

An American flag is flying on a wooden pole in the foreground, partially obscuring a white house with a porch. The house has white columns and a white railing. There are green trees and bushes in the background. The scene is brightly lit, suggesting a sunny day.

# UNDERSTANDING VA LOANS



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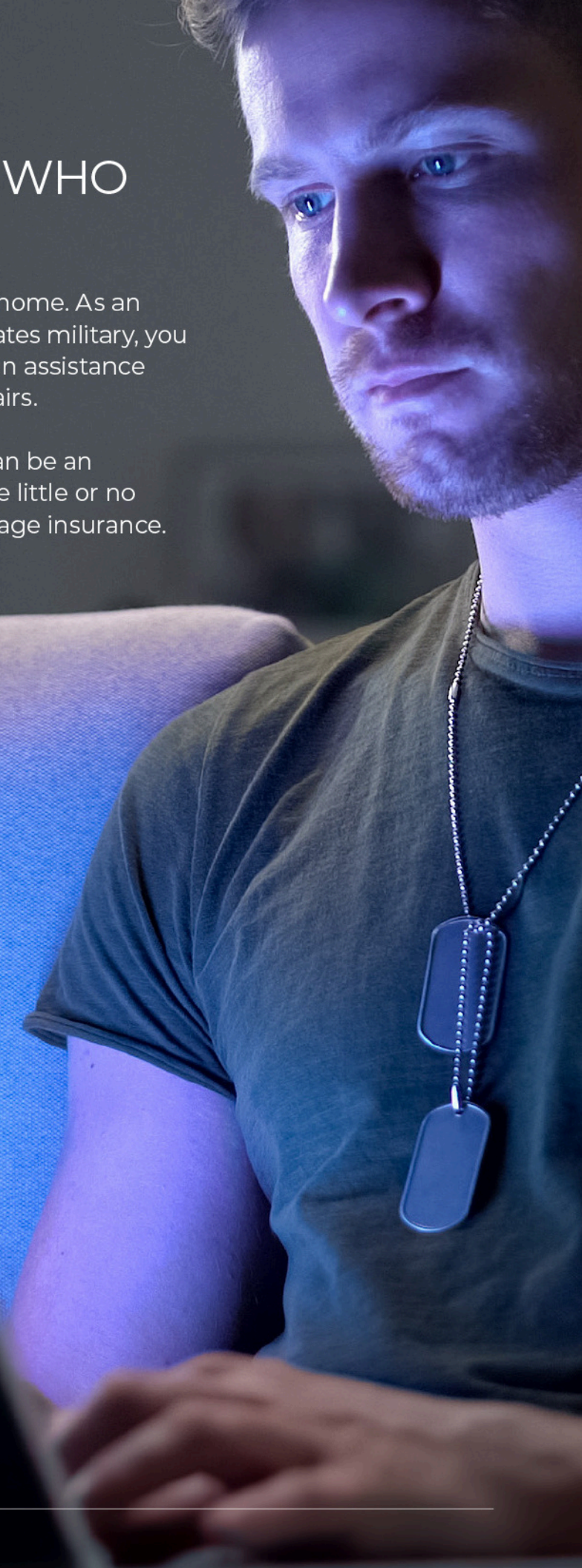
## GIVING BACK TO THOSE WHO SERVE OUR COUNTRY

Congratulations on your decision to purchase a home. As an active duty member or veteran of our United States military, you (and/or your surviving spouse) are eligible for loan assistance provided by the U.S. Department of Veteran Affairs.

Guaranteed by the U.S. government, VA loans can be an attractive option for home buyers as they require little or no down payment and do not require costly mortgage insurance.

## THANK YOU

*On behalf of all the full-time licensed and qualified professionals at our company, I appreciate the sacrifices you and your family have made in the service of our country. I am dedicated to delivering your loan on time and without any closing day surprises. Furthermore, I will communicate with you every step of the way and will confront all issues head-on, quickly and honestly. I know you have many options when it comes to choosing a lender, and truly appreciate your trust in me.*







## A QUICK OVERVIEW

VA loans are a government backed loan product offered by approved lenders who adhere to a strict approval process and agree to accept the VA's guarantee in lieu of a down payment.

Originally introduced as part of the GI Bill, the VA loan was established to assist returning WW II veterans. By offering easier access to employment, education and home ownership, veterans were able to make the transition back into civilian life more quickly. The bill was amended in 1992 to include all military personnel who meet certain conditions and have at least six years of service.

