The Veteran HomeBuyer Advantage

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OVERVIEW

The VA-Guaranteed Home Loan program was established by the original G.I. Bill (Servicemen's Readjustment Act of 1944), and it has given many Veterans, Service members, and their families the chance to realize their dream of homeownership and the ability to keep their homes in times of temporary financial hardship.

What is the "Guarantee" on VA Home Loans?

With the VA home loan guarantee, a lender (such as banks, credit unions, mortgage firms, etc.) is guaranteed compensation in the case of a loss brought on by a foreclosure. Your down payment is replaced by this guarantee.

Who can obtain a VA home loan?

The VA home loan guarantee program may be available to active-duty service members, veterans with discharges other than dishonorable, National Guard and Reserve service members, veterans with honorable discharges, some qualifying spouses, and other uniformed service members.

Does the VA Home Loan Guarantee include a fee?

Yeah, but you can avoid paying the fundraising cost (see list below). Congress established a program financing charge, which is a percentage of the overall loan amount, to maintain the program's viability. If the loan is a first-time use of the benefit or repeat usage (second, third, etc.) will affect the user charge. The funding fee can either be paid in cash at closing or added to the loan. The seller, lender, or any other entity may also pay the funding fee on your behalf.

The people listed below don't pay the VA funding fee:

- Veterans who receive VA benefits for a disability related to their service.
- Veterans get retirement pay or active service pay despite being entitled to VA compensation for a service-connected disability.
- Remaining wives of veterans who passed away while serving in the military or due to a disability incurred while serving.
- A service member who has received a proposed or memorandum rating from the VA indicating that they are qualified to receive compensation for a pre-discharge claim prior to loan closure.
- A service member who is currently on active duty and who submits documentation of their Purple Heart award on or before the loan closing date.

Is there a maximum loan amount that can be secured by the VA?

If one has a complete home loan benefit or full entitlement, there are no loan limits. You can benefit from VA-backing on a house loan regardless of the price of the home and without the requirement for a down payment if you are first-time home buyer or have sold your prior VA-backed home and paid off your loan in full. 1 Naturally, you must be able to buy the house, and it must appraise for at least the purchase amount; otherwise, a little down payment might be required.

Recall that lenders required borrowers to make a down payment for loans made before 2020 that were larger than the Freddie Mac conforming loan limit.

What if I still have a VA Home Loan when I wish to purchase a house?

Although you can obtain a mortgage of any size, you must either sell your old residence or be aware of the VA's guidelines for subsequent purchases and continuing entitlement. The county conforming loan limit for the VA loan guarantee will still apply to people who buy another house without selling their prior VA-guaranteed home. Any sum above the loan limit may require a down payment as a result.

You must be able to pay off all your VA loans simultaneously, and the new house must be your primary residence.

Why pick VA?

For veterans, the VA Home Loan is frequently the best mortgage option. Many advantages include:

- There is no deposit required if the sales price is equal to or less than the home's appraised worth (the value set for the home after an expert review of the property) View the section below on VA Appraisals.
- No loan cap with full eligibility VA will support loans regardless of location or property price if you can afford the loan.
- There is no requirement for private mortgage insurance (PMI) or mortgage insurance premiums; competitive terms and interest rates from private banks, mortgage lenders, or credit unions (MIP)
    - PMI is a sort of insurance that guards the lender if the borrower is unable to make mortgage payments. In cases where the down payment is less than 20% of the total mortgage amount, it is typically necessary for traditional loans.
    - The Federal Housing Administration (FHA) mandates that borrowers pay MIP to self-insure an FHA loan against potential loss.
    - By not having to pay PMI, a borrower can pay less each month for their mortgage.
- Access to VA loan professionals who may respond to inquiries via phone or mail
- Less closing expenses, which may be paid by the seller, lender, or any other party
- No penalty fee for paying off the loan early.

OUTLINE OF THE VA HOMEBUYING PROCESS

The process of purchasing a home might be frightening for first-time buyers. By arming you with the knowledge you'll need to make the decisions that are best for you, this book hopes to reduce some of your stress.

This manual is structured to provide a step-by-step explanation of the overall VA home buying procedure.

- Check your eligibility for a VA home loan (or determine if you satisfy the requirements for surviving spouse eligibility) before beginning your search for a property and learning the fundamentals of the process.
- Get your VA home loan Certificate of Eligibility (or have your lender do so):
- Learn about additional VA home loan possibilities.
- Compile the necessary paperwork to give to your lender.
- Discover the "VA Escape Clause" and the VA appraisal.
- Many things to be aware of following loan closing.

This document also contains the following sections:

- Financing Fees
- Reusing the VA loan
- Requirements for military service, exemptions, and discharges other than for meritorious service.
- Those surviving spouses who are qualified
- How to prevent a foreclosure

ELIGIBILITY

You might be qualified for the VA Home Loan benefit based on your military service. Based on your length of service or commitment, duty status, and character of service, only VA can establish your eligibility for a VA direct or VA-backed home loan benefit. Chapter 7 of the M26-1 Guaranteed Loan Processing Manual contains information on assessing eligibility, including how to calculate credible years of service.

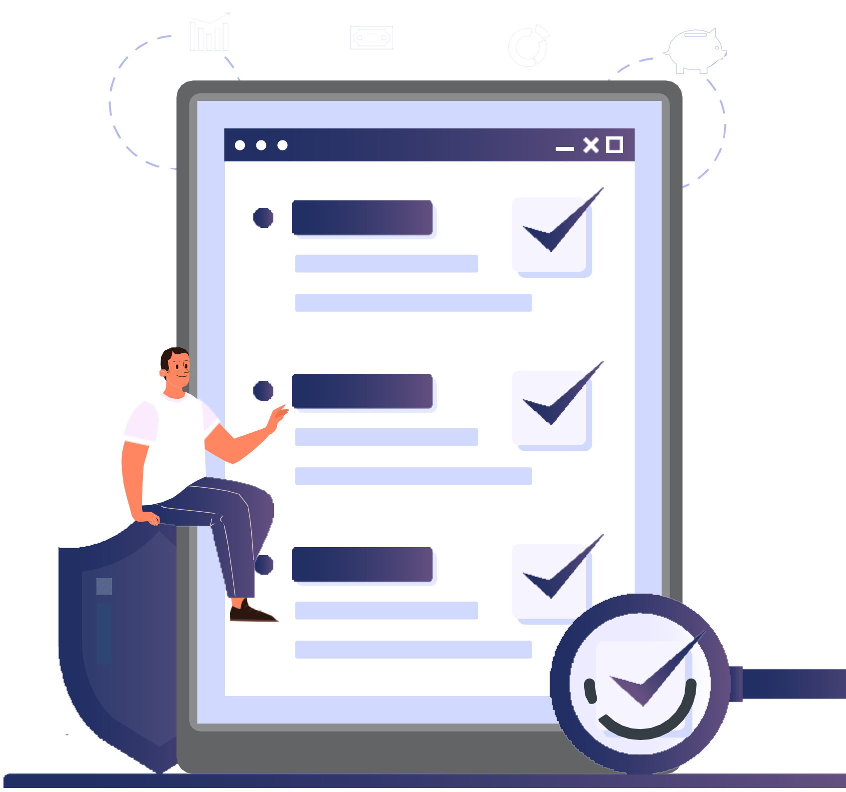
Borrowing Requirements for Lenders

To be approved for a loan, you must meet your lender's minimum or standards of credit, income, and any other requirements. Although VA does not require a minimum credit score, most lenders will use one to help determine your interest rate and reduce risk. Lenders typically require borrowers to have a minimum credit score.

Because different lenders have different requirements, you should shop around for a lender who meets your financial and home buying needs.

Borrowing Requirements for Veterans

VA does not determine how much you can borrow. Unlike other loans, however, the VA requires you to have enough income after paying your mortgage and other financial obligations. This helps to ensure that you can afford homeownership and reduces the risk of loan default.



You must also:

1. **Live in the home being purchased with the loan**

2. **Meet ONE of the following requirements:**

Active-Duty Service member:

A person who is currently on active duty and has served for at least 90 days in a row.

Active duty includes members of the Active Guard Reserve (AGR) who have been activated under Title 10 U.S.C.

Veteran: Between August 2, 1990, and the present (Gulf War era), veterans must have served:

- Twenty-four (24) continuous months, or
- A full period (at least 90 days) for which you were called or ordered to active duty, or
- At least 90 days if discharged for a hardship, a reduction in force, or the convenience of the government, or
- Less than 90 days (if discharged for a service-connected disability)

It should be noted that this includes Reserve and National Guard members who have been called to active duty for at least 90 days. Active duty does not include training

NATIONAL GUARD ON ACTIVE SERVICE:

- At least 90 days of non-training active-duty service (shown on DD214 for the activation or any other documents to support the activation), **OR**
- At least 90 days of active service, including at least 30 consecutive days (shown on your DD214, annual point statements, DD220 with accompanying orders, or any other documents to support the activation) RESERVE on Active duty:
- A minimum of 90 days of non-training active-duty service (shown on DD214 or any other documents to support the activation)

Reserve / National Guard Service Member:

This includes those currently serving in the Selected Reserve or National Guard who are not otherwise eligible (e.g., with prior active duty or Title 10 or Title 32 service listed under the 'Veteran' section above) (member of an active unit, attending required weekend drills, and two-week active duty for training). You must have completed six credible years and ONE of the following:

- Maintain service in the Selected Reserve.
- Active Guard Reserve service (AGR).
- Put on the retired list.
- Transferred to the Standby Reserve or another element of the Ready Reserve other than the Selected Reserve after honorable service.

Individual Mobilization Augmentee (IMA) Service members and AGR Service members (on Title 32 U.S.C. orders) must meet the 6-year requirement. Inactive Ready Reserve (IRR) service does not count toward the 6-year requirement.

Reserve / National Guard Veteran:

If you are not otherwise eligible (see 'Veteran' section above), you must have completed a total of six credible years in the Selected Reserve or National Guard (member of an active unit, attended required weekend drills, and two weeks active duty for training) and ONE of the following:

- Discharged with an honorable discharge, or
- Placed on the retired list, or
- Transferred to the Standby Reserve or an element of the Ready Reserve other than

Please keep in mind that Inactive Ready Reserve (IRR) service does not count toward the 6-year requirement. Individuals who served for less than six years and were discharged for a service-connected disability may be eligible. See the Other Than Honorable, Bad Conduct, or Dishonorable discharges section of Appendix A for discharge status that is not honorable.

Eligible Spouses:

A Veteran's spouse may apply for home loan eligibility if they

1. **Are eligible for, or are receiving, a qualifying Dependency and Indemnity Compensation (DIC) benefit award, and**
2. **Meet ONE of the following conditions:**

- Unremarried surviving spouse of a Veteran who died while serving in the military (active, reserve, or national guard) or from a service-connected disability, or
- A surviving spouse who is not remarried and whose death may not have been related to their handicap.
- Surviving spouse who marries again after turning 57 or after December 16, 2003; or
- For the duration that a service member is listed as missing in action (MIA) or as a prisoner of war (POW) for more than 90 days, the spouse of such service member (this is one-time use only)

Additional qualified borrowers include:

- A citizen of the United States who participated in World War II military service for a nation that was an ally of the United States.
- Served as a member in certain organizations, such as:
  - Cadet in the United States Military Academy, Air Force Academy, or Coast Guard Academy
  - Public Health Service Commissioned Officers
  - National Oceanic and Atmospheric Administration officer (NOAA)
  - United States Naval Academy midshipman
  - Merchant mariner during WWII

BEFORE BORROWING

You should consider the costs and benefits of homeownership before purchasing a home. While renting a home can provide flexibility and limited maintenance responsibilities, rent can change. over time, the owner can sell the property, and you may or may not receive your security deposit when you move. Long-term benefits of homeownership include stable monthly mortgage payments and a way to build wealth for you and your family.

Before purchasing a home, the VA strongly advises you to determine your priorities, such as how much you are willing to spend each month on a mortgage and what other expenses (car, childcare, etc.) you will have to consider. Only you know what will meet your housing and financial needs.

When you are ready to buy a home or refinance your loan, VA will be there to help you every step of the way.

