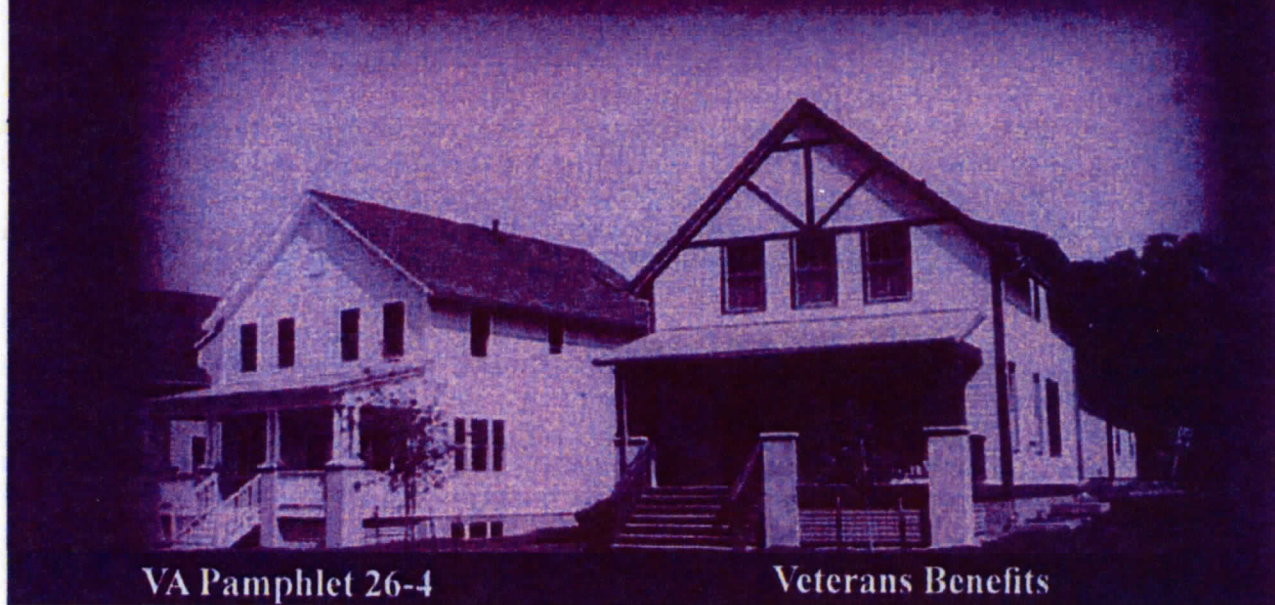


VA HOME LOANS

VA Guaranteed Home Loans for Veterans



&

**A Quick
Guide for
Homebuyers
& Real Estate
Professionals**

VA Pamphlet 26-91-1

More information available at www.va.gov.

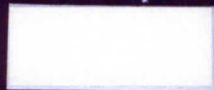


Department of
Veterans Affairs

VA Guaranteed Home Loans for Veterans



VA Pamphlet 26-4



Veterans Benefits
Administration
Washington, DC 20420

VA-GUARANTEED HOME LOANS FOR VETERANS

FOREWORD

The main purpose of the VA home loan program is to help veterans finance the purchase of homes with favorable loan terms and at a rate of interest which is usually lower than the rate charged on other types of mortgage loans. For VA housing loan purposes, the term "veteran" includes certain members of the Selected Reserve, active duty service personnel and certain categories of spouses.

This pamphlet should help you to understand what VA can and cannot do for the home purchaser. However, it is not a legal document and should not be interpreted as one. Nothing should be taken as a change of law or regulations. The pamphlet does not attempt to go into detail or into unusual problems. Information about VA loans is given in a narrative format followed by questions and answers in those areas of the greatest concern.

It is suggested that the pamphlet be read in its entirety. Please pay particular attention to the information about your responsibility to determine the condition of the property you purchase and to the information about assumption of your VA loan and obtaining a release of liability. Any questions you have which are not answered should be directed to your VA Regional Loan Center, or to your lender who will take them up with VA, if necessary. A list of VA offices with loan activities may be found in the back of this pamphlet.

For additional information about the VA Loan Guaranty Program, please visit our website at:
<http://www.homeloans.va.gov>

6 STEPS IN ARRANGING A VETERAN'S GUARANTEED LOAN

1. Find the property suitable for your needs.
2. Go to a lender and apply for the loan.
3. Present your discharge or separation papers relating to latest period of service and/or a Certificate of Eligibility.
4. Property is appraised by approved appraiser.
5. Estimate of property's reasonable value is determined.
6. If application is approved, you get the loan.

WHAT VA CAN DO: VA loans offer the following important features:

- Ensure that all veterans are given an equal opportunity to buy homes with VA assistance, without regard to their race, color, religion, sex, handicap, familial status, or national origin;
- No down payment (unless required by the lender, the purchase price is more than the reasonable value of the property as determined by VA, or the loan is made with graduated payment features);
- A freely negotiable fixed interest rate competitive with conventional mortgage interest rates;
- The buyer is informed of the estimated reasonable value of the property;
- Limitations on closing costs,
- An assumable mortgage. However, for loans closed on or after March 1, 1988, the assumption must be approved in advance by the lender or VA. Generally, this involves a review of the creditworthiness of the purchaser (ability and willingness to make the mortgage payments). Be sure to see section entitled "Loan Repayment Terms";
- • Long amortization (repayment) terms;
- • Right to prepay without penalty (lenders may require that any partial prepayments be in the amount of at least 1 monthly installment of principal or \$100, whichever is less);
- • For houses inspected by VA during construction, a warranty from the builder and VA assistance in trying to obtain the builder's cooperation in correcting any justified construction complaint; and
- • Forbearance extended to VA homeowners experiencing temporary financial difficulty.

WHAT VA CANNOT DO

- GUARANTEE THAT THE HOUSE YOU BUY, WHETHER IT IS NEW OR PREVIOUSLY OCCUPIED, WILL BE FREE OF DEFECTS. The VA appraisal is NOT intended to be an "inspection" of the property. It is in your best interest to seek expert advice BEFORE you legally commit yourself in a purchase agreement, particularly if you have any doubts about the condition of the house. Most sellers will permit you, at your expense, to arrange for an inspection by a qualified residential inspection service and negotiate with you concerning repairs to be included in the purchase agreement. Such action can prevent later problems, disagreements and disappointments.
- Remember, VA guarantees only the loan, NOT the condition of the property. It is your responsibility to be an informed buyer and assure yourself that what you are buying is satisfactory to you in all respects.
- If you have a home built, VA cannot compel the builder to correct construction defects or otherwise live up to the contract. VA authority is limited to suspension of the builder from participation in the VA Loan Guaranty program.
- VA cannot guarantee that you are making a good investment or that you can resell the house at the price you paid.
- VA does not have the authority to provide you with legal services.

REQUIREMENTS FOR VA LOAN APPROVAL: To get a VA loan the law requires that:

- You must be an eligible veteran who has available home loan entitlement (except in the case of an interest rate reduction refinancing loan--see "Interest Rates" below).
- The loan must be for an eligible purpose. The purchase price should not exceed the appraised value. Otherwise, you will have to pay the difference from your own resources;
- You must occupy or intend to occupy the property as your home within a reasonable period of time after closing the loan;
- You must have enough income to meet the new mortgage payments on the loan, cover the costs of owning a home, take care of other obligations and expenses, and still have enough income left over for family support (a spouse's income is considered in the same manner as the veteran's), and
- You must have a good credit report

THE GUARANTY: VA-guaranteed loans are made by private lenders such as banks, savings and loan associations, or mortgage companies. To get a loan, you apply to the lender. If the loan is approved, VA guarantees the loan when it is closed. The guaranty means the lender is protected against loss if you or a later owner fail to repay the loan.

Questions and Answers

1. How much is the guaranty? VA will guarantee up to 50 percent of a home loan up to \$45,000. For loans between \$45,000 and \$144,000, the minimum guaranty amount is \$22,500, with a maximum guaranty, of up to 40 percent of the loan up to \$36,000, subject to the amount of entitlement a veteran has available. For loans of more than \$144,000 made for the purchase or construction of a home or to purchase a residential unit in a condominium or to refinance an existing VA-guaranteed loan for interest rate reduction, the maximum guaranty is the lesser of 25% or \$104,250 which is 25% of the Freddie Mac conforming loan limit for a single family residence for 2007. This figure will change yearly. (For information about entitlement see "Service Eligibility" below.)

