.): 722
- Servicing contact with veterans: 331,490

In 2007, VA saved more than 50% of all seriously defaulted VA loans from eventual foreclosure

THANK YOU

for being with me today ! ! !