Starting the VA Loan Process

The general steps for starting the home buying process are outlined below:

OBTAIN YOUR VA HOME LOAN CERTIFICATE OF ELIGIBILITY (COE)

The COE confirms to your lender that you are eligible for the VA home loan benefit. If you have previously used your loan benefit, a current COE may be useful to determine how much entitlement you still have or to ensure that your entitlement was restored for previous VA-backed loans that were paid in full.

EXAMINE YOUR CURRENT FINANCIAL SITUATION

Examine your credit history, income, expenses, and monthly budget to ensure you're prepared to buy a home. Determine how much you want to spend on a mortgage—and remember to factor in closing costs. The Consumer Financial Protection Bureau has more information.

SELECT A LENDER

You can obtain your loan from a private bank, mortgage company, or credit union. Loan interest rates and fees vary by lender, so shop around for the loan that best meets your needs.

SELECT A REAL ESTATE AGENT

You can obtain your loan from a private bank, mortgage company, or credit union. Loan interest rates and fees vary by lender, so shop around for the loan that best meets your needs.

LOOK FOR A HOUSE

in your price range until you find one that works for you.

Some useful hints:

› **Understand your lender's credit requirements.**

The VA does not require a minimum credit score, most lenders will use one to help determine your interest rate.

› **Understand your credit history.**

The Consumer Financial Protection Bureau (CFPB) advises borrowers to obtain a free copy of their credit report from one of the three nationwide credit reporting companies. This also provides an opportunity to correct errors and improve your scores.

› **Shop around for a lender**

On VA-backed purchase loans, lenders offer competitive interest rates, fees, and closing costs. You can begin by looking for a network of people and information that you can rely on to guide you through the process. You can begin gathering information about your finances so that you have it at your fingertips.

› **Loan term**

VA loans are available for 30 or 15 years. Short-term loans have lower interest rates and total costs, but they also have higher monthly payments.

› Please keep in mind that you can pay off (amortize) your VA home loan with NO penalty or early payoff fee.

- **Fixed or adjustable-rate mortgage**

  VA loans can be fixed or adjustable-rate mortgages (ARM)

- **Mortgage with a fixed interest rate**

  (the most common VA loan option) This mortgage option has a fixed principal and interest payment for the life of the loan, regardless of how interest rates change nationally. Your monthly mortgage payment may increase slightly each year due to changes in local property taxes and insurance.

- **ARM**

  This is a loan in which the interest rate is adjusted on a regular basis based on an index. These loans may have a low introductory rate, but the rate, and thus your monthly mortgage payment, can rise over time.

- **Energy and improvements**

  VA provides two loan options that can be combined with a VA purchase or refinance loan. These loans, along with your VA loan, must be closed.

- **Buying a condo**

  The VA keeps a list of approved condos. If the condo is not on the list, the project must be submitted to VA for review to ensure that it meets VA standards.

- **Selling your current home to purchase another**

  In general, you can have multiple home loans if you can afford them all. If you intend to sell your current home before buying a new one, your lender may disregard payments on your outstanding mortgage(s) and any consumer obligations that you intend to clear. Just make sure to consult with your lender about any necessary documentation.

- **Adverse credit items**

  In non-bankruptcy situations, satisfactory credit is generally considered to be re-established after you have made satisfactory payments for 12 months after the last derogatory credit item was satisfied.

MORTGAGE COSTS IN GENERAL

Purchasing a home necessitates both one-time and ongoing expenses. The VA policy allows sellers, lenders, or any other party to pay loan fees and charges on the borrower's behalf.

Although some additional costs vary by location, closing costs typically include a VA appraisal, credit report, survey, title evidence, recording fees, a 1% loan origination fee, and discount points. Except for VA refinancing loans, closing costs and origination fees may not be included in the loan.

VA requires you to have enough cash assets to cover the following:

- Closing costs, pre-paid costs, or discount points that are the responsibility of the borrower and are not financed into the loan
- If the sales price exceeds the reasonable value established by VA, the difference between the sales price and the loan amount (i.e., negative equity)

Note:

VA does not require you to have extra cash to cover a certain number of mortgage payments, unplanned expenses, or other contingencies on the home, or to refinance a home. However, you should save money for unforeseen circumstances or large purchases, such as replacing appliances, replacing a roof, or repainting walls.

Can I include fees in my loan?

If applicable, the VA funding fee can be rolled into the purchase loan. For purchase or construction loans, no other fees and charges or discount points may be included in the loan amount. Only refinancing loans are permitted to include other allowable fees and charges, as well as discount points, in the loan amount.

The following are some expenses to consider when determining your financial plans for purchasing and maintaining a home.

One-Time Costs

There are many costs and options to think about when buying a house. While some are optional, others may be useful to you as you decide whether to invest in a property. Some are mandated by the VA or the lender. This is not a comprehensive list.

- **VA Funding Fee -** This is the charge for using the VA mortgage program. It's possible that some borrowers will not have to pay the cost.
- **Evaluation -** (Mandatory) Loans for purchases and cash-out refinances both require an evaluation. A VA-approved appraiser will establish the home's fair market value. The amount of your debt the VA will guarantee can then be decided, if not entirely. The notice of value (NOV) produced by the appraisal gives thorough details about the house and can enable you to determine whether it satisfies fundamental property standards. The Notice-of-Value (NOV) can also assist you in deciding whether to proceed with the purchase or to haggle over the price or other terms of the deal.
- **Closing expenses** (Mandatory) Taxes, transfer fees, origination fees, and other usual expenses are among the costs that must be paid at closing, but they are not the only ones. Any party, including the buyer, the lender, and others, may pay fees and costs on your behalf. If the seller makes any concessions that do not total more than 4% of the sale, you can discuss dividing these expenses with them.
- **The down payment** - (Optional) This one-time payment, if you decide to make one, can assist bring down both your monthly payment and the total amount of your loan balance.

Note: If you are not already exempt, you can pay a lesser VA financing fee if your down payment is at least 5%.

- **Discount Points -** (Optional) While most lenders provide VA Home Loan applicants with affordable rates, borrowers have the option to pay discount points to receive an even lower interest rate. Discount points (or other fees and levies) might be paid by the seller, lender, or any other entity on your behalf.

- **Earnest Money Deposit -** This is a down payment in cash to reserve the house you are bidding on. It demonstrates your commitment to buying that house.

- **Property Inspection -** (Optional) VA strongly advises that you hire a third party to perform a comprehensive inspection of the house. In addition to the appraisal, this. An inspection is not replaced by your appraisal. You don't want to be caught off guard by anything that will end up costing you money to fix or replace later.

- **Title Insurance for Lenders -** (Optional) To protect themselves from judicial claims against the property, most lenders want title insurance.

- **Title Insurance for Owners -** (Optional) Owner's title insurance can be purchased for a one-time charge; however it is strongly advised. If someone had a claim against the property before you bought it, such as unpaid home repairs at the time the seller sold the property, this could protect you.

REPEATING CHARGES

You must consider all associated costs of home ownership in addition to the price of your new house. Although not an extensive list,

- **Mortgage payment:** This outlay each month covers your expected property taxes, homeowner's insurance, and the loan's interest.
- **Homeowner's insurance:** All mortgages must include this. You should browse around to obtain insurance that can cover your home and any personal property you have there, such as clothing and other objects.
- **Utilities and Maintenance:** This could involve things like gas, electricity, and water. The cost of maintenance may include routine maintenance, or replacement of appliances such as water heaters, washing machines, refrigerators, and ovens.
- **Homeowner's or condominium association dues:** These costs, if applicable, go toward maintaining the property and other services offered by the association, such as grounds maintenance, swimming pools, and security.

USING A VA-GUARANTEED LOAN TO PURCHASE A PROPERTY

Home purchases involve a procedure. It involves a combination of completing paperwork, confirming financial capability, and balancing the needs of the buyer and selling. Obtaining a home loan with VA backing is simply one aspect of the puzzle. The following are some standard actions to take when buying a house:

For loans with VA guarantees, lenders provide reasonable interest rates. This can assist borrowers in purchasing a home, particularly if they don't want to put down a deposit. If you satisfy all of the following criteria, you might be eligible for a VA-guaranteed purchase loan:

1. **Be eligible for a Certificate of Eligibility (COE) for a VA-guaranteed home loan,**
2. **Satisfy VA and your lender's standards for credit, income, and any other requirements, and**
3. **Be planning to reside in the property you're purchasing with the loan.**

If qualified, you can use a VA-guaranteed purchase loan to:

- Purchase a single-family home, townhouse, or multi-family with up to 4 units;
- Purchase a condo in a VA-approved project;

If you are qualified for a VA-guaranteed purchase loan, you can use the money to:

- Purchase a single-family house, townhouse, or multi-family building with up to four units;
- Purchase a condo in a VA-approved development;
- Purchase a house and make improvements to it;
- Purchase a manufactured home and lot;
- Construct a new house;
- Make adjustments or add new features to make the house more energy-efficient.

Also possible

- Use a VA loan benefit again if you sell or refinance a house you bought with a loan backed by the VA;
- Assuming a VA-backed mortgage, in which case the buyer assumes the seller's existing loan rather than applying for a new one.

Note: The VA keeps a registry of condos that are approved for purchase. The project must be submitted to VA for evaluation to make sure it conforms with VA criteria if the condo is not on the list.

MORE ALTERNATIVES FOR VA LOANS

You can use a few more lending choices in addition to your VA home loan when buying or refinancing a property. When you buy the house, you might choose to make energy-saving or other renovations. But, you must close these loan alternatives concurrently with your VA home loan. Hence, when you locate the solution that works best for your circumstances, make sure to haggle with your lender before closing your VA home loan.

Energy Efficient Mortgage (EEM)

EEMs are loans used to pay for home upgrades that increase energy efficiency. VA permits you to include renovations worth up to $6,000 in your loan. Although this can slightly raise your monthly payment, the expense is typically offset over time by a decrease in utility expenditures.

For a home energy audit to uncover suggested energy efficiency upgrades, you might want to get in touch with a trained individual or company. In some locations, the utility provider might do this task.

Improvements in energy efficiency could consist of, but not be limited to:

- Systems for solar heating and cooling
- Weather stripping and caulk
- Changes to furnace efficiency
- Thermostats on clocks
- More or new insulation
- Storm doors and windows
- Warmth pumps
- Further energy-related improvements could be taken into account

Note: An EEM is not a unique VA home loan program, it should be noted. Only a VA purchase loan or an interest rate reduction refinance loan (IRRRL) secured by the home may be used in combination with an EEM. Also, it needs to be closed at the same time as the VA loan.

Find a lender ready and able to offer this form of financing if you're interested in making energy upgrades. Some lenders might not have prior knowledge of EEMs.

It's crucial that you consult your lender early on in the loan application process to figure out the cost of improvements, the increase in monthly mortgage payment, and any funding fee.

Efficiency enhancements must typically be finished either before or within six months of loan closure. After the loan closes, your lender will establish an escrow to cover any upgrades.

Remember that you are not needed to change. If you determine that renovations do not satisfy your personal, monetary, or housing needs even after the loan has closed, you can get in touch with your lender to cancel the EEM.

Alteration and Repair loan

VA recognizes that the aging housing stock in the United States has contributed to an increase in demand for loan modifications and repairs. The VA home loan can be used to purchase or (cash-out) refinance homes that require modification and/or repair.

A loan for alteration and repair can be guaranteed by the VA:

> Made in conjunction with a property purchase loan, OR

> Cash-out refinance of a home you already own and live in

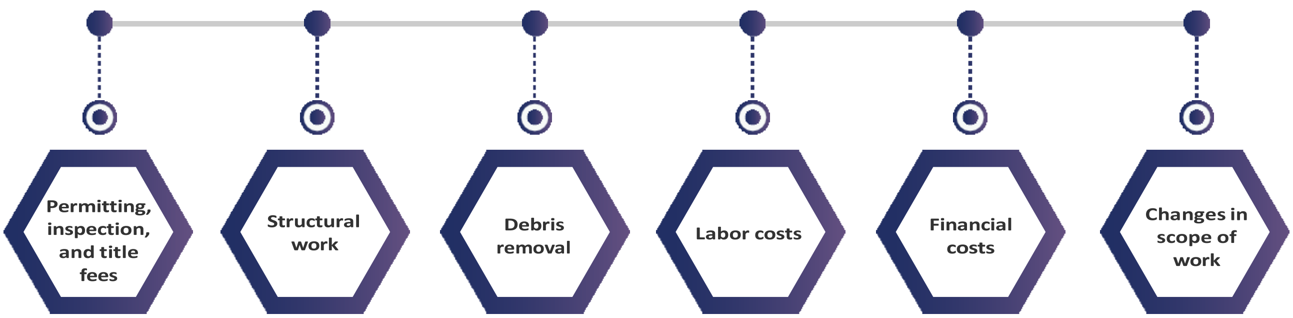
Note: For purchase loans, the VA will guarantee the lower of the acquisition cost OR the as-completed value determined by the VA appraiser. You can use the as-completed value in the transaction for refinance loans.