2. Is \$36,000 the biggest loan a veteran can get? No. You may generally borrow up to the reasonable value of the property or the purchase price, whichever is less, plus the funding fee, if required. For certain refinancing loans, the maximum loan is limited to 90 percent of the value of the property, plus the funding fee, if required. To determine the reasonable value, VA requires an appraisal of the property. (Also see "Downpayment Requirements" below.)

3. What is the maximum VA loan? There is no maximum VA loan, except that the loan cannot exceed the lesser of the appraised value or purchase price, plus VA funding fee and energy efficient improvements, if applicable. However, lenders usually won't make a no-downpayment loan larger than \$417,000 (\$625,500 in Alaska, Hawaii, Guam, and U.S. Virgin Islands) due to secondary market limitations.

4. Must the loan be repaid? Yes. A VA guaranteed loan is not a gift. It must be repaid, just as you must repay any money you borrow. The VA guaranty, which protects the lender against loss, encourages the lender to make a loan with terms favorable to the veteran. But if you fail to make the payments you agreed to make, you may lose your home through foreclosure, and you and your family would probably lose all the time and money you had invested in it. If the lender does take a loss, VA must pay the guaranty to the lender, and the amount paid by VA must be repaid by you. If your loan closed on or after January 1, 1990, you will owe the Government in the event of a default only if there was fraud, misrepresentation, or bad faith on your part.

5. Does VA make any loan directly to eligible veterans? Yes, but only to Native Americans on trust land or to supplement a grant to get a specially adapted home for certain eligible veterans who have a permanent and total service-connected disability(ies). For information concerning direct loans to Native American Veterans see VA Pamphlet 26-93-1, which can be found on the internet at: <http://www.homeloans.va.gov/VAP26-93-1.htm>. See VA Pamphlet 26-69-1 for information concerning specially adapted housing grants.

SERVICE ELIGIBILITY: You are eligible for VA financing if your service falls within any of the following categories:

Wartime Service. If you served any time during:

- World War II (September 16, 1940 to July 25, 1947),
- Korean Conflict (June 27, 1950 to January 31, 1955),
- Vietnam Era (August 5, 1964 to May 7, 1975), the Vietnam Era begins February 28, 1961 for individuals who served in the Republic of Vietnam.
- Persian Gulf War (August 2, 1990 to present (requires service for 2 years or the full period for which called to active duty, except that exceptions applying to service between September 7, 1980 and August 1, 1990 also apply to Persian Gulf War).)
- See below.
- You must have served at least 90 days on active duty and been discharged or released under other than dishonorable conditions. If you served less than 90 days, you may be eligible if discharged because of a service-connected disability.

Peacetime Service. If your service fell entirely within any one of the following periods:

- July 26, 1947 to June 26, 1950,
- February 1, 1955 to August 4, 1964, or
- May 8, 1975 to September 7, 1980 (if enlisted) or to October 16, 1981 (if officer, you must have served at least 181 days of continuous active duty and been discharged or released under conditions other than dishonorable). If you served less than 181 days, you may be eligible if discharged because of a service-connected disability.

Service between September 7, 1980 (enlisted) or October 16, 1981 (officer) and

August 1, 1990. If your entire period of service was between September 7, 1980 (October 16, 1981) and August 1, 1990, you must have:

- Completed 24 months of continuous active duty or the full period (at least 181 days) for which you were called or ordered to active duty, and been discharged or released under conditions other than dishonorable.
- You may also be determined eligible if you were discharged for a service-connected disability, or you were discharged for the convenience of the Government after completing at least 20 months of a 2-year enlistment, or you completed 181 days of active duty and:
 - were discharged because of a hardship, or
 - were determined to have a service-connected compensable disability, or
 - were discharged or released from active duty for a medical condition which preexisted service and has not been determined to be service-connected, or
 - received an involuntary discharge or release from active duty for the convenience of the Government as a result of a reduction in force, or

- were discharged or released from active duty for a physical or mental condition not characterized as a disability and not the result of misconduct, but which did interfere with your performance of duty.

NOTE: During the Persian Gulf War, the foregoing exceptions to the 2-year requirement apply, except that 90 days of active duty is sufficient in lieu of 181 days.

Active Duty Service Personnel. If you are now on active duty, eligibility can be established after having served on continuous active duty for at least 90 days. Upon discharge or release from active duty, eligibility must be reestablished.

Members of the Selected Reserve. Individuals who are not otherwise eligible and who have completed at least 6 years in the Reserves or National Guard, or been discharged because of a service-connected disability, and

- have been discharged with an honorable discharge, or
- have been placed on the retired list, or
- have been transferred to an element of the Ready reserve other than the Selected Reserve, or
- continue to serve in the Selected Reserve are eligible for a GI loan.

Other Types of Service

- Certain United States citizens who served in the armed forces of a government allied with the United States in World War II.
- Unmarried surviving spouses of the above-described eligible persons who died as the result of service or service-connected injuries (Children of deceased veterans are not eligible).
- NOTE: Also, a surviving spouse who remarried on or after attaining age 57, and on or after December 16, 2003, may be eligible for the home loan benefit.
- The spouse of any member of the Armed Forces serving on active duty who is listed as missing in action, or is a prisoner of war and has been so listed for a total of more than 90 days.
- Individuals with service as members in certain other organizations, services, programs and schools may also be eligible. Questions about whether this service qualifies for home loan benefits should be referred to your VA Regional Loan Center.

Obtaining a Certificate of Eligibility: VA determines your eligibility and, if you are qualified, a Certificate of Eligibility will be issued.

ACE (automated certificate of eligibility): In some cases veterans can obtain the Certificate of Eligibility from a lender. Most lenders have access to the ACE system. This Internet based application can establish eligibility and issue an online Certificate of Eligibility in a matter of seconds. Not all cases can be processed through ACE - only those for which VA has sufficient data in our records. However, veterans are encouraged to ask their lenders about this method of obtaining a certificate.

If the certificate cannot be issued by ACE, you can request it from VA, by completing VA Form 26-1880, "Request for A Certificate of Eligibility." The form should be submitted along with either the originals or legible copies of your most recent discharge or separation papers covering active military duty since September 16, 1940, which show active duty dates and type of discharge. This form may be obtained from VA or at <http://www.va.gov/vaforms/>. If you were separated after January 1, 1950, you must submit DD Form 214, Certificate of Release or Discharge From Active Duty.

A sample is provided on the next 2 pages. You can go to the form directly at <http://www.vba.va.gov/pubs/forms/VBA-26-1880-ARE.pdf>.



Department of Veterans Affairs

REQUEST FOR A CERTIFICATE OF ELIGIBILITY

TO

Department of Veterans Affairs
Eligibility Center
P.O. Box 20729
Winston-Salem, NC 27120

NOTE: Please read information on reverse before completing this form. If additional space is required, attach a separate sheet.

1. FIRST-MIDDLE-LAST NAME OF VETERAN	2. DATE OF BIRTH	3. VETERAN'S DAYTIME TELEPHONE NO.
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4A. ADDRESS OF VETERAN (No., street or rural route, city or P.O., State and ZIP Code)	5. MAIL CERTIFICATE OF ELIGIBILITY TO: (Complete ONLY if the Certificate is to be mailed to an address different from the one listed in Item 4A)
4B. E-MAIL ADDRESS OF VETERAN (If applicable)	

6. MILITARY SERVICE DATA (ATTACH PROOF OF SERVICE - SEE PARAGRAPH "D" ON REVERSE)

A. ITEM	B. PERIODS OF ACTIVE SERVICE		C. NAME (Show your name exactly as it appears on your separation papers or Statement of Service)	D. SOCIAL SECURITY NUMBER	E. SERVICE NUMBER (If different from Social Security No.)	F. BRANCH OF SERVICE
	DATE FROM	DATE TO				
1.						
2.						
3.						
4.						

7A. WERE YOU DISCHARGED, RETIRED OR SEPARATED FROM SERVICE BECAUSE OF DISABILITY OR DO YOU NOW HAVE ANY SERVICE-CONNECTED DISABILITIES? <input type="checkbox"/> YES <input type="checkbox"/> NO (If "Yes," complete Item 7B)	7B. VA CLAIM FILE NUMBER C-
--	--------------------------------

8. PREVIOUS VA LOANS (Must answer N/A if no previous VA home loan. DO NOT LEAVE BLANK)

A. ITEM	B. TYPE (Home, Refinance, Manufactured Home, or Direct)	C. ADDRESS OF PROPERTY	D. DATE OF LOAN	E. DO YOU STILL OWN THE PROPERTY? (YES/NO)	F. DATE PROPERTY WAS SOLD (Submit a copy of HUD-1, Settlement Statement, if available)	G. VA LOAN NUMBER (If known)
1.						
2.						
3.						
4.						
5.						
6.						