### **The benefits of a VA loan**

Widely regarded as among the best loan products available, VA loans can offer qualifying veterans competitive rates and exemptions from the down payment and mortgage insurance required by conventional loans. Another benefit is the possibility of qualifying for a larger loan amount than conventional loans might allow.

### **How VA loans can be used**

Qualified veterans can use VA loans for the following transactions:

- Purchasing a new home
- Building a custom home
- Purchasing a condominium
- Purchasing a lot
- Repairs and improvements
- Refinancing a loan
- Energy efficient upgrades

### **DID YOU KNOW?**

VA loans allow you to save thousands of dollars since you don't have to come up with a down payment or pay mortgage insurance.





## ELIGIBILITY REQUIREMENTS

VA loans have very favorable terms and are made available to all U.S. military personnel (and surviving spouses) who meet certain conditions. Aside from the service eligibility requirements outlined below, applicants must have a good credit rating and cannot have defaulted on any past VA guarantees. For the most up-to-date VA eligibility information, visit [benefits.va.gov/homeloans](https://benefits.va.gov/homeloans) and select the “Eligibility” tab.

## SERVICE REQUIREMENTS

**Current active duty:** 90 wartime days or 181 peacetime days.

**Current or prior reserve duty:** at least six years in the Reserves or National Guard.

**Prior active duty:** at least two years or the entire original active duty period which meets current active duty requirements.

**Surviving spouse:** of a veteran who died as a result of service, was a prisoner of war, or was missing in action more than 90 days.

**Prior to 1980:** veterans of WW II, the Korean War or Vietnam War must have served at least 90 days (181 days for all others).

**Disabled Veterans:** exempt from service length requirements if discharged with a disability.

**Special Veterans:** see the VA website for a specific list of individuals who qualify as Special Veterans.





## APPLYING FOR A VA LOAN

If you are ready to apply, the first thing you need to do before contacting your loan officer is obtain a valid Certificate of Eligibility (COE). The COE serves as your VA pre-qualification, guaranteeing that you will receive the stated coverage for your loan.

You can apply for your COE online through the VA eBenefits Portal Link:  
[ebenefits.va.gov/ebenefits/homepage](https://ebenefits.va.gov/ebenefits/homepage)

After submitting an application, your information and credit report will be reviewed, and a final decision made regarding your qualification status. In most instances, COE applications submitted online get a response within minutes, although it may take up to several days.

You can also apply for a COE by printing and mailing a completed Form 26-1880. Forms can be downloaded and printed by going to:  
[vba.va.gov/pubs/forms/vba-26-1880-are.pdf](https://vba.va.gov/pubs/forms/vba-26-1880-are.pdf)

If your COE application is approved, you will be informed of the current loan limits and will receive documentation of the approval. Be sure to keep the COE approval document as I will need a copy to begin the VA loan process.

### DID YOU KNOW?

You will need to apply for a Certificate of Eligibility (COE) before we can begin the VA loan process





### **Bankruptcy**

Unlike with many other types of loans, having a bankruptcy on your record does not automatically disqualify you from receiving a VA home loan. Even if you've declared bankruptcy in the past, you should give me a call so we can find out if you may still be eligible.

### **Foreclosure**

A past foreclosure does not necessarily disqualify you for a VA home loan. However, in order to qualify for a VA loan with a previous foreclosure, you'll need to provide a detailed history of the foreclosure and, in most cases, wait two years after the foreclosure before pursuing a VA home loan.

### **Short Sale**

A short sale occurs when your mortgage lender allows you to sell your home for less than you owe. If you have a short sale on your credit report you still may have some options when applying for a VA home loan. Many times, a short sale will be treated like a foreclosure and the same sort of two-year waiting period is imposed.

## **NEED MORE INFO?**

Looking for more information about COE's and qualifying for a VA home loan? Visit this link:  
[benefits.va.gov/HOMELOANS](https://benefits.va.gov/HOMELOANS)





## BORROWING LIMITS

There is no limit to the amount of money an eligible veteran (or surviving spouse) can borrow for a VA loan. As of January 1, 2020, the VA will no longer cap the loan amount for eligible veterans with full entitlement.

## INTEREST RATES

It's important to note that the VA does not set interest rates, lenders do. Like the stock market, interest rates fluctuate on a daily basis and can jump up or down without any warning. When you are comfortable with where the interest rate is at, I will initiate a rate lock, which is simply a guarantee that the rate will not be subject to change (up or down) for a specified period of time.





## LOCKING IN A RATE

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### **How Long Does a Lock Last?**

Rate locks vary but are usually made in increments of 5 or 10 days, ranging from 10 to 60 or more days. Longer locks are less likely to expire if your closing is delayed, but shorter locks may be less expensive.