VA allows improvements to be included in the loan value and completed after the loan is closed. During the alteration/repair period, loan proceeds are paid to the builder and/or contractor. Before making any payments to the builder and/or contractor, the lender must obtain your written approval.

You can customize a home to your desire, but the alterations and repairs must be similar to those found on comparable property in the community. They must also bring the property up to the VA's minimum property requirements.

Roof, foundation, floors, plumbing, electrical, and HVAC system are some of the most common alterations and repairs.

For recommended upgrades, you may want to seek the advice of an inspector or structural engineer. Furthermore, VA strongly advises you to first consider the total cost of renovating a home, including anticipated and unanticipated costs (which can rise as new issues are discovered) and may include:



Please keep in mind that not all lenders are able or willing to close alteration and repair loans. Furthermore, few lenders have experience with these loan types. Make sure to shop around for a lender who can meet your personal, financial, and housing requirements.

Add the following to the contract sales price to determine the acquisition costs for a purchase: contract sales price, total cost of alterations and repairs, contingency reserve (if any, up to 15% of the repair cost), inspection fees, title update fees, and permits.

Do I have to put money up?

A contingency reserve is not required, but your lender may consider one if the project warrants it. The maximum contingency reserve is 15% of the cost of the alteration or repair.

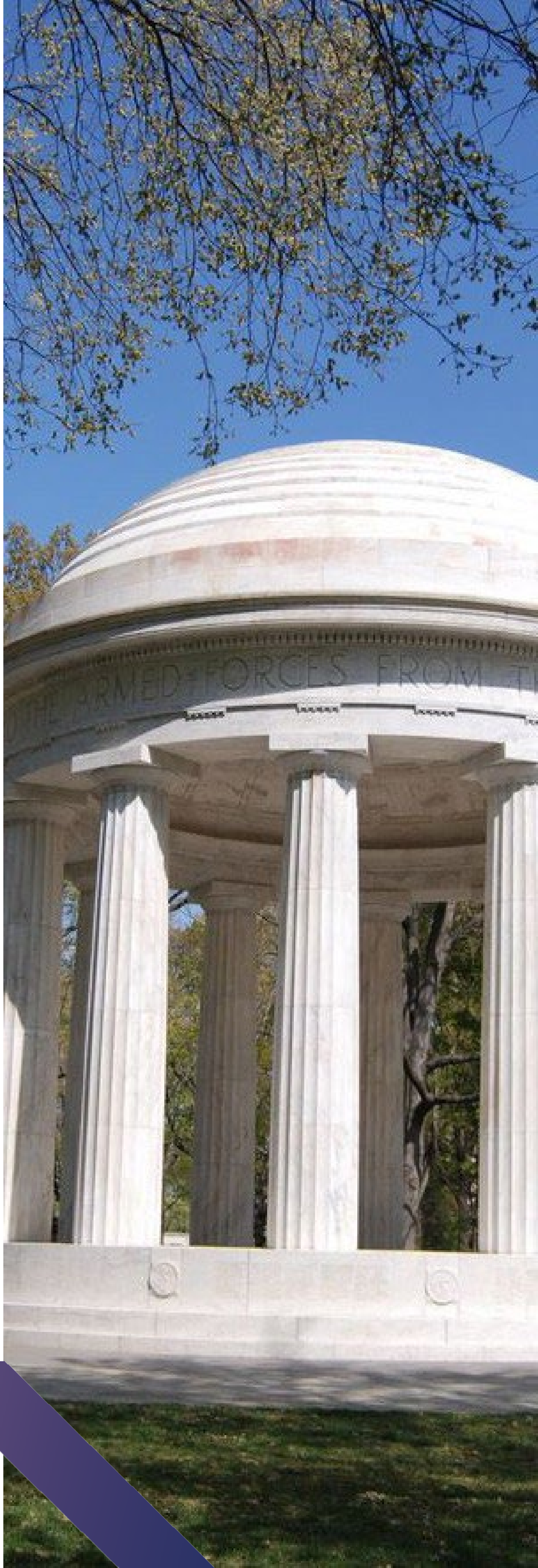
- Any unused contingency reserve funds for purchases are applied to the principal balance, unless paid in cash at closing. If you paid in cash, you can get it back.
- Any unused contingency reserve funds in refinances may be returned to you or applied to the principal balance at your discretion.

Can I pick my own builder or contractor?

Yes, you have the option of selecting your own builder or contractor. They must, however, register with VA in order to obtain a VA builder identification number. Your lender may have additional requirements, such as ensuring that the builder or contractor is properly licensed, bonded, and insured under state and local laws.

What if I change my mind about upgrades while construction is underway?

You may pay for change orders and upgrades out of pocket. Any subsequent change order or upgrade cannot be mortgaged into the new loan unless the appraisal is updated. To avoid value loss, change orders must be approved in advance by the appraiser. If an appraisal needs to be updated, it is your lender's responsibility to contact the appraiser with the documented change order (s). If change orders are requested, you may be charged an additional appraisal fee. This additional appraisal fee could be paid from available contingency reserve funds.



LOAN FOR CONSTRUCTION

The VA home loan can be used to build a new home. You can use the construction loan to build a home on land you already own or intend to purchase as part of the loan.

Construction loans do not include newly developed properties where the builder uses their own funds for construction. The VA loan can still be used to purchase the property from the builder.

You must locate a participating VA lender who offers construction loan options. Because interest rates differ from lender to lender, VA strongly advises you to shop around for the best rate and terms available for your mortgage needs. You can complete the building and lending process, including closing the loan and paying all applicable fees, once you've decided on a participating lender.

It should be noted that not all lenders are willing or able to provide construction loans. These loans and projects have inherently uncertain elements that necessitate a more thorough examination than traditional purchase loans. Find a lender who has specialized experience in originating, processing, underwriting (you, project, and builder), closing, servicing, and administering such loans.

Construction timelines are typically established as part of the contract. Your lender is in charge of all aspects of project management and may impose restrictions. The VA will not issue a Certificate of Guaranty to the lender until the project is completed.

Construction loans are closed prior to the start of construction, with proceeds disbursed to cover the cost of construction, the cost of the land, or the balance owed on the land, with the remaining balance held in escrow, also known as a Loan in Process (LIP) account or a Draw account.

During construction, the escrowed funds are distributed to the builder. Before each disbursement, or draw payment, is made to the builder, your lender must obtain your written approval.

You are not required to make mortgage payments until the construction is completed. The first payment on the principal can be delayed for up to a year. For instance, if you have a 30-year mortgage and construction takes six months, you must repay your loan in 29 years and six months. You can negotiate with your lender to avoid a balloon payment at the end of your loan.

Furthermore, the builder is responsible for all interest payments and fees normally paid by builders with interim construction loans, such as inspection fees, title updates, title update fees, hazard insurance, and property taxes, during construction.

There are two types of construction to permanent loans:

Construction loan with a one-time close (or single close) – This loan is used to close both the construction loan and the permanent financing at the same time. Permanent financing is established prior to construction, and the final terms are changed to permanent terms at the end of construction.

General Procedure:

Verify your eligibility and entitlement with your lender.

Your lender orders an appraisal "based on Plans and Specs" if the appraisal can be completed before the foundation is completed.

(Note: For projects that are further along than the foundation, the appraisal must wait until construction is completed.)

VA sends you and your lender a Notice of Value (NOV).

Your loan is completed.

You must pay the funding fee within 15 days unless you are exempt.

The builder completes the project.

The final inspection, or CO, marks the end of the project.

Your loan is modified by your lender.

Two-time close construction loan- This loan typically consists of an initial loan closing prior to the start of construction, followed by a second closing in which permanent financing is used to pay off or replace the initial loan.

General Procedure:

Verify your eligibility and entitlement with your lender.

Your lender orders an appraisal "based on Plans and Specs" if the appraisal can be completed before the foundation is completed.

(Note: For projects that are further along than the foundation, the appraisal must wait until construction is completed.)

VA sends you and your lender a Notice of Value (NOV).

Your lender uses non-VA financing to close the initial loan.

The builder completes the project.

Re-qualify the borrower(s).

If necessary, order the appraisal.

If necessary, issue the NOV.

Your loan is completed.

You must pay the funding fee within 15 days unless you are exempt.

Can my builder finance the project?

Absolutely, the builder has the option to finance the project on his or her own.

When must I make the VA funding fee payment?

The VA financing fee is due at loan closing prior to the commencement of construction, unless you are excused from paying it. Within 15 days of the loan's closing, your lender must pay the VA the associated charge. Payment is not contingent on the beginning or end of construction.

What determines my interest rate?

Your lender might provide a "ceiling-floor" with a "floating" interest rate while the project is being built. The contract must state that upon lock-in, the permanent interest rate won't be higher than a particular maximum interest rate while yet permitting you to lock-in at a lesser rate based on market changes. Lenders charge different interest rates. VA strongly advises all borrowers looking to obtain a loan and purchase a home to shop around with various lenders to make sure they get the best mortgage terms available to them. The rates available to Service member or Veteran borrowers will vary depending on specific lender criteria for approving the loan and what the bank or non-bank lender offers. Note: To be eligible for the mortgage at the maximum rate.

FARM HOUSING LOAN

A farm residence that you intend to live in may be purchased, built, repaired, altered, or improved using a VA home loan benefit. On land you currently own, you can also use the loan to build a farm house.

VA-guaranteed loans are not eligible for:

Farmland with a non-residential worth greater than the home site, OR A barn, silo, or other outbuilding required for farming, OR Farm machinery or livestock.

Note: You may only utilize a portion of the loan to pay off liens on land you own when building a farm residence if the land's fair value is at least equal to the lien's amount (s).

On the farm you acquire, you can launch a business, but bear in mind that the VA loan benefit is intended to assist you in purchasing a home, not a business. The farmland's residential part may be bought with a VA loan. For the non-residential section of the land, as well as any structures or machinery used in farming operations, you would need to obtain a separate loan.

Your lender will need to assess your skill and experience as a farm operator if you intend to use the money from your agricultural operations to help pay back your loan.

Your lender will require the following from beginning farmers:

› Your suggested strategy for farm operations, which should include the number of acres allotted to each crop, the quantity of livestock, etc., in order to project your prospective earnings and costs.

› A declaration that you already own or will buy the farm machinery needed to run the farm. Your statement should include any pertinent information on payback terms, etc. if you will incur additional debt to purchase this equipment.

› A local farm appraiser selected by VA or another qualified individual's estimate of farm revenue and costs, or the estimate utilized by a lender granting you an operating line of credit. Your ability and expertise, as well as the kind and condition of the farm, including the livestock and livestock products, should all be taken into consideration when determining the estimate. The estimate of costs must include information on labor, seed, fertilizer, taxes, insurance, repairs, machinery, gasoline, and other costs.

› A copy of the lender's commitment for an operating line of credit, or proof of the assets to be utilized to pay operational costs.

For seasoned farmers who intend to continue running the same farm:

› If you fund operations using an operating line of credit, you must present documentation of all advances made, payments made, and carryover balances on the operating line of credit for the last three years, at the very least.

ASSUMPTION OF LOAN

The VA home loan has the benefit of being assumable. This implies that, provided they are eligible, anyone can assume—or take over—payment on a VA house loan. It is a special feature that offers you the chance to buy a house at a predetermined interest rate or, in an emergency, prevent foreclosure.

It's possible that you won't be able to repay your loan, or that you won't be able to sell a house in your neighborhood. In any case, this VA home loan option is there to meet your wants.

Why would you find this advantageous?