I CERTIFY THAT the statements herein are true to the best of my knowledge and belief.

9. SIGNATURE OF VETERAN (Do NOT print)	10. DATE SIGNED
--	-----------------

FEDERAL STATUTES PROVIDE SEVERE PENALTIES FOR FRAUD, INTENTIONAL MISREPRESENTATION, CRIMINAL CONNIVANCE OR CONSPIRACY PURPOSED TO INFLUENCE THE ISSUANCE OF ANY GUARANTY OR INSURANCE BY THE SECRETARY OF VETERANS AFFAIRS.

FOR VA USE ONLY

11A. DATE CERTIFICATE ISSUED	11B. SIGNATURE OF VA AGENT
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INSTRUCTIONS FOR VA FORM 26-1880

PRIVACY ACT NOTICE: VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 38, Code of Federal Regulations 1.576 for routine uses (i.e., to a member of Congress inquiring on your behalf) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, and published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for a loan.

RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA -guaranteed home loan. Title 38, U.S.C., section 3702, authorizes collection of this information. We estimate that you will need an average of 15 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at www.whitehouse.gov/omb/library/OMBINV_VA.EPA.html#VA. If desired, you can call 1-800-827-1000 to get information on where to send your comments or suggestions about this form.

A. Mail this completed form, along with proof of service, to the Eligibility Center at P.O. Box 20729, Winston-Salem, NC 27120.

B. Military Service Requirements for VA Loan Eligibility: (NOTE: Cases involving other than honorable discharges will usually require further development by VA. This is necessary to determine if the service was under other than dishonorable conditions.)

1. **Wartime Service.** If you served anytime during World War II (September 16, 1940 to July 25, 1947), Korean Conflict (June 27, 1950 to January 31, 1955), or Vietnam Era (August 5, 1964 to May 7, 1975) you must have served at least 90 days on active duty and have been discharged or released under other than dishonorable conditions. If you served less than 90 days, you may be eligible if discharged because of service-connected disability.

2. **Peacetime Service.** If your service fell entirely within one of the following periods: July 26, 1947 to June 26, 1950, or February 1, 1955 to August 4, 1964, you must have served at least 181 days of continuous active duty and have been discharged or released under conditions other than dishonorable. If you entered service after May 7, 1975 but prior to September 8, 1980 (enlisted) or October 17, 1981 (officer) and completed your service before August 2, 1990, 181 days service is also required. If you served less than 181 days, you may be eligible if discharged for a service-connected disability.

3. **Service after September 7, 1980 (enlisted) or October 16, 1981 (officer) and prior to August 2, 1990.** If you were separated from service which began after these dates, you must have: (a) Completed 24 months of continuous active duty for the full period (at least 181 days) for which you were called or ordered to active duty, and been discharged or released under conditions other than dishonorable; or (b) Completed at least 181 days of active duty and been discharged under the specific authority of 10 U.S.C. 1173 (hardship discharge) or 10 U.S.C. 1171 (early out discharge), or have been determined to have a compensable service-connected disability; or (c) Been discharged with less than 181 days of service for a service-connected disability. Individuals may also be eligible if they were released from active duty due to an involuntary reduction in force, certain medical conditions, or, in some instances for the convenience of the Government.

4. **Gulf War.** If you served on active duty during the Gulf War (August 2, 1990 to a date yet to be determined), you must have: (a) Completed 24 months of continuous active duty or the full period (at least 90 days) for which you were called or ordered to active duty, and been discharged or released under conditions other than dishonorable; or (b) Completed at least 90 days of active duty and been discharged under the specific authority of 10 U.S.C. 1173 (hardship discharge), or 10 U.S.C. 1171 (early out discharge), or have been determined to have a compensable service-connected disability; or (c) Been discharged with less than 90 days of service for a service-connected disability. Individuals may also be eligible if they were released from active duty due to an involuntary reduction in force, certain medical conditions, or, in some instances, for the convenience of the Government.

5. **Active Duty Service Personnel.** If you are now on active duty, you are eligible after having served on continuous active duty for at least 181 days (90 days during the Persian Gulf War) unless discharged or separated from a previous qualifying period of active duty service.

6. **Selected Reserve Requirements for VA Loan Eligibility.** If you are not otherwise eligible and you have completed a total of 6 years in the Selected Reserves or National Guard (member of an active unit, attended required weekend drills and 2-week active duty training) and (a) Were discharged with an honorable discharge; or (b) Were placed on the retired list or (c) Were transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable service; or (d) Continue to serve in the Selected Reserve. Individuals who completed less than 6 years may be eligible if discharged for a service-connected disability.

C. Unmarried surviving spouses of eligible veterans seeking determination of basic eligibility for VA Loan Guaranty benefits are NOT required to complete this form, but are required to complete VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouse.

D. Proof of Military Service

1. **"Regular" Veterans.** Attach to this request your most recent discharge or separation papers from active military duty since September 16, 1940, which show active duty dates and type of discharge. If you were separated after January 1, 1950, DD Form 214 must be submitted. If you were separated after October 1, 1979, and you received DD Form 214, Certificate of Release or Discharge From Active Duty, 1 July edition, VA must be furnished Copy 4 of the form. You may submit either original papers or legible copies. In addition, if you are now on active duty submit a statement of service signed by, or by direction of, the adjutant, personnel officer, or commander of your unit or higher headquarters showing date of entry on your current active duty period and the duration of any time lost. Any Veterans Services Representative in the nearest Department of Veterans Affairs office or center will assist you in securing necessary proof of military service.

2. **Selected Reserves/National Guard.** If you are a discharged member of the Army or Air Force National Guard you may submit a NGB Form 22, Report of Separation and Record of Service, or NGB Form 23, Retirement Points Accounting, or its equivalent (this is similar to a retirement points summary). If you are a discharged member of the Selected Reserve you may submit a copy of your latest annual point statement and evidence of honorable service. You may submit either your original papers or legible copies. Since there is no single form used by the Reserves or National Guard similar to the DD Form 214, it is your responsibility to furnish adequate documentation of at least 6 years of honorable service. In addition, if you are currently serving in the Selected Reserve you must submit a statement of service signed by, or by the direction of, the adjutant, personnel officer or commander of your unit or higher headquarters showing the length of time that you have been a member of the unit.

In addition, if you are now on active duty and have not been previously discharged from active duty service, you must submit a statement of service which includes the name of the issuing authority (base or command), and is signed by or at the direction of an appropriate official. The statement must include date of entry on active duty and the duration of any time lost.

Since there is no uniform document similar to the DD214 for proof of service in the Selected Reserve, a number of different forms may be accepted as documentation of service in the Selected Reserve. For those who served in the Army or Air National Guard and were discharged after at least 6 years of such service, NGB Form 22 may be sufficient. Those who served in the Army, Navy, Air Force, Marine Corps or Coast Guard Reserves may need to rely on any of a variety of forms that document at least 6 years of honorable service. Often, it will be necessary to submit a combination of documents such as an Honorable Discharge certificate together with a retirement point's statement. It is the reservist's responsibility to obtain and submit documentation of 6 years of honorable service.

The Request for Certificate of Eligibility, VA Form 26-1880, should be mailed to the Winston-Salem Eligibility Center, P.O. Box 20729, Winston-Salem, NC 27120. The Eligibility Center also maintains a toll free number (888-244-6711) for persons seeking information on eligibility.

Questions and Answers

1. Does active duty for training in the Guard and Reserves qualify a person for home loan benefits? No. Active duty for training in the Guard and Reserves does not qualify a person for home loan benefits, unless the person completes a total of 6 years in the Guard and/or Reserves and serves under title 10, U.S.C.

2. Does this kind of service provide entitlement to any other veterans' home loan benefit? Yes. Active-duty-for-training service may qualify you for a HUD/FHA veterans' loan.

Under the National Housing Act loan program, the Federal Housing Administration of the Department of Housing and Urban Development administers a loan program for veterans. Financing under this program is available under slightly more favorable terms than those available to nonveterans. VA's only role in this program is to determine the eligibility of the veteran and, if qualified, issue a Certificate of Veteran Status as evidence of entitlement to HUD/FHA loan benefits for veterans.

You may get a Certificate of Veteran Status by completing VA Form 26-8261a, Request for Certificate of Veteran Status, and submitting it with the attachments listed in the instructions to VA for a determination of eligibility. This form may be obtained from VA or at <http://www.va.gov/vaforms/>.