### **Why Do Longer Locks Cost More?**

When you lock your rate, we purchase insurance (a hedge) and register the lock with the end investor (usually Fannie Mae or Freddie Mac). Longer locks pose a greater risk for market changes, so the insurance is more expensive.

### **Locking In Is a Two-Way Street**

The lock protects you from rising rates, though you take the risk that prevailing rates might fall. On the other hand, we carry the risk of both rising rates and higher costs if the loan doesn't close.

### **The Best Approach to Securing the Lowest Rate**

The lock you choose will depend on your scenario, including variables like the type of loan, complexity of qualification, credit requirements, and property type. When rates are rising, locking in will protect you. If rates are falling, then floating—or waiting to lock—may be better.



## VA FUNDING FEES

If you decide to purchase using a VA loan, you will be responsible for paying a VA funding fee at closing. Since VA loans require no down payment or mortgage insurance, this fee exists to reduce the cost to taxpayers and is based on a percentage of the total loan amount. This is a cost that can be paid out of pocket or rolled into the loan if you wish.

The amount of your fee may be affected by how much out-of-pocket money is used for a down payment and whether or not you are a first-time VA borrower.

### **In certain instances, you may be exempt from paying the fee if you are:**

- Receiving VA compensation for a service-connected disability.
- Not receiving retirement or active duty pay and are entitled to compensation for a service-connected disability.
- The surviving spouse of a Veteran who died in service or from a service-connected disability.

We can examine the specifics of your particular situation to assess exactly how much you will owe at closing.

## ASSOCIATED LOAN COSTS AND FEES

While funding with a VA loan may reduce or eliminate some fees, there are certain costs you are responsible for, and others you are prohibited from paying. After reviewing the common loan costs and fees below, let me know if you have any questions or want more detailed information regarding VA loan fees.

### **Prohibited by the VA**

- Prepayment penalties
- Direct loan costs (preparation fees, underwriting, processing, rate locks, etc.)
- Attorney fees
- Brokerage fees

### **Allowed by the VA**

- |                              |                                   |
|------------------------------|-----------------------------------|
| • VA funding fee             | • Taxes (state/local)             |
| • Loan origination fee (1%)  | • Assessments                     |
| • Reasonable discount points | • Hazardous insurance             |
| • Appraisal                  | • Flood zone determination report |
| • Compliance inspection      | • Surveys                         |
| • Recording fee              | • Title examination & insurance   |
| • Credit reports             | • MERS electronic registration    |



# LOAN PREP CHECKLIST

Now that you know a little bit more about VA loans and are ready to move forward, you can begin gathering the necessary documents needed to start processing your loan. Spending some time up front getting all your information together will save us time and help streamline the lending process. Let me know as quickly as possible if you run into any problems so we can keep your loan moving through the system.

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## Personal Information

- ☐ Telephone number
- ☐ Any addresses you lived at going back 2 years
- ☐ Date of birth
- ☐ Social Security Number
- ☐ Race/Ethnicity (required by law)
- ☐ Copy of driver's license
- ☐ State of purchase
- ☐ Number and age of dependents

## Asset Information

- ☐ Bank statments (last 60 days checking & savings)
- ☐ Retirement account statments (last 60 days)
- ☐ Documentation of any real estate holdings

## Monthly expenses

- ☐ Debt obligations (credit cards, loans etc.)
- ☐ Monthly child care expenses

## Employment Information

- ☐ Contact information & employment dates
- ☐ Pay stubs (last 30 days or mre recent LES)
- ☐ W-2's (last 2 years)

## Credit History

- ☐ Explanation for any derogatory credit reporting
- ☐ Proof of credit reporting errors
- ☐ Bankruptcy & discharge paperwork

## Flexible Income

- ☐ Income generated through self employment, commissions, or rental properties will require submission of tax returns for the past two filing years, including all accompanying schedules

## Divorce Information

- ☐ Alimony agreement
- ☐ Child support agreement

## Retirement Information

- ☐ Income derived from pensions, annuities or social security benefits, will require the submission of an award letter, W-2, tax return or 1099
- ☐ Distribution income paid from a 401(k), IRA or Keogh retirement account will require the submission of an award letter

## Military Information

- ☐ Copy of DD214 (if separated from the military)
- ☐ Completed 26-1880 (request for COE form)
- ☐ Statement of service from your C.O. (if active duty)
- ☐ Certificate of Eligibility (COE)





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**ANCHOR POINT**  
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