- Assuming a low interest rate VA mortgage could increase the home's appeal to buyers when rates rise, the funding charge (unless exempt) is just 0.5%
- In the event that another Veteran has enough entitlement to cover your loan, they may accept it in place of yours in order to allow VA to restore your entitlement.
- Your loan can be assumed by anyone, even a non-veteran, but in that event, your entitlement is still attached to the loan.
- Any home equity remains tied to the loan, but you can work with the buyer to cash out all or portion of it as part of the transaction.

Assuming a VA mortgage requires servicer and, in some cases, VA approval. To get assumption permission, make sure to cooperate with your servicer. To make sure the assumer is a good risk and won't default on the loan, they typically run an income and credit check.

Take note: You should be very picky about who assumes your VA home loan. If an assumed loan defaults, it will count against the original veteran's entitlement and may affect your chances of obtaining another VA loan.

If another eligible borrower replaces their VA entitlement, the following forms must be completed:

- For the assumer, either a COE or a fully completed VA Form 26-1880 (Request for a Certificate of Eligibility). The assumer must have sufficient entitlement to replace the original Veteran.
- A completed and signed VA Form 26-8106 (Statement of Veteran Assuming GI Loan). The assumer must certify that the loan-securing property will be occupied as their primary residence.

You cannot use your entitlement amount on a new loan if VA uses it to pay a claim on a defaulted loan, even if that loan has been assumed by someone else. Before your entitlement is restored, you must repay the claim amount to VA. However, you or the person who assumed your loan can pay it back.

DOCUMENTS REQUIRED FOR A LOAN

There are many forms to fill out when you apply for a mortgage, as anyone who has a mortgage will attest to. To help your lender evaluate the amount and conditions of your loan, you must first complete out paperwork and provide copies of your financial records.

Documents needed by the lender

Lenders will ask for documentation to estimate the loan amount, interest rate, and any other conditions needed to approve the loan. These records comprise, but are not restricted to:

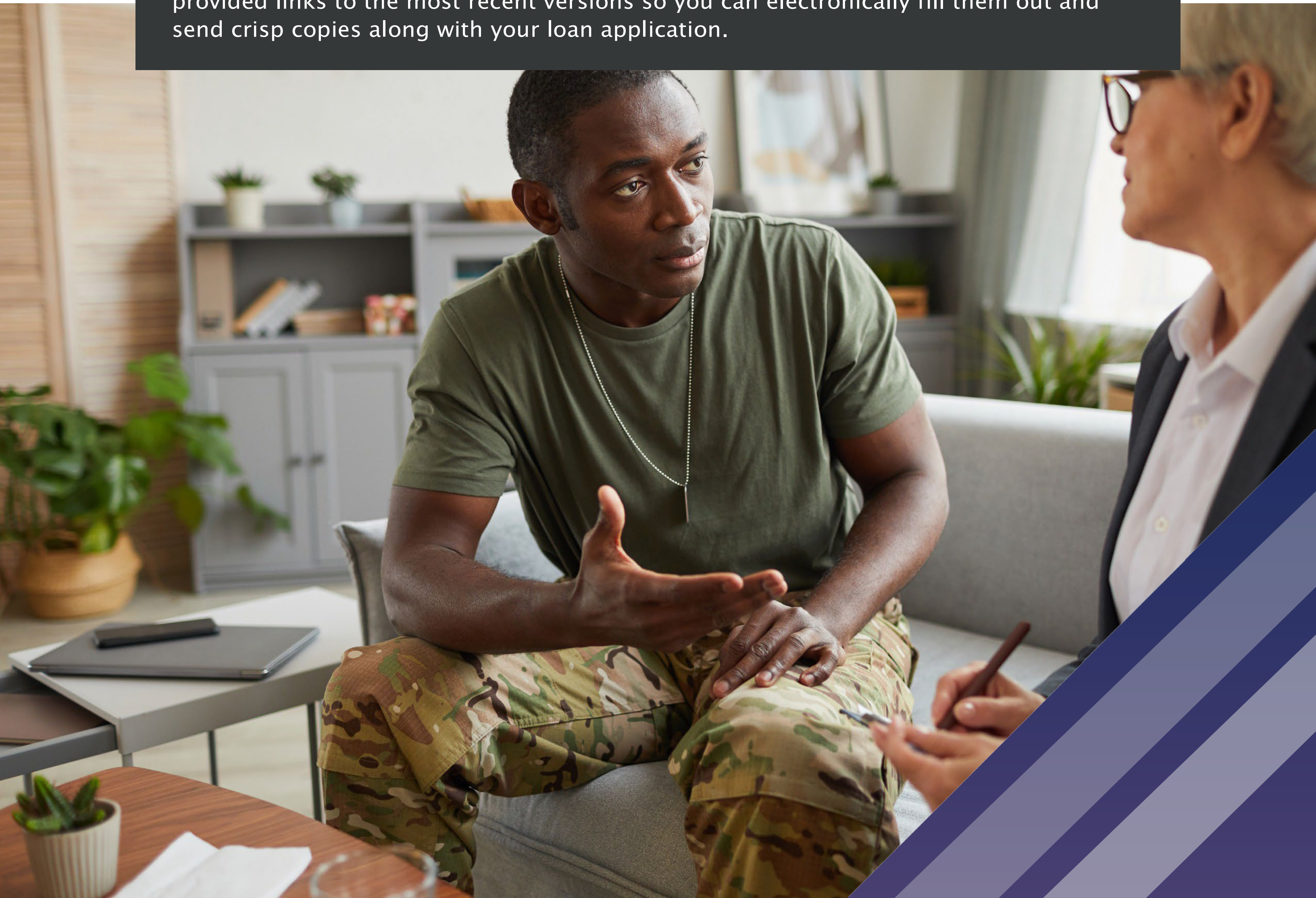
- The VA Form 26-1880 or your Certificate of Eligibility (COE) (Request for a Certificate of Eligibility)
- A Freddie Mac Form 65 or a Fannie Mae Form 1003 is required for all home loans under the Uniform Residential Loan Application (URLA).
- Sixth credit report
- Income documentation (2 years of employment minimum):
  - Paystubs, including LESs for jobs with the military
  - W-2 statements or tax returns
  - Bank records
  - Evidence of additional income, such as from investments, rental properties, etc.:
- Evidence of overdue debts
  - Includes credit card debt, debt for a car, child support, alimony, and other obligations.
  - Your lender may use this information to assess if your capacity to make monthly mortgage payments may be impacted by your other debts.
- Paperwork for homeowner’s or condominium associations, if applicable
- (If applicable) A gift letter for money given as a gift by someone unconnected to the transaction

VA-Required Documents

Your eligibility for a VA-guaranteed loan and whether you are exempt from paying the VA funding fee because of a rating for a service-connected disability will be confirmed by the VA when you request a certificate of eligibility (COE) for a VA home loan. These forms will probably be given to you by your lender, but you can also download and complete them electronically on your own. The following forms must be completed and sent with your loan application to your lender:

- The VA Form 26-1880 or your COE.
- If not stated on the COE, a letter confirming a VA service-connected disability award (to verify funding fee exemption)
- Condo application (*if requesting a condo)

Note: Even though your lender might offer paper copies of these forms, we've provided links to the most recent versions so you can electronically fill them out and send crisp copies along with your loan application.



VA ESCAPE CLAUSE”

Your real estate agent can assist you in developing an offer, drafting the sale contract, and negotiating the price of the home you found. Remember to include a clause (referred to as the “Escape Clause”) in your real estate sales contract that allows you to avoid paying a penalty by keeping your Earnest Money or to void the contract if the purchase price or cost exceeds the property’s reasonable market value as determined by the Department of Veteran Affairs.

For all VA guaranteed loans, the Escape Clause must be included in the sales contract. Prior to closing, it is your lender’s responsibility to make sure the clause is included in the sales contract. When a provision is absent from a sales contract, VA may not guarantee the loan.

VA Escape Clause:

“It is expressly acknowledged that if the contract purchase price or cost exceeds the reasonable value of the property determined by the Department of Veterans Affairs, the purchaser shall not be subject to any penalty by forfeiture of earnest money or otherwise be required to complete the purchase of the property described herein. However, the purchaser shall have the right and choice to carry out the terms of this agreement regardless of the amount of the Department of Veterans Affairs determined reasonable value (38 U.S.C. 501, 3703(c)(1)).”

This clause states that you have the option not to purchase a home if the Notice of Value (NOV) from the appraisal is less than the sales contract price. If the property does not appraise, you must bring cash to closing to cover the difference between the appraisal and sales price (if unable to renegotiate with the seller). If you don’t have enough remaining entitlement, you can make a down payment on the portion of the loan that exceeds your entitlement. If the appraised value is less than the sales price (after Reconsideration of Value (ROV) and renegotiation), the only option is to bring cash to closing.

Another thing to think about is an appraised value contingency and a satisfactory home inspection contingency. Your real estate agent can tell you if these or other contingencies are common in your market.

VA APPRAISAL

Your lender (not you) will ask a VA-approved appraiser to provide an appraisal of the home's value once you and the seller have signed a purchase agreement. An appraisal is necessary for all VA buy and cash-out refinance loans, and you must pay for it now.

The appraisal offers an appraiser's assessment of the home's value and if it satisfies the VA's minimal property standards. Also, it gives you and your lender the reassurance that the property's worth is established by actual market data and not just the seller's whim. It could make you feel more assured that the house you wish to buy is worthwhile financially.

A house inspection is not an appraisal. To thoroughly check the house for flaws and any maintenance issues, you might think about hiring a certified home inspector.

Upon completion of the appraisal, you will be sent a notification of value (NOV). The NOV includes information about the estimated worth of the house, a list of nearby sales that are comparable, a floor plan, pictures, and a list of things that need to be fixed to meet the VA's minimal property criteria.

After you submit your loan application, your lender will promptly request the appraisal. To prevent any potential process delays, lenders should seek the appraisal as early as possible in the loan procedure.

The VA fee panel's appraisers are NOT employed by the VA, your lender, or your real estate agent. They are qualified appraisers and valuers in your area who are licensed professionals with at least five years of expertise.

What if my appraisal comes in lower than the purchase price?

If the appraised value is insufficient to cover the loan, you have several options for continuing with the purchase:

- **Request a Reconsideration of Value (ROV) -** If you believe the appraised value is too low, ask your lender or real estate agent to provide valid sales data to back up your claim. The appraisal report, the additional data that was provided, and market data available in the VA Appraisal Management Service will be reviewed by VA staff.
- **Renegotiate the sale price -** The seller may be willing to accept a lower sale price equal to or less than the appraised value. Other sales concessions can also be made by the seller.
- **Bring cash to the closing -** If the ROV does not produce a higher value and the seller refuses to negotiate a lower sale price, you may be able to pay the difference in cash at closing.
- **Use your 'Escape Clause' -** As previously stated, the 'VA escape clause' in your sale contract allows you to choose not to purchase a home if the NOV is less than the sales contract price. You can get your earnest money back, but not any out-of-pocket home inspection or appraisal costs, so it may be in your best interest not to buy a home that isn't worth the cost of buying or repairing. You may pay for upgrades in advance on new construction, but if you do not complete the purchase, the upgrades are often not refundable or covered by the escape clause.
- **On new construction, request a "cost-approach" appraisal.** This is applicable to new construction if you are building a home or buying in a newly developed area where there are no comparable properties to estimate the value of your home. Your lender can request that the appraiser use both the cost and sales approaches to estimate value.

HOME INSPECTIONS

Although VA does not mandate home inspections, every borrower is strongly encouraged to get one. We advise picking an inspector who can provide you with a fair evaluation of the state of the house. There shouldn't be a conflict of interest between the inspector and the purchase. It matters more that you obtain a return on your investment than that you just take out another loan.

A state-licensed home inspector conducts a home inspection, which entails observing and documenting the systems and parts of a house, including but not limited to:

Structural components, such as the foundation, roof masonry structure, exterior and interior components, or any other related residential building component, as recommended by the Home Inspection Council and implemented by the Department through the regulatory process. Heating, cooling, plumbing, electrical, and structural systems.

Please take note that, especially for an older house, it would be in your best interest to contact a structural expert for your assessment. This kind of assessment could be more expensive up front, but the engineer's expert knowledge can let you know whether the house is structurally solid or needs updates or repairs. You don't want to buy a house just to later find out it has serious structural problems.