All veterans discharged under other than dishonorable conditions from at least 90 days of service which began before September 8, 1980, are eligible. Veterans of enlisted service in a regular component of the Armed Forces, which began after September 7, 1980, or officers or reservists who entered on active duty after October 13, 1982, must have served at least 24 months of service or the full period for which called to active duty or Active Duty for Training before being discharged, unless the discharge was for hardship or disability.

3. What can a veteran do who has lost his or her original discharge papers and does not have a legible copy? The veteran should obtain a Certificate in Lieu of Lost or Destroyed Discharge. Any VA office will assist the veteran in obtaining necessary proof of military service.

4. Does a veteran's home loan entitlement expire? No. Home loan entitlement is generally good until used. However, the eligibility of service personnel is only available so long as they remain on active duty. If they are discharged or released from active duty before using their entitlement, a new determination of their eligibility must be made, based on the length of service and the type of discharge received.

5. How much entitlement does each veteran have? Originally, the maximum entitlement available was \$2,000; however, legislation enacted since that time has provided veterans with increases in entitlement up to the present maximum of \$36,000 (or up to \$ 89,912 for certain loans over \$144,000). The \$36,000 may, however, be reduced if entitlement has been used before to get a VA loan. The amount of remaining entitlement can be determined by subtracting

the amount of entitlement used from the current maximum available entitlement of \$36,000. (See question 8 for information on using remaining entitlement.)

6. Does VA home loan entitlement provide cash to the veteran? No. The amount of entitlement relates only to the amount VA will guarantee the lender against loss.

7. Can a veteran get used entitlement back to use again? If you have used all or part of your entitlement, you can get that entitlement back to purchase another home if the following conditions for "restoration" are met:

- The property has been sold *and* the loan has been paid in full, or
- A qualified veteran-transferee (buyer) must agree to assume the outstanding balance on the loan and agree to "substitute" his or her entitlement for the *same* amount of
- entitlement you originally used to get the loan. The buyer must also meet the occupancy
- and income and credit requirements of the law.
- **ONE TIME ONLY** if you have repaid the prior VA loan in full, but have not disposed of the property securing that loan, the entitlement you used in connection with that loan may be restored.
- Any loss suffered by VA as a result of guaranty of the loan (for example a claim paid to a lender if a loan goes to foreclosure) must be repaid in full before the entitlement used on the loan can be restored.

Restoration of entitlement is not automatic. You must apply for it by completing and returning VA Form 26-1880, "Request for a Certificate of Eligibility" to the Eligibility Center. This form may be obtained from any VA office or at <http://www.va.gov/vaforms/>.

8. If the requirements for restoration cannot be met, is there any other way a veteran can obtain another VA loan? Yes. Veterans who had a VA loan before may still have "remaining entitlement" to use for another VA loan. The current amount of entitlement available to each eligible veteran is \$36,000 (\$89,912 for certain loans over \$144,000). This was much lower in years past and has been increased over time by changes in the law. For example, a veteran who obtained a \$25,000 loan in 1974 would have used \$12,500 guaranty entitlement, the maximum then available. Even if that loan is not paid off, the veteran could use the \$23,500 difference between the \$12,500 entitlement originally used and the current maximum of \$36,000 to buy another home with VA financing.

Most lenders require that a combination of the guaranty entitlement and any cash downpayment must equal at least 25 percent of the reasonable value or sales price of the property, whichever is less. Thus, in the example, the veteran's \$23,500 remaining entitlement would probably meet a lender's minimum guaranty requirement for a no-downpayment loan to buy a property valued at, and selling for, \$94,000. The veteran could also combine a downpayment with the remaining entitlement for a larger loan amount.

9. May several veterans use their entitlement to acquire property together? Yes. The guaranty is based on each veteran's interest in the property, but the guaranty on the loan may not exceed the lesser of 40 percent of the loan amount or \$36,000 (\$89,912 for certain loans over \$144,000).

10. If both a husband and wife are eligible, may they acquire property jointly and so increase the amount which may be guaranteed? They may acquire property jointly, but the amount of guaranty on the loan may not exceed the lesser of 40 percent of the loan amount or \$36,000 (\$89,912 for certain loans over \$144,000).

11. May a veteran join with a nonveteran in obtaining a VA loan? Yes, but the guaranty is based only on the veteran's portion of the loan. The guaranty cannot cover the nonveteran's part of the loan. This does not apply to a loan to a veteran and spouse when the spouse is not a veteran. (Consult lenders to determine whether they would be willing to accept applications for joint loans of this type.)

12. Does the issuance of a certificate of eligibility guarantee approval of a VA loan? No. The veteran must still be found to be qualified for the loan from an income and credit standpoint.

13. Can a veteran or active duty servicemember who is eligible for a Specially Adapted Housing (SAH) grant apply for a GI home loan from a private lender to cover the difference between the total cost of the house and the SAH grant? Yes. A veteran or active duty servicemember who is eligible for a Specially Adapted Housing (SAH) grant can apply for a GI home loan from a private lender to cover the difference between the total cost of the house and the SAH

grant. SAH program eligibility requirements and points of contact information are available at <http://www.homeloans.va.gov/sah.htm>.

14. If private financing is not available, can VA make the veteran or active duty servicemember a direct loan to cover the difference between the total cost of the house and a Specially Adapted Housing (SAH) grant? Yes, provided the veteran or active duty servicemember has GI home loan entitlement and qualifies from a credit standpoint. The maximum direct loan is currently \$33,000.

ELIGIBLE LOAN PURPOSES You may use VA-guaranteed financing:

- To buy a home.
- To buy a townhouse or condominium unit in a project that has been approved by VA.
- To build a home.
- To repair, alter, or improve a home.
- To simultaneously purchase and improve a home.
- To improve a home through installment of a solar heating and/or cooling system or other energy efficient improvements.
- To buy a manufactured (mobile) home and/or lot.
- To buy and improve a lot on which to place a manufactured home which you already own and occupy.
- To refinance a manufactured home loan in order to acquire a lot. (See VA Pamphlet 26-71-1, which is available on the internet at: <http://www.homeloans.va.gov/VAP26-71-1.htm>, for more information about manufactured home loans.)

Questions and Answers

1. Can a veteran get a VA loan to pay off the mortgage or other liens of record on his or her home? Yes. The following refinancing loans are available under the VA-guaranteed home loan program:

- To pay off the mortgage and/or other liens of record on the home. In most cases, the loan may not exceed 90 percent of the reasonable value of the property as determined by an appraisal, plus the funding fee, if required. The loan may include funds for any purpose which is acceptable to the lender, plus closing costs, including a reasonable number of discount points. A veteran must have available home loan entitlement. An existing loan on a manufactured home (except as noted below) may not be refinanced with a VA-guaranteed loan.
- To refinance an existing VA loan to obtain a lower interest rate. Use of additional loan entitlement is not required. The loan amount is limited to the balance of the old loan plus the closing costs, discount points, funding fee, and up to \$6,000 in energy efficient improvements. An existing VA loan on a manufactured home may be refinanced to obtain a lower interest rate.

2. Can a veteran get a VA business loan? No, but business loans may be obtained through the SBA (Small Business Administration). The SBA gives preference to veterans wishing to obtain small business assistance. For more information on this financing, consult your telephone directory for the SBA office nearest you or visit www.vetbiz.gov for general information on veterans in business.

3. Can a veteran get a VA farm loan? No, except for a farm on which there is a farm residence which will be personally occupied by the veteran as a home. The veteran may or may not conduct farming operations. If farming operations are to be the primary source of the borrower's income, then it must be established that the venture has a reasonable likelihood for success. If the borrower plans to use the residence, but has a source of income other than the farm which will be the primary source of income, then the farming operations need not be considered. Other types of farm financing may be obtained through the Farmers Home Administration which gives preference to veteran applicants. Additional information can be obtained by contacting a local office of that agency, the address and telephone number of which can be found in your telephone directory.

4. Can a veteran get a VA loan to buy or construct a residential property containing more than one family unit? Yes, but the total number of separate units cannot be more than four if one veteran is buying. If more than one veteran is buying, then one additional family unit may be added to the basic four for each veteran participating; thus, one veteran could buy four units; two veterans, six units; three veterans, seven units, etc.

In addition, if the veteran must depend on rental income from the property to qualify for the loan, the veteran must (a) show that he or she has the background or qualifications to be successful as a landlord, and (b) have enough cash reserves to make the loan payments for at least 6 months without help from the rental income.

5. Can a veteran get a VA loan to purchase a cooperatively-owned apartment? VA is authorized to approve loans made to purchase a unit in a cooperative (co-op); however, only a limited number of lenders have shown an interest in this type of loan.