Advice on choosing a home inspector:

Consult with your friends, relatives, and coworkers to find out who is authorized to conduct inspections in your region. Look for inspectors online and read reviews, if any are available.

Locate a person who is not connected to any of the parties involved in the home transaction.

What if my inspector discovers a serious problem?

Discovering issues during an examination does not invalidate the transaction. In fact, an inspection provides you with additional information about the home's condition that isn't visible to untrained eyes. Are the appliances outdated and in need of replacement? What is the state of the foundation and roof? By being aware of the problems, you may better bargain with the seller. If they drop their asking price, make the necessary improvements or replacements, or provide other concessions, you might continue to be interested in the house.

NEGOTIABLE ITEMS

Up until the mortgage closing, you can still negotiate the sale of the house. Does the purchase price go over the home's reasonable VA assessment value? Does the house need to be upgraded or repaired?

Despite the cause, as a buyer, you can bargain with your seller to come to an amicable agreement.

Your loan's due date Deposit of earnest money for funding fees

Anyone may contribute to your financing fee (if you are not already exempt). The seller and your lender are included in this. Also, your relatives may make a gift payment.

Seller's Concessions Sellers may pay closing fees, discount points, and any other concessions up to 4% of the loan amount under the VA program.

AT CLOSING PURCHASING A HOME

When you are prepared to close on your mortgage, you will need to sign your paperwork and bring the necessary funds to the closing table. A Closing Disclosure must be given to you by your lender at least three working days before the closing, as required by law.

According to local rules or customs, closings may take place at a title firm, escrow agency, or attorney's office. Several papers, including the mortgage, the note, and the deed, will likely need to be signed. You can anticipate your real estate agent being there, the transaction to be handled by an escrow officer or closing agent, and the seller or a representative being present or not.

Fees and expenses you may incur

A maximum amount that you can pay includes: "Itemized Fees and Charges" that VA has set, plus a one percent flat fee from the lender, plus suitable discount points.

Recall that the VA-guaranteed home loan offers a no down payment option unless your lender requires it or if the purchase price is more than the property's reasonable value, as established by a VA appraiser. With no down payment, you can utilize your funds to cover household needs or add to your emergency fund.

The house is yours after closure is complete.

CONGRATULATIONS!

POST-PURCHASE: MORTGAGE SERVICING

The business that manages your loan daily is known as the mortgage servicer. This often involves processing loan payments, replying to your questions, monitoring principal and interest payments, overseeing the escrow account (if necessary) and delivering your mortgage statements. A servicer might or might not be the same firm that made your loan in the first place.

By looking at your monthly mortgage statement or payment coupon book, you can find out who your loan servicer is. Try the Mortgage Electronic Registration System (MERS®) if you can't find a statement or coupon.

Using the MERS® website, borrowers can perform one of the following searches to find their loan servicer:

> Mortgage Identification Number for the MERS® System (MIN)

> Just Property Address

> The borrower's name and address

> Property Zip Code, SSN, and Borrower Name

> VA Case No.

*MERS is a private company that maintains information about mortgage loans and loan servicer's.

To address any issues, they may have with their current mortgage, VA advises consumers to get in touch with their servicer. Each servicer chooses the best strategy to match the unique circumstances of each borrower and is expected to abide by all local, state, and federal laws that are relevant, including the Real Estate Settlement Procedures Act (RESPA) 7 and the rules regulating the VA Home Loan Program.

Alternatively, you can dial 1-866-VABUYER to get in touch with the closest VA Regional Loan Center and speak with a VA specialist about your home loan situation for advice and counseling. For inquiries regarding their loan, even veterans without a VA mortgage can contact the VA Regional Loan Center.

Contact the VA at 1-866-VABUYER or the Consumer Financial Protection Bureau if you have any unresolved issues with your loan servicer (such as not applying payments, double billing, changing loans without a 15-day notice, etc.). (CFPB)

Do I make payments to the same firm that completed my loan?

No, not always. These businesses provide loans to borrowers and collect loan payments. Lenders frequently sell mortgages or hire a different business to handle their loan servicing.

Escrow Accounts

Escrow accounts, also known as impound accounts, are created by mortgage lenders to cover specific costs associated with real estate. The account is managed by the mortgage servicer, who also deducts money from the monthly mortgage payment to cover taxes and homeowners insurance.

> **Note:** Although property taxes and insurance premiums are subject to vary each year, principle and interest (P&I) remain the same. Escrow payments will adjust in accordance, which will also affect your monthly payment total.

Observations regarding your escrow account:

- Review your escrow statement for the year. You may see what you owe or are due at the end of the year from this.
- You are still liable for paying taxes and insurance if you don’t have an escrow account.
- If you don’t pay your state or local taxes, your home may be subject to a tax lien, which could lead to foreclosure.
- If you have automatic escrow payments, make sure you know how your loan servicer will modify your monthly payments in the event of escrow shortages and surpluses.

MILITARY SERVICE REQUIREMENTS, APPENDIX A

The minimum service requirements vary depending on the period of service, and borrowers must have a military discharge that is NOT dishonorable to be eligible for a VA-guaranteed mortgage.

Veterans and active military personnel

Date of service:	Minimum active-duty service requirement:
Currently on active duty	90 continuous days
September 16, 1940 – July 25, 1947 (WWII)	90 total days
July 26, 1947 – June 26, 1950 (post-WWII)	181 continuous days
June 27, 1950 – January 31, 1955 (Korean War)	90 total days
February 1, 1955 – August 4, 1964 (post-Korean War)	90 total days
August 5, 1964 – May 7, 1975 (Vietnam War), OR February 28, 1961 – May 7, 1975, if served in the Republic of Vietnam	90 total days
May 8, 1975 – September 7, 1980 (post-Vietnam War), OR May 8, 1975 – October 16, 1981, if served as an Officer	181 continuous days
September 8, 1980 – August 1, 1990, OR October 17, 1981 – August 1, 1990, if served as an Officer	› 24 continuous months, OR › The full period (at least 181 days) if called to active duty
August 2, 1990 to present (Gulf War)	› 24 continuous months, OR › The full period (at least 90 days) if called or ordered to active duty

Members of the National Guard and Reserve

Date of service:	Minimum service requirement:
August 2, 1990 to present (Gulf War)	90 continuous days of active duty (i.e., ordered to active service under Title 10 orders. Does NOT include active duty for training)
Any time period	6 creditable years8 in the Selected Reserve or National Guard, AND at least one of following must be true: › Continue to serve in the Selected Reserve, or › Discharged honorably, or › Placed on the retired list, or › Transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable

According to your retirement points declaration, a credible year must have at least 16 points for each anniversary year. (This may include 15 points from membership + points for weekend drills and Active Duty Training (ADT))

EXCEPTIONS TO THE MINIMUM SERVICE STANDARDS

If a service member is released before fulfilling the minimum service requirements but was released for one of the following reasons, they may still be eligible for a VA-guaranteed mortgage:

- Adversity, or
- For the government's convenience (you must have completed at least 20 of a 2-year enlistment), or
- Early discharge (after completing 21 months of a 2-year enlistment), or
- Force reduction, or
- Certain health issues, or
- A condition relating to your service (a disability related to military service)

Discharges for conduct that was not honorable, improper, or dishonorable

A Veteran may not be eligible to receive VA benefits, including the VA house loan benefit, if they have one of these discharge statuses.

Even if you later obtained a discharge that was less than honorable, you may utilize the honorable characterization provided by the Department of Defense (DoD) or the Coast Guard to prove your eligibility for VA benefits. During the time that you served honorably, you accrued benefits. When requesting VA benefits, be sure to expressly indicate your period of honorable service.

Even though your prior upgrade application was turned down, you can still submit an application for a discharge upgrade or correction. For instance, the Department of Defense (DoD) may have established new discharge guidelines since you last applied, or you may have more evidence that wasn't available to you before.

Notably, in 2014, DoD regulations for mental health, PTSD, and TBI discharges changed, as did those for sexual orientation and military sexual assault discharges in 2017.

Depending on the complexity of your case, you might want to think about hiring an advocate. You can gather and submit supporting documentation with the help of a lawyer or a Veterans Service Organization (VSO). Locate a VSO nearby.

Note: You are permitted to apply for a discharge upgrade from the Department of Defense (DoD) or the Coast Guard and request a VA Character of Discharge review at the same time. Veterans can petition for a Discharge Upgrade with the Department of Defense (DoD).

CERTIFICATE OF ELIGIBILITY, APPENDIX B (COE)

Applying for a Certificate of Eligibility is the initial step in receiving a VA direct or VA-backed mortgage (COE). The borrower's eligibility for the VA home loan benefit is attested to in this document for the benefit of lenders.

Applying for a COE

Apply with your lender: The WebLGY system is accessible to the majority of lenders. In a matter of seconds, this web-based program can determine eligibility and provide an online COE. Because the system can only determine eligibility in cases where VA has sufficient data in our databases, not all cases can be processed through WebLGY. But, VA advises you to check with your lender to see whether they may accept the COE via WebLGY.

Utilize online: Visit VA.gov at www. You have two options for logging in: utilizing your current Digital Service (DS) Logon or making a new ID.me account.

apply via mail A COE may take longer to obtain by mail than it would online or through the VA system. Request for Certificate of Eligibility VA Form 26-1880 should be completed and mailed to the state address shown on the reverse of the form.

Demands for Service Documentation

If you lack the necessary supporting documents, you can:

1. **Mail a filled-out SF 180 (Request Regarding Military Records) to the address shown on the form's back, OR**
2. **Visit the website of the U.S. National Archives and Records Administration to seek military service records, OR**
3. **Acquiring a Certificate in Place of Lost or Damaged Discharge. (Any VA office can help you obtain the required documentation of your military service.)**

Serving personnel (Active Duty, Reserve, and National Guard)

A statement of service must be provided by active duty service members, and it must be signed by the adjutant, personnel office, commander, or higher headquarters to whom they are attached. The military does not employ a single statement of service form consistently.

Although declarations of service are frequently printed on military stationery, some might be generated by a computer.

The service member's: must be clearly displayed in the statement of service.

The following information must be provided: full name, Social Security Number (SSN) or the last four digits of the SSN, entry date for Active, Reserve, or Guard duty, length of any missed time (for Active only), and name of the command providing the information.

Note: It must be made very clear in the statement whether a Reserve or Guard member is "active" (drilling) or not.

Veterans (Active Duty):

Before January 1, 1950, military members who were separated from active duty must provide proof of their length and kind of service. Anybody who left the military after January 1, 1950, must present their DD Form 214.

Individuals who parted after October 1, 1979, should give Member 4 a copy of their DD Form 214, which should include their military history and a detailed explanation of why they separated.

Veterans (Reserve and Guard):

Members of the Selected Reserves or the National Guard who have been discharged (are no longer drilling) may submit NGB Form 22 (Report of Separation and Record of Service) or NGB Form 23 (Retirement Points Accounting) or its equivalent. Every year, the Reserves and Guard members are typically given a retirement points summary that shows their engagement. Veterans should submit their most recent statement in this regard as well as documentation of their honorable service. The following are only a few examples of typical forms:

- DA Form 5016 for the Army Reserve
- NRPC 1070-124 for the Navy Reserve
- AF 526, Air Force Reserve
- NAVMC 798 of the Marine Corps Reserve
- CG 4174 or CG 4174 Reserve Coast Guard
- Form DD 214 (If activated under Title 10 for a non-training purpose and met minimum length of active service requirement)
- The DD Form 220 and any related orders (If activated under Title 10 or Title 32 for a non- training purpose and met minimum length of active service requirement)

Retired National Guard and Reserve:

A "20-year letter," which attests to the successful completion of 20 years as an active Reserve or National Guard member, is sometimes given to Reserve or Guard members who have served for 20 years or more.

Public Health Service Commissioned Officers:

For service rendered after January 1, 1955, active duty documentation is provided by PHS Form 1867, (Statement of Service-Verification of Status of Commissioned Officers of the U.S. Public Health Service)

Documentation must be submitted by commissioned officers who are still on active duty and have been authorized to do so by the adjutant, personnel officer, commanding officer of the unit, or higher headquarters.

Character of Service (COS) Requirements

To be considered eligible, a Veteran must have served at least one satisfactory term. You can still be eligible if you had a prior or subsequent satisfactory tour but were released with an unsatisfactory character of service (COS). Re-Enlistment or an extension will convince enlisted Service members that the COS was satisfactory.