6. Can a veteran obtain a VA loan for the purchase of property in a foreign country? No. The property must be located in the United States, its territories, or possessions. The territories and possessions are Puerto Rico, Guam, Virgin Islands, American Samoa, and Northern Mariana Islands.

7. Can a veteran obtain a loan from a private lender in one State for the purchase of property in another State? Yes. However, many lenders limit their lending operations to certain areas.

8. May a lender require security from the veteran in addition to the property being purchased? Yes. This is a matter between the veteran and the lender. While VA does not require that additional security be taken, it does not object if the veteran is willing.

APPLYING FOR THE LOAN: VA-guaranteed loans are obtained by making an application to private lending institutions.

Lenders may be found by asking in the community in which you live what firms in the area make home loans. This information may be obtained from the local chamber of commerce, by looking in the telephone directory under "Mortgages," or by inquiring at banks, savings and loan associations, mortgage companies, real estate brokers' offices, and other public and private lending agencies.

Most mortgage lenders will have the forms and other necessary papers to apply for a certificate of eligibility and for the loan and will help you fill them out. Any lender who does not have the forms may obtain them from VA.

If you have a certificate of eligibility, you should present it to your lender when making your loan application, because the lender will want assurance that you are eligible before accepting the application. However, a lender will undoubtedly discuss the possibility of making a VA loan to you without seeing the certificate. In fact, many lenders will assist you in applying for a certificate of eligibility. So, even if you have not obtained a certificate, you should not delay making an application to a lender for a loan just for this reason.

To reduce delays in the processing of the loan, you should be prepared to give the lender the complete names and addresses and your employee identification numbers for present and past employers covering a 2-year period. You should also have available the location and account numbers for savings and checking accounts and all open and recently closed debts and obligations.

Questions and Answers

1. If a lender is unwilling to accept a veteran's application for a loan, what should the veteran do? The veteran should see another lender. The fact that one lender is not interested in making the loan the veteran wants does not mean that other lenders will not make the loan.

2. How are VA loans processed? There are two ways a lender may process VA home loans: "prior approval" or "automatic."

When the loan is processed on a prior approval basis, the lender takes your application, requests VA to appraise the property, and verifies your income and credit record. All this information is put together in a loan package and sent to VA for review. If VA approves the loan, a commitment by VA to guarantee the loan is sent to the lender. The lender then closes the loan and sends a report of the closing to VA. If the loan complies with VA requirements, VA issues the lender a certificate of guaranty.

In automatic processing, the lender still orders an appraisal from VA, but has the authority to make the credit decision on the loan without VA's approval. The biggest difference between prior approval and automatic processing is the time saved by avoiding the need to await VA's approval before loan closing.

All lenders do not have the authority to process loans on the automatic basis. Banks, savings and loan associations, and certain other lenders such as mortgage companies which are approved by VA, have the privilege of processing VA-guaranteed loans using the automatic procedure. Lenders approved to participate in VA's Lender Appraisal Processing Program (LAPP) are generally able to expedite the processing of VA appraisals.

3. What should a veteran do while waiting for loan approval? Sometimes it may take longer than you might expect for the lender or VA to process your loan application. For instance, your current or former employer may be slow in returning an employment verification form, or it may take some time to obtain a credit rating from out-of-State creditors.

Occasionally, the application VA receives from the lender is incomplete in some important aspect and requires that VA ask the lender to furnish additional information before a final decision can be made. Ordinarily, you should plan on an average of 4 to 6 weeks to obtain a decision on your application.

In any case, information on the progress of your application should be obtained from the lender, who will be most aware of developments as they occur.

It is most important that you not make any commitments based on an expected approval of your loan. You should not, for example, give notice to your landlord until the loan is actually approved by VA (or by your lender if the automatic processing procedure is used). Generally, it is not advisable to move into the home before the loan is approved. If for some reason the loan is not obtained, you could be faced with additional expense and inconvenience.

4. What is pre-purchase counseling and why would it be helpful? Pre-purchase counseling is especially helpful to a first time homebuyer. It gives a person useful information on (1) the process of buying a home, (2) the key players in the home buying process and (3) debt management. The goal is to create a more well informed homebuyer. While VA does not require such counseling, we strongly recommend it. There is usually no charge for the housing counseling. To locate a housing counseling office, call (800) 569-4287. This is a Department of Housing and Urban Development (HUD) maintained number and referral service.

LOAN REPAYMENT TERMS: The maximum VA home loan term is 30 years and 32 days; however, the term may never be for more than the remaining economic life of the property as determined by the appraisal.

Questions and Answers

1. May a veteran pay off a VA loan before it becomes due? Yes. A VA loan may be partially or fully paid at any time without penalty. Partial payments may not be less than 1 monthly installment or \$100, whichever is less. (Consult your lender.)

2. May the maturity on a VA loan be extended to reduce the monthly payments? Yes, provided the veteran and the lender want to extend it and the extension provides for complete repayment of the loan within the maximum period permitted for loans of its type.

3. If a veteran dies before the loan is paid off, will the VA guaranty pay off the balance of the loan? No. The surviving spouse or other coborrower must continue to make the payments. If there is no coborrower, the loan becomes the obligation of the veteran's estate. Protection against this may be obtained through mortgage life insurance, which must be purchased from private insurance sources.

4. Will the veteran's payments always be paid to the same company? No. It is common practice in the mortgage lending industry to sell mortgages, often before the first payment is even due. If your loan is sold, you may find that you sent your first payment to the wrong place and the new holder of your loan may send you an overdue notice. Even though you know you made the payment, and it is up to the two lenders to get it straightened out, do not ignore the notice. (Most lenders will notify the veteran if the loan is sold and help straighten out any problems.)

5. Does having a VA loan limit a veteran's right or ability to sell the property? No. A veteran may sell the property to a veteran or nonveteran at any time. However, if the loan was approved on or after March 1, 1988, and it will be assumed, the qualifications of the assumer must be reviewed and approved by the lender or VA.

6. When a veteran sells the property to someone who will assume the existing VA loan, is the veteran released automatically from personal liability for repayment of the loan? No. If the loan was approved on or after March 1, 1988, the lender or VA must be notified and requested to approve the assumer and grant the veteran release from liability.

If the loan was approved prior to March 1, 1988, the loan may be assumed without approved from VA or the lender. However, the veteran is strongly urged to request a release of liability from VA.

7. If a loan closed prior to March 1, 1988 can be assumed without VA's approval, why should a veteran be concerned about requesting and obtaining a release from personal liability? If a veteran does not obtain a release of liability, and VA suffers a loss on account of a default by the assumer or some future assumer, a debt may be established against the veteran. Also, strenuous collection efforts will be made against the veteran if a debt is established.

8. How may a veteran obtain a release of liability from VA? By having the buyer assume all of the veteran's liabilities on the VA loan, and by having VA or the loan holder approve the buyer and the assumption agreement. If the VA loan was approved prior to March 1, 1988, the application forms for a release of liability must be requested from the VA Regional Loan Center of Jurisdiction. In most cases, if the VA loan was approved on or after March 1, 1988, the application forms must be requested from the lender to whom the payments are made.

9. If a veteran obtains a release of liability, is restoration of entitlement automatic? No. Restoration requirements may be found in the above information.

REPAYMENT PLANS: VA will guarantee loans to purchase homes made with the following repayment plans:

- **Traditional Fixed-Payment Mortgage:** This type of mortgage loan calls for equal monthly payments for the life or term of the loan. Each monthly payment reduces a certain portion of the principal owed on the loan and pays interest accrued to date.
- **GPM (Graduated Payment Mortgage):** This repayment plan provides for smaller-than-normal monthly payments for the first few years (usually 5 years), which gradually increase each year, and then level off after the end of the "graduation period" to larger-than-normal payments for the remaining term of the loan. The reduction in the monthly payment in the early years of the loan is accomplished by delaying a portion of the interest due on the loan each month and by adding that interest to the principal balance.
- **Buydowns:** The builder of a new home or seller of an existing home may "buy down" the veteran's mortgage payments by making a large lump-sum payment up front at closing that will be used to supplement the monthly payments for a certain period, usually 1 to 3 years.
- **GEM (Growing Equity Mortgage):** This repayment plan provides for a gradual annual increase in the monthly payments with all of the increase applied to the principal balance. The annual increases in the monthly payment may be fixed (for example, 3 percent per year) or tied to an appropriate index. The increases to the monthly payment result in an early payoff of the loan in about 11 to 16 years for a typical 30 year mortgage.
- **ARM (Adjustable Rate Mortgages):** ARM loans are typically made at an initial interest rate lower than market rate, however the interest rate can be adjusted – up or down – during the life of the loan. A one year ARM allows for annual adjustments of no more than 1 percent and a lifetime cap of 5 percent. Hybrid ARM loans allow for an initial fixed rate for a period of at least 3 years, followed by annual adjustments. Depending on the length of the fixed rate period, the initial adjustment can be up to 2 percent and the lifetime cap is either 5 percent or 6 percent.