Acceptable COS for active duty:

- Honorable
- General
- Uncharacterized
- Under Honorable Circumstances

Only the Reserve/National Guard are valid COSs:

- Honorable

Notes on the COS criteria for the Reserve and National Guard

It is NOT admissible to satisfy the COS criteria for the Reserve and National Guard with a discharge of General, Under Honorable Circumstances, Under Other Than Honorable Conditions, Bad Conduct, or Dishonorable.

Moreover, eligibility is not affected by Standby Reserve or Inactive Ready Reserve (IRR) character or service dismissal. You must submit an Honorable COS for each qualified tour or component to count toward the 6-year minimum if there are any pauses in service or a change in component.

There is no need for a COS determination if you are still actively engaging and have been participating for six years.

Upgrading the status of discharge

The entity in charge of noting the discharge status on the DD-214 is the Department of Defense (DOD) (or other separating documentation). The wording used to describe the discharge status can vary depending on the DOD Secretary.

FUNDING FEE TABLES, APPENDIX C

The VA Funding Fee is calculated as a percentage of the overall loan amount. At closing time, it must be paid in full or added to the loan balance.

A funding fee for the VA is NOT paid by the following:

> • Veteran receiving VA benefits for a disability related to their service.

> • Veteran who is entitled to VA benefits for a service-connected disability but is instead receiving military retirement pay or active duty pay.

> • The surviving spouse of an individual who received Dependency and Indemnity Compensation who died while serving, suffered a service-related illness, or became totally incapacitated (DIC).

> • A service member who has received a proposed or memorandum rating from the VA indicating that they are qualified for compensation due to a pre-discharge claim before the loan closes.

> • A service member who is currently on active duty and who submits documentation of their Purple Heart award on or before the loan closing date.

Congress has set the funding fee rates for loans concluded on or after January 1, 2020, at the levels specified below for all other borrowers.

Purchase and Construction Loan

Reductions in fees only apply to buy loans with a minimum 5 percent down payment.

Military Service	Down payment	First-time Use	Subsequent Use
Active Duty **, Reserves, & National Guard	None	2.30 %	3.60 % *
	5% or more	1.65 %	1.65 %
	10% or more	1.40 %	1.40 %

Cash-Out/Regular Refinancing Loan

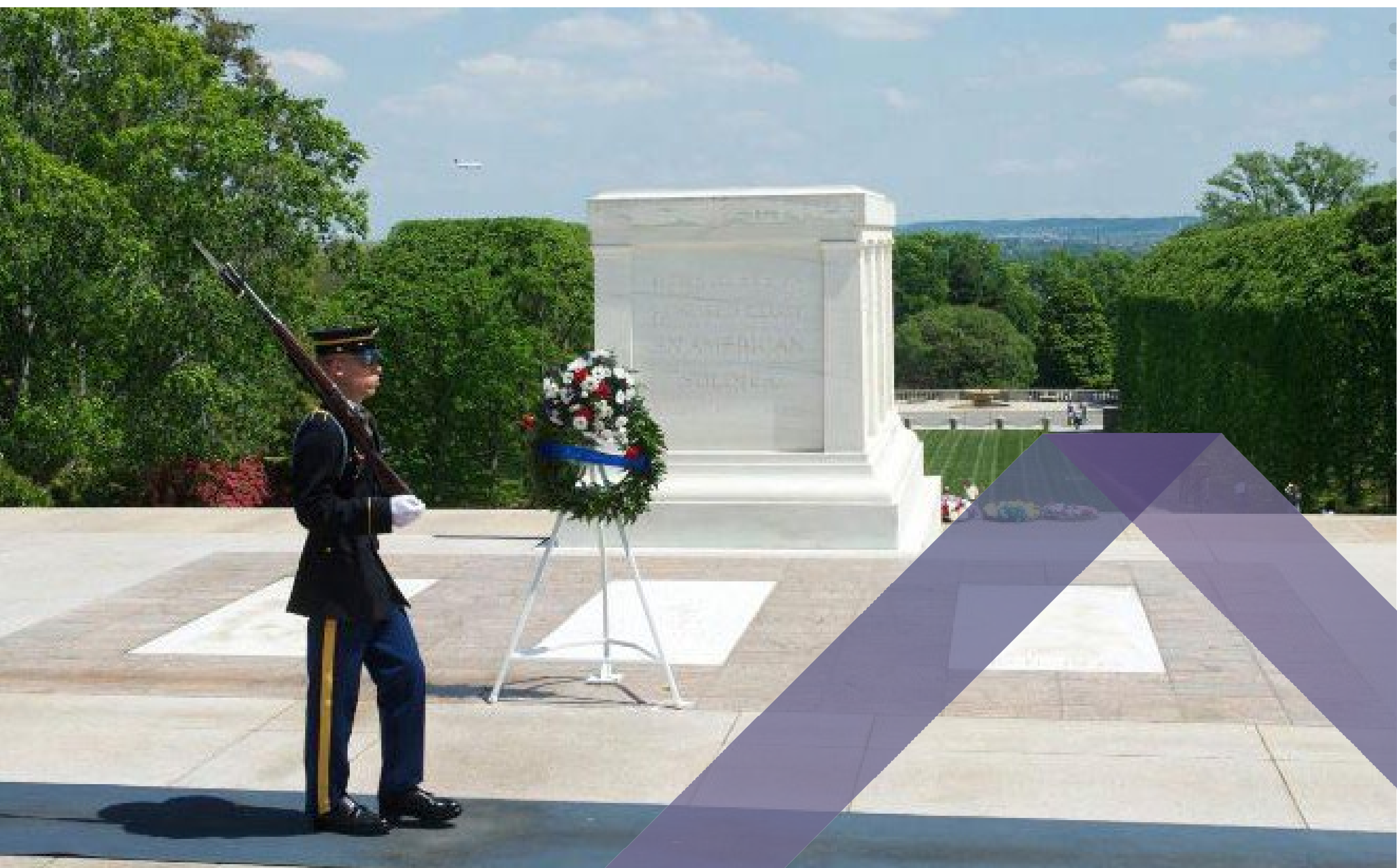
Note: For reduced costs on loans requiring a minimum 5 percent down payment, please refer to the chart above.

Military Service	First-Time Use	Subsequent Use
Active Duty **, Reserves, & National Guard	2.30 %	3.60%*

The increased subsequent usage fee does not apply if the Veteran's only prior use of entitlement was for a manufactured home loan. * Reserves and National Guard members who have been called to active duty and who meet the eligibility conditions for their branch of service are considered to be in active duty.

Active Guard Reserve and active duty for training are NOT considered to be active service (Title 32 U.S.C)

Several Kind of Loans	First-Time and Subsequent Use
Direct Loan (for small towns or rural areas)	1.0%
Interest Rate Reduction Refinance Loan (IRRRL)	0.5%
Assumption of Loan	0.5%
Manufactured Home Loan (NOT permanently affixed)	1.0%
Native American Direct Loan (NADL) ǂ	1.25%
Cash Advance (for purchasing VA-acquired property)	2.25%



USING A VA LOAN AGAIN, APPENDIX D

After your initial usage, you can repurpose your VA home loan benefit to purchase or refinance a different house. Whether you intend to have just one or more loans open at once will affect the size of the loan and the potential down payment.

How to Apply:

You have two options for requesting a restoration of entitlement for later use on another mortgage:

- Use your Digital Service (DS) Logon to apply online at www.VA.gov, or create a new ID.me account to do so.
- Get a copy of VA Form 26-1880 (Request for a Certificate of Eligibility) and mail it to the VA regional loan center that has authority over your state.

Using a VA Loan benefit again (Restoring Entitlement)

If at least ONE of the following applies to you as a past borrower, you may request to "restore" your previously used VA entitlement:

A qualifying Veteran agrees to assume (take over payment on) your loan and substitutes their own VA entitlement for the original loan amount, OR You have returned your former loan in full, but you haven't sold the home you purchased with that loan** (Note: This is a one-time option).

To have your full entitlement reinstated, you can apply to VA. You can now buy a new house with no down payment needed and VA will support any loan amount.

Purchasing a new house (Remaining Entitlement)

First-time purchasers, or those who have sold their house and have full benefit entitlement available, won't have to worry about loan limitations or down payment specifications when buying, refinancing, or building a new home as of January 1, 2020.

You may not have full entitlement, but you may have partial entitlement if you used your VA home loan benefit and wish to purchase another property without selling the one you currently own.

You can still take out a loan to buy a home at any value, but VA will only guarantee the portion of the loan that is covered by your "remaining entitlement," if any.

To find out how much more you're entitled to:

1. **To determine how much of your eligibility has already been used, request an updated certificate of eligibility. (If you don't already know)**

2. **Determine 25% of the FHFA Conforming Loan Limit for the county where you wish to buy your next house (look at the "One-unit" column). Your "remaining entitlement" is the difference if this sum is greater than your used entitlement.**

Keep the following in mind if you wish to keep your present VA mortgage and buy a new house with a VA guaranteed loan on a property worth more than $144,000:

› At the time of closing, you must be able to afford all the loans.

› The property you buy next must be your primary residence.

All your loans might be backed by VA, but only up to the county's conforming loan limit (CLL). This indicates that any loan amount that is larger than that one might need a down payment.

Most lenders demand that the total of the guaranty entitlement and any cash down payment equal at least 25% of the property's appraised value or sales price, whichever is lower.

The size of the loan or portion of the loan that VA can guarantee on your following loan without requiring a down payment is typically your remaining entitlement multiplied by four.

If, for instance, your county's loan cap is $700,000 and your first and second loans totaled $300,000 and $400,000, respectively, you might still be eligible for a no-down payment option.

$100,000	200	300	400	500	600	*700	$800,000
VA Guaranteed			VA Guaranteed				
$300,000 Loan			$400,000 Loan				

If your county's loan cap is $500,000 and your first loan was for $300,000 and your second was for $400,000, you might need to put down money on the portion of your loan that is above the cap.

$100,000	200	300	400	500	600	*700	$800,000
VA Guaranteed			VA Guaranteed		Down Payment Required		
$300,000 Loan			$400,000 Loan				

Note: Any down payment may lower your loan amount and your loan amount may include your funding fee. Also, you can combine a down payment with any remaining entitlement (if any) to get a bigger loan.

What is the balance of your entitlement?

Your first step should be to obtain your certificate of eligibility from your lender or online in order to determine how much of your entitlement you have spent (referred to as the “Entitlement Charged”). Each case is unique. Next, determine 25% of the one-unit conforming loan maximum for the county where your next house will be located. Your remaining entitlement is equal to the county conforming loan maximum less your used entitlement.

How much of a loan can the VA assure?

This depends on how much entitlement you have used and your remaining entitlement (based on the loan limit of your county). By multiplying your remaining entitlement by four, you can calculate the size of the loan or the portion of the loan that VA can support on your subsequent loan.

The total loan amount VA can guarantee must include the fee amount if you choose to include your VA funding charge in the loan (assuming it is not already exempt from payment). Once more, VA can support any loan amount if you do not have any other open VA loans.

ELIGIBLE SPOUSES, APPENDIX E

A Veteran's surviving spouse may be eligible for a VA home loan if they are eligible for (or are receiving) a qualifying Dependency and Indemnity Compensation (DIC) benefit award 9 AND meet one of the following conditions:

- The unremarried surviving spouse of a Veteran who died while in service (active, reserve, or national guard) or as a result of a service-related cause, OR
- An unremarried surviving spouse of a Veteran whose death was not caused by service, if the Veteran was one of the following:
  - Rated totally disabled (100%) for ten years or more immediately preceding death, or
  - Rated totally disabled for at least 5 years following discharge or release from active duty, or
  - A former POW who died after September 30, 1999, and whose disability was rated totally disabled for at least one year prior to death.
- Spouse of a Service member missing in action (MIA) or a prisoner of war (POW) for more than 90 days 10 is eligible for VA home loan benefit for as long as the Service member is in that status (this is one-time use only), OR
- Remarried spouse of a Veteran who dies on active duty or from service-connected causes and remarries after reaching the age of 57 on or after December 16, 2003.

Note 1: To establish home loan eligibility, a surviving spouse who remarried before December 16, 2003 and after reaching the age of 57 must have applied no later than December 15, 2004. VA must deny applications from surviving spouses who remarried before December 16, 2003, received after December 15, 2004.

Note 2: Surviving spouses who receive DIC as a result of 38 U.S.C. 1318 or 38 U.S.C. 1151 compensation OR a VA pension DO NOT qualify for the VA home loan benefit.

Note3: Same-sex couples are included in the definition of spouse. Regardless of the gender of the spouses, VA will apply the same standards to all married couples for VA loan guaranties.

Note 4: A remarried surviving spouse whose marriage has been declared void or annulled by a court may be eligible as a 'unremarried spouse' under the above eligibility criteria.

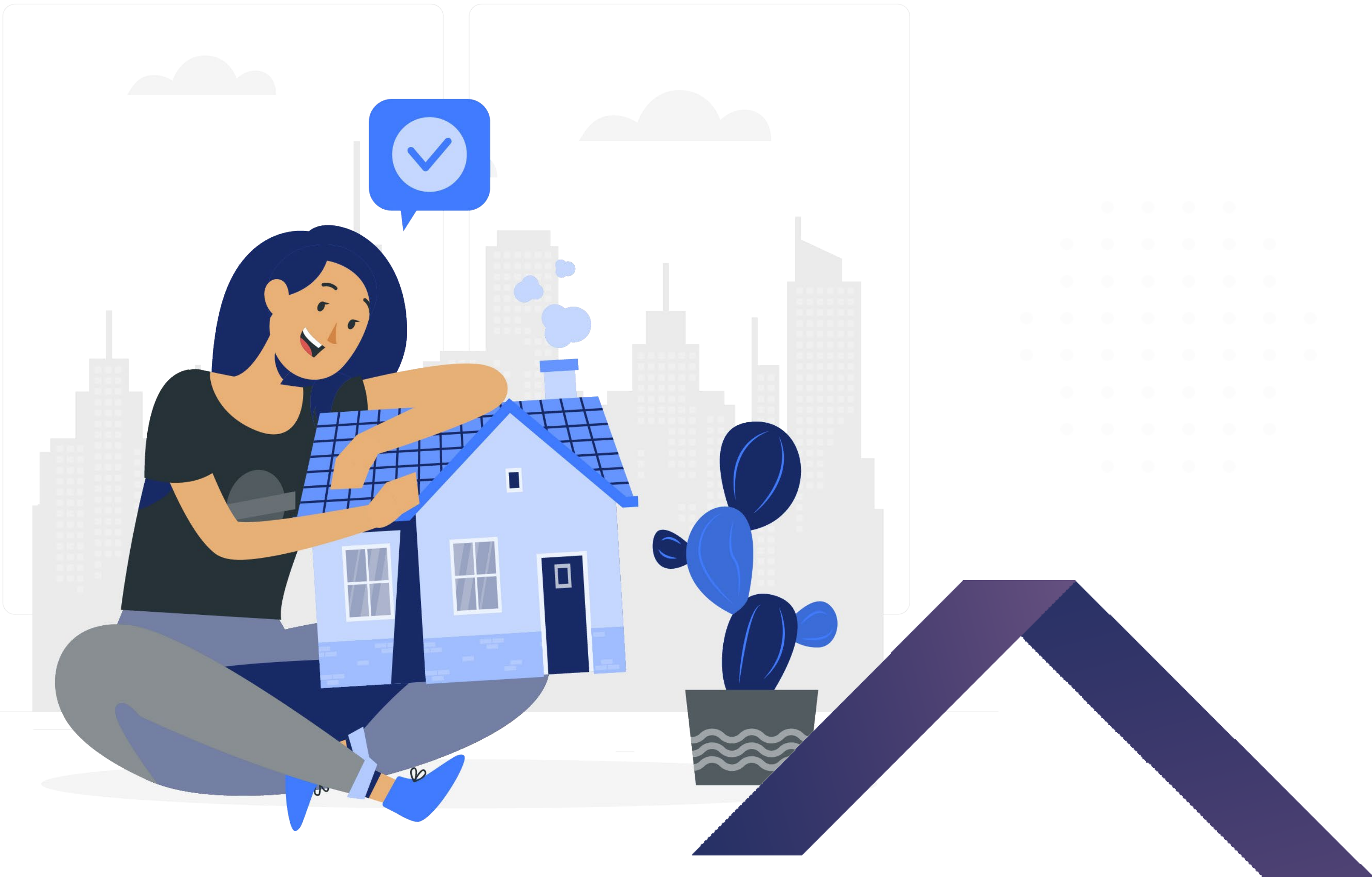
To apply for Dependency and Indemnity Compensation (DIC), follow these steps:

To determine your eligibility for a VA home loan, VA must first determine whether you are eligible for, or are receiving, certain types of Dependency and Indemnity Compensation as a surviving spouse (DIC). Furthermore, you must meet VA's definition of a surviving spouse, which is outlined below under Basic Eligibility.

Surviving Spouses not receiving DIC benefit will need to submit the following to the appropriate Pension Management Centers (PMC) office:

- Form 21-534, VA
- A copy of the DD-214 (if available)
- Copy of Marriage License • Copy of Death Certificate or DD Form 1300 (Report of Casualty)

The mailing address for the VA 21-534 and copies of documents is determined by the state of residence.



Surviving Spouses Eligible for a VA Home Loan:

You should try to qualify as a Veteran if you have Veteran status as a result of your own military service. If you qualify as an individual Veteran, you can apply for your COE through your lender, online, using VA Form 26-1880, Request for a Certificate of Eligibility. If you are unable to qualify as a Veteran, VA must determine whether you are eligible as a surviving spouse.

If you are receiving DIC and are not a qualified Veteran in your own right, you have two options for obtaining a Certificate of Eligibility (COE):

1. **Submit a Request for Determination of Loan Guaranty Eligibility - Unmarried Surviving Spouses (VA form 26-1817) to your lender, OR**

2. **Send a completed VA form 26-1817 along with a copy of your spouse's DD-214 discharge document (if available) to the address on page 2 of the form.**

The majority of lenders have access to Web LGY, an internet-based program that can quickly determine eligibility and issue a COE. The Online LGY system can only be utilized for cases when the VA has enough information in its records, so not all cases can be processed through it. However, spouses are advised to inquire about this option of getting a COE from their lenders first.

Where to receive supporting paperwork: Many candidates may be able to obtain supporting material by sending a completed SF 180, Request Relating to Military Records, to the address shown on the back of that form or by accessing the U.S. National Archives and Records Administration online.

A surviving spouse with their own entitlement who is receiving DIC may not be required to pay a funding fee. The major, secondary, or ancillary DIC must be given out.

If the surviving spouse appeared on the loan to be refinanced with the Veteran, there is no need to file a COE application while the surviving spouse is submitting a loan application for an IRRRL. If the surviving spouse was not listed on the loan, they could only perform a cash-out refinance after being certified as such.

Note on entitlement: The spouse's entitlement is separate from the service member's. Consequently, no earlier use of the Service member's entitlement by the spouse affects the entitlement of the Service Member, and no use of the spouse's entitlement affects the Service Member's entitlement.

NATIVE AMERICAN DIRECT LOAN (NADL) PROGRAM, APPENDIX F

For the purpose of purchasing, constructing, or renovating a home on Federal Trust Land, the VA offers direct home loans to eligible Native American Veterans, eligible spouses, or the Veteran spouse of a Native American. In order to lower the interest rate on a previous NADL, it can also be utilized for refinancing.

A Memorandum of Understanding (MOU) between VA and your tribe or territorial authority is required by Law. The terms that permit VA to offer a direct loan on Trust land are acknowledged in this agreement, along with your rights as a VA Home Loan borrower.

VA is able to sign MOUs with traditional Pacific Islander communities in the Hawaiian Home Lands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands as well as with other federally recognized Tribes, Villages, Nations, Bands, and Communities.

Note: You can ask your Tribal Government representative or the Housing Authority to get in touch with the closest Regional Loan Center if your Tribal Government does not yet have an active NADL MOU with VA.

The prior NADL loan cap of $80,000 was eliminated as of January 1, 2020. In addition to giving you all the advantages and services of the VA Home Loan Program, this increase in the loan cap makes this loan more competitive with other loan programs on Federal Trust Property.

NADL Eligibility

Also, in order to be qualified for the benefit (meeting length of service and character of service requirements) and have available entitlement, you must have a current Certificate of Eligibility. Also, you need to be a

- A tribal member, or
- A Veteran who is wed to a Native American

If your spouse or you are an enrolled member of a federally recognized tribe, you must present proof of this. To qualify for a NADL, you must have a "meaningful interest" in the property, which can be either a life estate or a lease with a term that is at least 14 years longer than the mortgage.

The NADL loan must be used to buy, build, or improve a residence on land that is part of a federally recognized trust, an allotted parcel, an Alaska Native company, or a territory on a Pacific island. Also:

- You must use the home as your primary residence.
- You must pose a manageable credit risk.
- You and your spouse, if applicable, must demonstrate that your income is steady and adequate to pay your mortgage, cover the other costs of home ownership, take care of other commitments and expenses, and yet have money left over for support of your family.

The NADL Program: Why Utilize It?

- Your direct lender is VA.
- Simple to qualify
- No deposit is necessary
- Why Private mortgage insurance is not necessary
- Affordable fixed interest rate
- Low transaction costs
- Mortgage of 30 years
- Reusable advantage

What is the NADL interest rate?

Interest rates can alter as a result of shifting market conditions. While deciding whether to lower or raise interest rates, VA considers market movements.

The NADL program is it a fee-based program?

Borrowers from NADL must pay a small funding charge to apply for a direct loan from VA to buy a home. The financing fee must be paid at the time the loan is closed, whether it is paid in cash or is part of the loan.

For qualifying Reservist or National Guard Native American Veterans, the funding cost is 2% of the total loan amount, whereas it is 1.25% for active duty Veterans.

A NADL Interest Rate Reduction Refinance Loan (IRRRLfunding)'s cost is equal to 0.50% of the total loan amount.

The following individuals are exempt from paying the funding fee:

- Veteran receiving VA benefits for a disability related to their military service, OR
- Veteran who, absent retirement or active duty pay, would be entitled to compensation for a service-connected disability; OR
- The spouse of a Veteran who passed away while serving or developed a handicap as a result of their service.

Is the maximum loan size that a VA guarantee will cover?

Not if you only have one VA loan open at a time. You can benefit from VA-backing on a house loan regardless of the price of the home and without the requirement of a down payment if you are a first-time home buyer or have sold your previous VA-guaranteed home loan. 13 But, VA can only back the portion of the loan that is less than the appraised value.

HOW TO AVOID FORECLOSURE, APPENDIX G

All mortgage borrowers who are having trouble making their payments are urged by the VA to speak with their loan servicers right away to learn about their alternatives for preventing foreclosure. Contrary to popular belief, because foreclosures are expensive, your mortgage company (servicer) truly does not want to foreclose.

Servicers may provide any of the following alternatives to prevent foreclosure based on your circumstances:

- **Repayment Plan -** You pay a portion of the missed installments together with your regular monthly installment payments.
- **Special Forbearance —** Your servicer consents to delay starting the foreclosure process, giving you time to make up the missed payments. (For instance, you are anticipating a tax refund.)
- **Loan Modification -** By adding the delinquent to the loan balance and arranging a new payment plan, your servicer gives you a new start.
- **Short Sale -** Your servicer agrees to let you sell your house for less than is currently needed to pay off the loan, allowing you to receive the proceeds. Your credit score and eligibility for a VA loan will be impacted if you settle a debt for less than what is outstanding. You can always contact VA at the number provided below to inquire about your loan eligibility.
- **Deed-in-Lieu-of-Foreclosure -** You voluntarily decide to forgo going through a drawn-out foreclosure process and instead deed the property to the servicer.

If You Are Unable to Pay by the Due Date?

Even the most dependable borrowers occasionally have issues making all of their payments before the due date. VA is aware that there may be good reasons why a payment is missed, such as a decrease in income or a family member's illness.

You should speak with your servicer straight away if you won't be able to pay when it's due. (The business responsible for collecting your installment payments is known as a servicer.