DOWNPAYMENT REQUIREMENTS

- **Traditional Fixed-Payment Mortgage, Buydown Loans, and Growing Equity Mortgage:** VA does not require a downpayment if the purchase price or cost is not more than the reasonable value of the property as determined by VA, but the lender may require one. If the purchase price or cost is more than the reasonable value, the difference must be paid in cash from your own resources.

- **Graduated Payment Mortgage:** The maximum loan amount may not be for more than the reasonable value of the property or the purchase price, whichever is less. Because the loan balance will be increasing during the first years of the loan, a downpayment is required to keep the loan balance from going over the reasonable value or the purchase price.

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INTEREST RATES: The interest rate on VA loans can be negotiated based on prevailing rates in the mortgage market. Once a loan is made, the interest rate set in the note will stay the same for the life of the loan. However, if interest rates go down, and you still own and occupy (or previously occupied) the property securing a previous VA loan, you may apply for a new VA loan to refinance the previous loan at a lower interest rate without using any additional entitlement.

CLOSING COSTS: The cost of obtaining any mortgage can be quite a lot. VA regulates those closing costs that a veteran may be charged in connection with closing a VA loan. No commission or brokerage fees may be charged to you for obtaining a VA loan. However, you may pay reasonable closing costs to the lender in connection with a VA-guaranteed loan.

Although some additional costs are unique to certain localities, the closing costs generally include VA appraisal, credit report, survey, title evidence, recording fees, a 1 percent loan origination fee, and discount points. The closing costs and origination charge may not be included in the loan, except in VA refinancing loans.

In addition to negotiating the interest rate with the lender, veterans may negotiate the payment of discount points and other closing costs with the seller.

Often, sellers will consider paying some or all of the discount points required by the lender in order to complete the sale. This can have a big impact on the amount of cash you must pay out of pocket in order to complete the purchase. If the seller will not consider paying points, the veteran may be able to negotiate an interest rate with the lender which is sufficient to avoid the need to include any discount points in the transaction.

FUNDING FEE: Veterans must also pay a VA funding fee at the time of loan closing. The fee may be included in the loan and paid from loan proceeds. The fee is not required from veterans in receipt of service-connected compensation, or who would be but for receipt of military retired pay, or surviving spouses of veterans who died in service or from service-connected causes. Specific information on the amount of the funding fee can be found at the following website: <http://www.homeloans.va.gov/new.htm>.

EQUAL HOUSING OPPORTUNITY: Discrimination in the sale of housing because of race, color, religion, sex, handicap, familial status, or national origin is prohibited by Federal laws. In November 1962, Executive Order 11063 banned discrimination in all federally assisted housing. The "Fair Housing Law," Title VIII of the Civil Rights Act of 1968, followed by amending legislation, required positive action be taken by Federal agencies to prevent discrimination in all housing. Further, Title VIII protects you from the following acts when they are based on discrimination on account of race, color, religion, sex, handicap, familial status or national origin:

- Refusal to deal,
- Discrimination in terms of sale,
- Discriminatory advertising,
- False representations that a dwelling is not available,
- Blockbusting,
- Discrimination in financing, and
- Discrimination in real estate services.

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These laws provide every person an equal opportunity to choose suitable housing. The Department of Veterans Affairs affirmatively administers the VA housing program by assuring that all veterans are given an equal opportunity to buy homes with VA assistance. All VA program participants--builders, brokers and lenders offering housing for sale with VA financing--must comply with Executive Order 11063 and the Civil Rights Act of 1968, as amended.

Builders must sell newly constructed homes with VA financing to eligible veterans without regard to the race, color, religion, sex, handicap, familial status or national origin of the veteran.

Brokers participating in the VA home loan program must not discriminate against a person on the basis of race, color, religion, sex, handicap, familial status or national origin by refusing to show or sell a property; by discriminating in the terms of the sale; or by representing that property as not available for inspection.

Lenders participating in the VA loan program are required by the Civil Rights Act of 1968, as amended, to act on applications for VA home loans without regard to the race, color, religion, sex, handicap, familial status or national origin of the veteran. In addition, the Equal Credit Opportunity Act prohibits a lender from discriminating against an applicant on the basis of the foregoing, or on the basis of age or marital status; because an applicant's income derives from any public assistance program; or because the applicant has exercised any right under the Consumer Credit Protection Act. Lenders are also prohibited from discouraging applications on these grounds. To ensure that each applicant is fully aware of his or her rights under the Equal Credit Opportunity Act, a lender must provide each applicant with the Equal Credit Opportunity Act Notice and a written statement of reasons when credit is denied.

Therefore, if you are seeking to use your entitlement to buy a home, you may be assured that VA will protect your civil rights and equal housing opportunity.

The following actions, when based on discrimination because of race, color, religion, sex, handicap, familial status or national origin, are recognized violations of the Federal fair housing law:

- Refusal to negotiate to sell property.
- Discrimination in terms or conditions of sale of real property.
- Advertising indicating any racial, religious, ethnic or gender preference.
- False representations that real property is not available for inspection or sale.
- Blockbusting or inducing owners to sell real property by representations regarding entry into the neighborhood of persons of a particular race, color, religion, sex, handicap, familial status or national origin for profit.
- Discrimination in financing, terms or conditions of a loan, or denying a loan.

If you experience or suspect discrimination by a builder, broker, or lender, VA will investigate. To start a VA investigation, submit a written complaint directly to your VA Regional Loan Center. Your complaint must describe the discriminatory action, including the date it occurred, names, addresses and telephone numbers of all parties involved in the action, and the address of the property involved. VA has a form for this purpose (VA Form 26-8827, Housing Discrimination Complaint) which you may request from VA.

You should note that in many localities, fair housing associations have been organized to assist you in locating and purchasing a house of your choosing. There may be such an organization in your area.

When the discrimination concerns HUD/FHA (Department of Housing and Urban Development/Federal Housing Administration) home loans and other housing, complaint letters should be sent to the Department of Housing and Urban Development, Assistant Secretary for Fair Housing and Equal Opportunity, Washington, D.C. 20410.

If you are unable to find new homes available for sale with VA financing in your area, or if you are unable to determine whether particular homes being built are available for sale with VA financing, we suggest you contact your VA Regional Loan Center. In addition, in many areas VA has repossessed homes which it will sell to qualified buyers. Inquiry as to the availability of any VA repossessed homes for sale in the area in which you are interested may be made by contacting local real estate brokers.

Another area to be explored is the existence of State benefits. Many States offer housing programs which are independent from federal programs. The programs and benefits, as well as the qualifying criteria, may differ from one State to the next. Information on State programs may be obtained from State officials or from VA.

REGIONAL LOAN CENTERS

Regional Loan Center	Jurisdiction	Mailing and Website Addresses	Telephone Number
Atlanta	Georgia North Carolina South Carolina Tennessee	Department of Veterans Affairs VA Regional Loan Center 1700 Clairmont Rd. Decatur, GA 30033-4032 (Mail: P.O. Box 100023, Decatur, GA 30031-7023) http://www.vba.va.gov/ro/atlanta/r/c/index.htm	1-888-768-2132
Cleveland	Delaware Indiana Michigan New Jersey Ohio Pennsylvania	Department of Veterans Affairs VA Regional Loan Center 1240 East Ninth Street Cleveland, OH 44199 http://www.vba.va.gov/ro/cleveland/index.l.htm	1-800-729-5772
Denver	Alaska Colorado Idaho Montana Oregon Utah Washington Wyoming	Department of Veterans Affairs VA Regional Loan Center 155 Van Gordon Street Lakewood, CO 80228 (Mail: Box 25126, Denver, CO 80225) http://www.vba.va.gov/ro/denver/loan/gyv.htm	1-888-349-7541
Honolulu	Hawaii Guam American Samoa Commonwealth of the Northern Marianas	Department of Veterans Affairs VA Regional Office Loan Guaranty Division (26) 459 Patterson Rd. Honolulu, HI 96819 *Although not an RLC, this office is a fully functioning Loan Guaranty operation for Hawaii.	1-808-433-0481
Houston	Arkansas Louisiana Oklahoma Texas	Department of Veterans Affairs VA Regional Loan Center 6900 Alameda Road Houston, TX 77030-4200 http://www.vba.va.gov/ro/houston/gy/home.html	1-888-232-2571

<p>Manchester</p>	<p>Connecticut Massachusetts Maine New Hampshire New York Rhode Island Vermont</p>	<p>Department of Veterans Affairs VA Regional Loan Center 275 Chestnut Street Manchester, NH 03101 http://www.vba.va.gov/ro/manchester/gy/main/loans.html</p>	<p>1-800-827-6311 1-800-827-0336</p>
<p>Phoenix</p>	<p>Arizona California New Mexico Nevada</p>	<p>Department of Veterans Affairs VA Regional Loan Center 3333 N. Central Avenue Phoenix, AZ 85012-2402 http://www.vba.va.gov/ro/phoenix/gy/</p>	<p>1-888-869-0194</p>
<p>Roanoke</p>	<p>District of Columbia Kentucky Maryland Virginia West Virginia</p>	<p>Department of Veterans Affairs VA Regional Loan Center 210 Franklin Road, SW Roanoke, VA 24011 http://www.vba.va.gov/ro/roanoke/r/c/</p>	<p>1-800-933-5499</p>
<p>St. Paul</p>	<p>Illinois Iowa Kansas Minnesota Missouri Nebraska North Dakota South Dakota Wisconsin</p>	<p>Department of Veterans Affairs VA Regional Loan Center 1 Federal Drive, Ft. Snelling St. Paul, MN 55111-4050 http://www.vba.va.gov/ro/central/stpau/pages/home/loans.html</p>	<p>1-800-827-0611</p>
<p>St. Petersburg</p>	<p>Alabama Florida Mississippi Puerto Rico U.S. Virgin Islands</p>	<p>Department of Veterans Affairs VA Regional Loan Center 9500 Bay Pines Blvd. St. Petersburg, FL 33708 (Mail: P.O. Box 1437, St. Petersburg, FL 33731) http://www.vba.va.gov/ro/south/spete/r/c/index.htm</p>	<p>1-888-611-5916 (out of state) 1-800-827-1000 (in FL)</p>
<p>Winston/Salem</p>		<p>Department of Veterans Affairs Winston-Salem Eligibility Center P.O. Box 20729 Winston-Salem, NC 27120</p>	<p>1-888-244-6711</p>

Department of
Veterans Affairs

VA Home Loans

**A Quick
Guide for
Homebuyers
& Real Estate
Professionals**

VA Pamphlet 26-91-1
[Redacted]

Veterans Benefits
Administration

WHY A VA LOAN?

The more you know about our home loan program, the more you will realize how little "red tape" there really is in getting a VA loan. These loans are often made without any down payment at all. Aside from the veteran's certificate of eligibility and the fact that the appraiser is assigned by VA, the application process is not much different than any other type of mortgage loan. And if the lender is approved for automatic processing and the Lender Appraisal Processing Program (LAPP), as more and more lenders are now, a buyer's loan can be processed and closed by the lender without waiting for VA's approval of the credit application or for VA to review the appraisal.

Lenders are also able to use VA recognized automated underwriting systems, such as Loan Prospector and Desktop Underwriter, to facilitate the underwriting process.

FIVE EASY STEPS TO A VA LOAN

1. Apply for a Certificate of Eligibility (COE).

A veteran can obtain a COE by completing VA Form 26-1880, Request for a Certificate of Eligibility, and mailing it, along with proof of military service, to an eligibility center (see office list at back of pamphlet.) Also, veterans who have already begun the loan application process with a lender may request the lender to try and obtain a COE through ACE (Automated Certificate of Eligibility). More information about this online system can be found at our website which is: www.homeloans.va.gov.

2. Decide on a home the buyer wants to buy and sign a purchase agreement.

3. Order an appraisal from VA. (Usually this is done by the lender.)

Ordering an appraisal can be done via the Internet using TAS (The Appraisal System). This is a centralized system that allows lenders easy and quick access to order an appraisal.

4. Apply to a mortgage lender for the loan.

While the appraisal is being done, the lender can be gathering credit and income information. If the lender is authorized by VA to process loans on the automatic basis (and approx. 99% of all VA loans are processed this way) the loan can be approved and closed upon receipt of the appraised value determination without waiting for a VA review of the credit application. VA has also approved the use of several automated underwriting systems for lenders to use in connection with VA loans. The two main systems are Loan Prospector and Desktop Underwriter. For loans that must be approved by VA, lenders send the credit package to VA. VA staff will then review it and notify the lender of the decision.

5. Close the loan and the buyer moves in.

INTERESTED IN KNOWING MORE?

See the next few pages for more on VA home loans.

VA FINANCING

-A GOOD DEAL FOR VETERANS

More than 27 million veterans and service personnel are eligible for VA financing. Even though many veterans have already used their loan benefits, it may be possible for them to buy homes again with VA financing using remaining or restored loan entitlement.

Before arranging for a new mortgage to finance a home purchase, veterans should consider some of the advantages of VA home loans:

- Most important consideration, no down payment is required in most cases.
- Loan maximum may be up to 100 percent of the VA-established reasonable value of the property. Due to secondary market requirements, however, loans generally may not exceed \$359,650.
- Flexibility of negotiating interest rates with the lender.
- No monthly mortgage insurance premium to pay.
- Limitation on buyer's closing costs.
- An appraisal which informs the buyer of estimated property value.
- Thirty year loans with a choice of repayment plans.
- **Traditional fixed payment** (constant principal and interest: increases or decreases may be expected in property taxes and homeowner's insurance coverage); **Graduated Payment Mortgage-GPM** (low initial payments which gradually rise to a level payment starting in the sixth year); and in some areas, **Growing Equity Mortgages-GEMs** (gradually increasing payments with all of the increase applied to principal, resulting in an early payoff of the loan.) **Hybrid ARMs**: VA is authorized to guarantee hybrid ARM loans where the initial rate remains fixed for at least 3 years. The initial adjustment can be as much as 2% if the fixed rate period is 5 or more years. Annual adjustments thereafter are limited to 1 percent. If the initial fixed rate period is 5 or more years, the interest rate on the loan is capped at 6 points above the initial rate. If the fixed rate period is less than 5 years, the initial adjustment is limited to 1 % and the annual cap to 5 percentage points.
Traditional ARM loans: VA can also guarantee traditional one year ARM loans where the rate is adjusted annually. Annual adjustments are limited to 1 % and the maximum interest rate increase over the life of the loan is limited to 5 percentage points.
- New homes which are appraised before or during construction are inspected to help ensure compliance with the plans and specifications used for the appraisal and with VA minimum property requirements. All new houses, regardless of when appraised, are covered by either a 1-year builder's warranty or a 1 a-year insured protection plan.
- An assumable mortgage, subject to VA approval of the assumer's credit. Right to prepay loan without penalty.
- VA performs personal loan servicing and offers financial counseling to help veterans avoid losing their homes during temporary financial difficulties.

WHAT IS A VA-GUARANTEED LOAN?

These loans are made by a lender, such as a mortgage company, savings and loan or bank. VA's guaranty on the loan protects the lender against loss if the payments are not made, and is intended to encourage lenders to offer veterans loans with more favorable terms. The amount of guaranty on the loan depends on the loan amount and whether the veteran used some entitlement previously. With the current maximum guaranty, a veteran who hasn't previously used the benefit may be able to obtain a VA loan up to \$359,650 depending on the borrower's income level and the appraised value of the property. The local VA office can provide more details on guaranty and entitlement amounts.

WHAT CAN A VA LOAN BE USED FOR?

- To buy a home, a condominium unit in a VA-approved project.
- To build a home.
- To simultaneously purchase and improve a home.
- To improve a home by installing energy-related features such as solar or heating/cooling systems, water heaters, insulation, weather-stripping/caulking, storm windows/doors or other energy efficient improvements approved by the lender and VA. These features may be added with the purchase of an existing dwelling or by refinancing a home owned and occupied by the veteran. A loan can be increased up to \$3,000 based on documented costs or up to \$6,000 if the increase in the mortgage payment is offset by the expected reduction in utility costs. A refinancing loan may not exceed 90 percent of the appraised value plus the costs of the improvements. Check with a lender or VA for details.
- To refinance an existing home loan up to 90 percent of the VA-established reasonable value or to refinance an existing VA loan to reduce the interest rate.
- To buy a manufactured home and/or lot.

WHO IS ELIGIBLE?