Attempt to come up with a workable plan to make up the missed payments. In a pinch, the counsel of your loan servicer might be useful. Before your service provider writes to you, try to phone them. And don't forget to reply to any letters or notices you get.

Clearly describe your issue. "All your cards on the table," as they say. Provide a strategy to make up any missed payments if you can. Or you might ask for suggestions or direction. Please let your loan servicer know that you are earnest in your desire to find a solution to your problem and that you want to keep your home. We'll recognize sincerity when we see it. If it's possible, your loan servicer could assist you in

creating a strategy that will let you keep your house.

You risk losing your house through foreclosure if you don't work with your mortgage provider. In addition to resulting in the loss of your property, this would unavoidably have a very negative impact on your credit score and may possibly incur a debt for you. You should do your hardest to prevent this if possible. You can choose from the alternatives above if you get a VA loan. You should get in touch with the closest VA Regional Loan Center if your loan servicer is reluctant or unable to cooperate with you. Our professionals can help you interact with your service provider and

provide you with financial counseling (or work with you directly in the case of a VA direct loan).

Note: In times of need, borrowing money to make mortgage payments on schedule can be your first instinct. But any additional debt must be repaid quickly, sometimes through onerous installments, and the added pressure may result in even worse monetary difficulties. before incurring further debt.

What Happens If I Get into Financial Problems?

You might need to reduce your standard of living if you experience significant financial difficulties. Cutting back on luxuries you once enjoyed and possibly even temporarily giving up some “necessities” are examples of this.

It may be preferable to sell a home of your own free will and maybe preserve your equity than to have it seized by foreclosure. Equity is the difference between the value of a property and its loan sum. Your equity may be lost, your credit may be harmed, and your current debts may increase because of foreclosure. By taking proactive action today, you might be able to buy a home once more when your financial situation improves in the future.

For additional details: You can speak with a HUD-approved housing counselor Information about the VA’s Delinquency Help program is available for Veterans having issues with mortgage payments.

Check out the HUD Homeowner’s Guide to Success, which offers assistance to families that run the risk of falling behind on their mortgage payments or losing their homes to foreclosure.

Watch out for the "Dotted Line"

If you are behind on your mortgage payments, the VA cautions you to exercise extreme caution before approving any offers from strangers to make up the difference if you only "sign on the dotted line."

If you are presented with such a suggestion, speak with your servicer or the closest VA Regional Loan Center before you sign any documents. They can give you advice on the validity of the offer. VA can advise you about risky behaviors or the wisdom of visiting an attorney, but it cannot provide you legal advice.

Examples of warning signs are shown below:

- Someone approaches you and offers to pay your past-due installments if you "sign on the dotted line": Some veterans who are behind on their VA loan payments have been solicited by unidentified individuals who offer to do so. They might discover later that they signed a deed and that the only way to recover the property is to sign a new, far more expensive contract. If they are unable to abide by the strict conditions of the new contract, legal action is begun to seize their residence.
- Someone offers to pay cash for your equity: On occasion, visitors to a housing complex will see Veterans struggling to make their VA loan payments. If so, these people will grant each veteran the opportunity to use a land sales contract to purchase a new home in a less expensive neighborhood in exchange for a small cash payment for the equity in their current property. Unaware that they are actually, signing a deed to the property, the veteran "signs on the dotted line" and promises to turn over custody of the property in 60 days. The Veteran is informed after 60 days have passed that there are no houses left in the more affordable development. The Veteran is then removed from the house.

- Your home is rented out: This is a third option that is employed in states with protracted foreclosure or mortgage redemption periods. Veterans who have fallen behind on their mortgage payments may be offered a modest sum of money in exchange for a “quit claim” deed to the home with the assurance that all outstanding payments will be made. The Veteran departs with the expectation that the loan will be updated. Instead, the person in possession of the quit claim deed rents the property out without making up any arrears. Up until the foreclosure is official, the majority of the rent paid by the tenant is profit for them; yet, the Veteran may still owe the servicer because they are unaware of what has happened.

If you report any such suggestions to the organization that accepts your mortgage payments and to the closest VA Regional Loan Center, you can safeguard your own interests and help other Veterans.

FREQUENTLY ASKED QUESTIONS AND COMMON PROBLEMS, APPENDIX H

Can I get a VA loan to buy property in another country?

No. Property can only be purchased in the United States, its territories, or possessions (including Puerto Rico, Guam, Virgin Islands, American Samoa, and Northern Mariana Islands).

Is active duty for training in the Guard and Reserves sufficient to qualify for home loan benefits?

No. Unless you complete a total of 6 years in the Guard and/or Reserves and serve under title 10, U.S.C., active duty for training in the Guard and Reserves does not qualify you for home loan benefits.

What options do I have if my Certificate of Eligibility (COE) is rejected?

The following are the two most common reasons for a denial: 1) your military service length does not meet VA eligibility requirements, or 2) your service character does not meet VA eligibility requirements. You have the following options if you believe this decision was made in error:

1. **Request a Higher-Level Review of the decision using the same evidence you presented in your initial COE application, OR**

2. **Provide additional evidence, OR**

3. **Make an immediate direct appeal to the Board of Veterans Appeals (BVA)**

Please keep in mind that you cannot request options 1 or 2 above after filing an appeal with the BVA.

You can get more information about your options by contacting the nearest VA Regional Loan Center.

Can someone else join me in applying for a VA loan?

Yes, but the guaranty only covers your portion of the loan. Unless the nonveteran is your spouse, the VA guaranty cannot cover a nonveteran's portion of a loan. It should be noted that joint loans are generally more complicated than regular loans. Make sure to check with lenders to see if they are willing to accept joint loan applications. You can also contact the nearest VA Regional Loan Center.

Will I always make my monthly mortgage payments to the same company?

No. Mortgages are frequently sold in the mortgage lending industry, often before the first payment is due. If your loan is sold, the company that services it must notify you.

Will the VA guaranty pay off the loan balance if I die before it is paid off?

No. The payments must be made by your surviving spouse or another coborrower. If there is no coborrower, the loan becomes your estate's obligation. Mortgage life insurance, which must be purchased from a private insurance provider, can provide protection against this.

What if I've filed for bankruptcy or foreclosure?

VA may only guarantee a loan if it can be determined that an eligible Veteran is a good risk and has the expected income to pay the terms of the new loan. When it comes to loan underwriting, bankruptcy does not automatically disqualify an applicant. Lenders must consider the reason for the bankruptcy as well as the type of bankruptcy.

1. **Guarantee:** (verb) “to take on responsibility for the debt, default, or miscarriage of” a loan. (See ‘Guarantee’ for more information.)

2. **Guaranty:** (noun) The VA Guaranty is a promise by the federal government to pay lenders a percentage of the loan’s value in the event of default or foreclosure. Borrowers are not required to pay mortgage insurance for the life of the loan due to the guaranty.

3. **Home Loan Products:**

> **Purchase loan -** Used to purchase, construct, or manufacture a new home.

> **Native American Direct Loan (NADL) -** Used to buy, build, improve, or refinance a Native American-owned home (see Appendix F: NADL Program).

> **Interest Rate Reduction Loan (IRRRL) -** Used to refinance an existing VA-guaranteed loan with a lower interest rate and lower principal and interest payments than the existing VA loan.

> **Cash-out (Regular) refinance loan -** Used to withdraw cash from home equity (for example, to pay off debt or make home improvements) OR to refinance a non-VA loan into a VA loan.

> **Construction loan -** A loan used to fund the construction and purchase of a home. The loan is closed prior to the start of construction, and funds are paid to the builder during the construction process.

> **Energy Efficient Mortgage (EEM) -** A loan to add energy efficiency improvements to a VA purchase loan or a refinance loan secured by that home.

4. **Lender:** A bank, credit union, or mortgage company that originates and lends money to qualified borrowers for the purchase of a home. The VA Home Loan program is supported by over 1,500 lenders.

5. **Loan Term:** A loan term refers to the length of time and a loan’s features. VA can back loans with terms of 15 or 30 years. Fixed-rate and adjustable-rate mortgages are also terms (ARM).

6. **Maturity date:** The term “maturity date” refers to the final payment date of a loan, when the principal (and any remaining interest) is due.

7. **Partial Entitlement:** If you have previously used a portion of your VA loan benefit, you may still purchase a home at any loan amount, but VA can only guarantee the loan amount covered by your “remaining entitlement,” if any.

8. **Restoration of entitlement:** the process of restoring a borrower's right to use their VA home loan benefit more than once. (See Appendix D: Reusing the VA Loan for more information.)

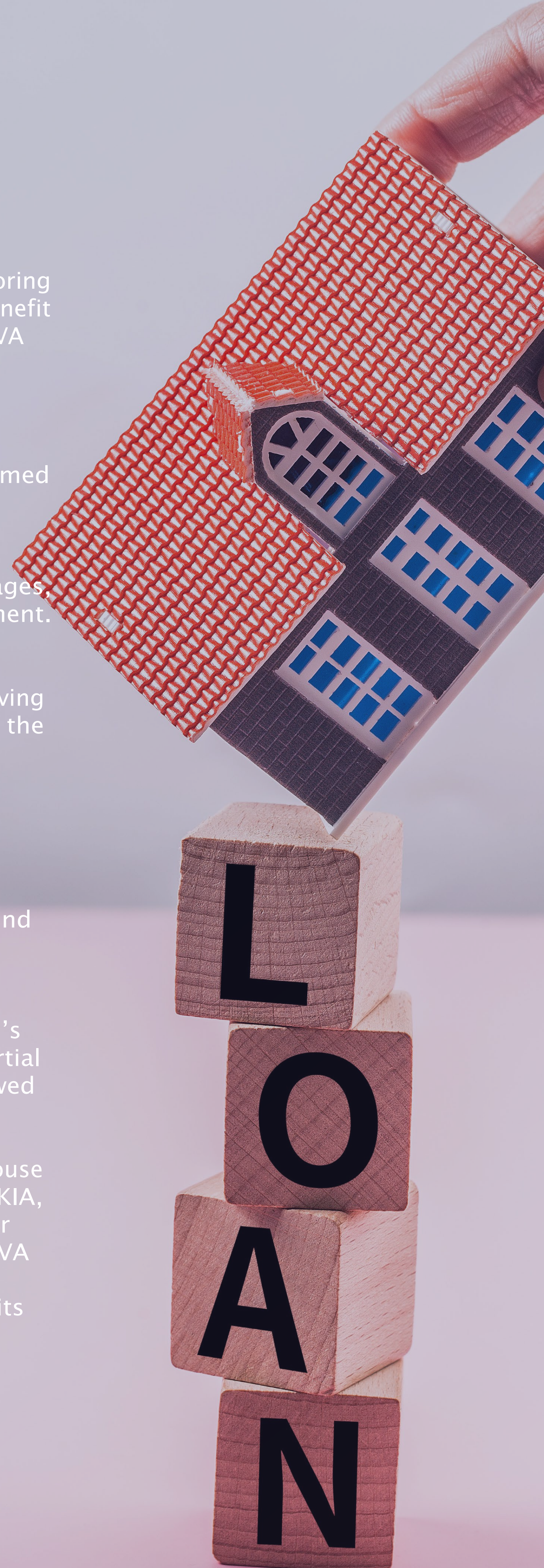
9. **Service-connected disability**: a disability (or disabilities) that arose during service, was aggravated or worsened by service, or is presumed to be related to military service by VA.

10. **Mortgage servicer:** The mortgage servicer is in charge of the day-to-day operations of mortgages, such as collecting the monthly mortgage payment. (See also Mortgage Servicer)

11. **Service member:** a person who is currently serving in the military on active duty, reserve duty, or in the National Guard.

12. **Special Forbearance:** a contract between a homeowner and their mortgage servicer (the company to which they send their monthly mortgage payments) that establishes an alternative payment schedule to reduce or suspend payments for a set period of time. Importantly, mortgage forbearance plans do not reduce the principal amount owed on a mortgage, and interest continues to accrue throughout the plan's duration. Homeowners who are able to make partial payments should do so to reduce the amount owed at the end of the forbearance period.

13. **Surviving spouse:** A surviving spouse is the spouse of a Veteran who served and was reported MIA/KIA, died of a condition or impairment related to their service in the Armed Forces (as determined by VA or DoD), or whose service-connected disability/impairment they believe entitles them to benefits from the Department of Veterans Affairs.



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