Veterans with active duty service, that was not dishonorable, during World War II and later periods are eligible for VA loan benefits. World War II (September 16, 1940 to July 25, 1947), Korean conflict (June 27, 1950 to January 31, 1955), and Vietnam era (August 5, 1964 to May 7, 1975) veterans must have at least 90 days' service. Veterans with service only during peacetime periods and active duty military personnel must have had more than 180 days' active service. Veterans of enlisted service which began after September 7, 1980, or officers with service beginning after October 16, 1981, must in most cases have served at least 2 years.

Gulf War. Basically, reservists and National Guard members who were activated on or after August 2, 1990, served at least 90 days and were discharged honorably are eligible. VA regional office personnel may assist with eligibility questions.

Members of the Selected Reserve, including National Guard, who are not otherwise eligible and who have completed 6 years of service and have been honorably discharged or have completed 6 years of service and are still serving may be eligible. Contact the local VA office to find out what is needed to establish eligibility. Reservists will pay a slightly higher funding fee than regular veterans. (See paragraph entitled "Costs of Obtaining a VA Loan").

HAD A VA LOAN BEFORE?

Remaining Entitlement

Veterans who had a VA loan before may still have "remaining entitlement" to use for another VA loan.

The current amount of entitlement available to each eligible veteran is \$36,000. This was much lower in years past and has been increased over time by changes in the law. For example, a veteran who obtained a \$25,000 loan in 1974 would have used \$12,500 guaranty entitlement, the maximum then available. Even if that loan is not paid off, the veteran could use the \$23,500 difference between the \$12,500 entitlement originally used and the current maximum of \$36,000 to buy another home with VA financing. For certain loans in excess of \$144,000, the basic \$36,000 entitlement can be increased to a maximum guaranty equal to 25 percent of the Freddie Mac conforming loan limit for a single family residence. To illustrate, the maximum guaranty for 2005 would be \$89,912. This is 25 percent of the 2005 Freddie Mac conforming loan limit for a single-family residence of \$359,650. This means qualified veterans can obtain a no down payment loan of up to \$359,650. Under Freddie Mac's charter, maximum original loan amounts are 50 percent higher for first mortgages on properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands.

Most lenders require that a combination of the guaranty entitlement and any cash down payment must equal at least 25 percent of the reasonable value or sales price of the property, whichever is less. Thus, in the example, the veteran's \$23,500 remaining entitlement would probably meet a lender's minimum guaranty requirement for a no down payment loan to buy a property valued at and selling for \$94,000. The veteran could also combine a down payment with the remaining entitlement for a larger loan amount.

Restoration of Entitlement

Veterans can have previously used entitlement "restored" to purchase another home with a VA loan if:

- The property purchased with the prior VA loan has been sold and the loan paid in full, or
- A qualified veteran-transferee (buyer) agrees to assume the VA loan and substitute his or her entitlement for the same amount of entitlement originally used by the veteran seller. The entitlement may also be restored one time only if the veteran has repaid the prior VA loan in full but has not disposed of the property purchased with the prior VA loan. Remaining entitlement and restoration of entitlement can be requested through the nearest VA office by completing VA Form 26-1880.

HOW TO GET A VA LOAN

VA Appraisal

Because the loan amount may not exceed VA's estimate of the value of the property, the first step in getting a VA loan is usually to request an appraisal. Although anyone (buyer, seller, real estate personnel or lender) can request a VA appraisal, usually this is done by the lender via the Internet using TAS (The Appraisal System). The appraiser will send a bill for his or her services to the requester according to a fee schedule approved by VA. To simplify things, VA and HUD/FHA (Department of Housing and Urban Development/Federal Housing Administration) generally use the same appraisal forms.

It is important to recognize that while the VA appraisal estimates the value of the property, it is not an inspection and does not guarantee that the house is free of defects. Homebuyers should be encouraged to carefully inspect the property themselves, or to hire a reputable inspection firm to help in this area. VA guarantees the loan, not the condition of the property.

Application

The application process for VA financing is no different from any other type of loan. In fact the VA application form is the same as that used for HUD/FHA and conventional loans. The mortgage lender verifies the applicant's income and assets, and obtains a credit report to see that other obligations are being paid on time. If all is well and the appraised value of the property is enough to cover the loan needed, the lender, in most instances, can then close the loan under VA's automatic procedure. Only about 1 percent of VA loan applications have to be submitted to a VA office for approval before closing.

REQUIREMENTS FOR LOAN APPROVAL

To obtain a VA loan, the law requires that:

- The applicant must be an eligible veteran who has available entitlement.
- The loan must be for an eligible purpose.
- The veteran must occupy or intend to occupy the property as a home within a reasonable period of time after closing the loan.
- The veteran must be a satisfactory credit risk.
- The income of the veteran and spouse, if any, must be shown to be stable and sufficient to meet the mortgage payments, cover the costs of owning a home, take care of other obligations and expenses, and have enough left over for family support.

An experienced mortgage lender will be able to discuss specific income and other qualifying requirements.

COSTS OF OBTAINING A VA LOAN

Funding Fee

- A funding fee must be paid by all veterans, except those exempt due to receipt of disability compensation, using the VA home loan program.
- The funding fee can range from 0.5 percent for Interest Rate Reduction Refinancing Loans (IRRRL) to 3.3 percent for veterans who are subsequent users of the VA home loan program.
- For all VA loans, the funding fee may be paid in cash or included in the loan.
- For more information on the VA funding fee, contact the nearest VA office.

Other Closing Costs

Reasonable closing costs may be charged by the lender. These costs may not be included in the loan.

The following items may be paid by the veteran purchaser, the seller, or shared. Closing costs may vary among lenders and also throughout the nation because of differing local laws and customs.

- VA appraisal
- Credit report
- Loan origination fee (usually 1 percent of the loan)
- Discount points
- Title search and title insurance
- Recording fees
- State and/or local transfer taxes, if applicable
- Survey

No commissions, brokerage fees or "buyer broker" fees may be charged to the veteran buyer.

NEED MORE INFORMATION?

Veterans seeking more detailed information concerning the VA home loan program may request VA Pamphlet 26-4, VA-Guaranteed Home Loans for Veterans, or VA Pamphlet 26-6, To the Homebuying Veteran, from the nearest VA office. Loan Guaranty personnel at that office will also be pleased to answer specific questions and provide any other assistance they can.

Remember, VA-guaranteed financing is a benefit which Congress intended eligible veterans should have. If you are a veteran home buyer or know of one, it makes sense to look into the VA loan program as a good way to finance a home purchase.

To locate a VA facility, or to obtain more information on the VA Loan Guaranty program, visit www.va.gov and click on Facilities Locator.

Your local VA regional office may be reached by dialing 1-800-827-1000.

DD 1747

Some financial institutions will still require this form for a VA loan. At one time, this form related whether housing on base was voluntary or mandatory. The form has been revised and no longer includes that statement, but the financial institution's checklist for the VA loan has not changed.

Use the below to fulfill your institution's needs. Fill in the blanks for block 2 & 8 then submit.

STATUS OF HOUSING AVAILABILITY					
1. FROM: Family Housing Office a. Installation Name LITTLE ROCK AFB, AR			2. TO: Applicant's Name (Last, First, MI)		
b. Phone (DSN) (Commercial) 731-6429 (501) 987-6429			3. YOUR APPLICATION FOR MILITARY FAMILY HOUSING WILL BE EFFECTIVE (Day, Mo, Yr.		
4. YOU ARE ADVISED THAT: a. You can expect military family housing to be available					
(1) Immediately upon your arrival		<input checked="" type="checkbox"/>		(3) Within 12 months of your arrival	
(2) Within approximately 30 days of your arrival				(4) After 12 months or more, or not at all	
4b. Considering the availability of family housing you should make alternative housing arrangements that will be					(1) Temp
					(2) Semi-Perm
					(3) Permanent
c. Comments INDIVIDUAL IS NOT REQUIRED TO OCCUPY PRIVATIZED HOUSING AT LITTLE ROCK AFB					
5. HOUSING AVAILABILITY IN THE COMMUNITY IS:		<input checked="" type="checkbox"/>		Good	
				Fair	
				Limited	
6. YOU MUST CONTACT THE FAMILY HOUSING OFFICE (housing referral) UPON ARRIVAL BEFORE YOU MAKE HOUSING ARRANGEMENTS, AND TO BE INFORMED OF ANY CHANGES TO THE ABOVE.					
7. SIGNATURE (Family Housing Office Representative) JANICE DAVIS, Hsg Mgmt Assistant				8. DATE (Day, Month, Year)	

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Previous editions are obsolete.

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