

VA Funding Fee: How Much Is It and Who Is Exempt in 2024?

What is the VA funding fee?

The VA loan funding fee is an administrative fee added to most VA mortgages. The amount varies based on your circumstances; first-time buyers with zero down pay a 2.3% funding fee while repeat VA loan users could pay up to 3.6%. Most VA borrowers roll the fee into their loan balance, so they don't have to pay upfront.

The funding fee supports the VA loan guaranty program so that these mortgages can remain low-cost and available to future veterans and military service members. As a result, **VA home loans** offer some of the best benefits in today's real estate market, including low interest rates, zero down payment, and no private mortgage insurance.

How much is the VA funding fee?

Funding fees are based on a percentage of the loan amount, but not all loans require the same percentage.

VA funding fees for home buying range from 1.4% to 3.6% of the loan amount, while fees for a VA refinance range from 0.5% (for an **IRRRL refinance**) to 3.6 percent (for a repeat VA borrower using a **cash-out refinance**).

Several factors determine the size of the VA funding fee, including:

- Loan purpose (refinance, cash-out refinance, home purchase, etc.)
- Type of home
- Down payment amount
- Whether or not you've used a VA loan before

Some veterans are exempt from paying a funding fee for any VA home loan.

VA loan funding fee exemptions

Not all veterans have to pay the VA funding fee. For instance, a disabled veteran who is receiving disability compensation from the VA for a service-connected injury is exempt.

The full list of VA funding fee exemptions is as follows:

- A veteran receiving VA compensation for a service-related disability
- A veteran entitled to receive VA compensation for a service-connected disability, but who receives retirement pay or active duty pay
- A surviving spouse of a veteran who died in active service or from a service-connected disability
- An active-duty service member who provides, on or before the date of loan closing, evidence of having been awarded the Purple Heart

Exempt status will most likely be confirmed on the veteran's Certificate of Eligibility (COE), a document the lender requests from the Department of Veterans Affairs to prove the veteran is eligible for a VA loan.

VA loan funding fees in 2024

Veterans using their VA loan benefit for the first time with zero down payment will pay a 2.3% funding fee. That's equal to \$2,300 for every \$100,000 borrowed. The funding fee can be paid upfront along with your closing costs, but most home buyers roll it into their loan amount, so they don't have to pay extra at closing.

Reserves and National Guard veterans pay the same fee as active-duty service members and veterans.

The full range of funding fee amounts is as follows.

VA home purchase loans

Down Payment	First-Use Fee	Subsequent-Use Fee
0%	2.3%	3.6%
5-10%	1.65%	1.65%
10% or more	1.4%	1.4%

VA refinance loans

Refinance Loan Type	First-Use Fee	Subsequent-Use Fee
IRRRL (Streamline Refinance)	0.5%	0.5%
VA Cash-Out Refinance	2.3%	3.6%
VA Loan Assumption	0.5%	0.5%

Manufactured homes not permanently affixed

First-Use Fee	Subsequent-Use Fee
1.0%	1.0%

VA refinance funding fees

Service members and veterans pay 2.3% the first time they use the VA loan program for a cash-out refinance, and 3.6% for subsequent uses. Keep in mind that refinancing from another loan type (for example, an FHA loan) into a VA loan counts as a VA cash-out refinance.

These higher funding fees do not apply to a **VA Streamline Refinance**, formally titled the “Interest Rate Reduction Refinance Loan” or “IRRRL.” The IRRRL replaces an existing VA loan with a new VA loan that has a lower interest rate or monthly payment. For all VA IRRRL loans, the funding fee is just 0.5% of the new loan amount, no matter how many times it’s used.

Funding fees for manufactured homes and construction loans

Loans for manufactured homes require a VA funding fee of 1 percent. A veteran who **assumes a VA mortgage** will pay just 0.5 percent.

Funding fees for a **VA construction loan** are equal to those for a VA home purchase loan, ranging from 1.4 to 3.6 percent. These vary based on your down payment amount. The funding fee percentage is based on the loan amount and not the purchase price of the home.

How to pay the VA funding fee

The VA funding fee is due when the loan closes. It is not due when you apply for the loan or at any prior stage of the process.

That said, you have some options for paying the funding fee. You can pay all or part of it in cash on closing day if you wish. But most veterans choose to include the fee in their loan amount.

Rolling the funding fee into your loan eliminates the need for additional cash at closing. But it also means you pay interest on your fee for the life of the loan and your monthly payments will be slightly higher.

Motivated home sellers can also pay the funding fee as well as some closing costs, including the appraisal, title, and loan origination fees. The total of all costs paid by the seller, including funding fees, cannot exceed 4% of the loan amount in most cases.

If the funding fee is 2.3%, that uses up over half of the allowed amount of **seller-paid closing costs**. Still, it could be a wise choice to have the seller pay this fee for you if you're short on upfront cash.

When will VA funding fees change?

Prior to 2020, guidelines for the VA funding fee were in effect from 2011 to 2019. The newer 2020 funding fees are in effect throughout

2024. They will be reviewed again, but the specific date has yet to be established.

This is good news for military home buyers who are still a couple of years away from becoming a homeowner or refinancing an existing home. Funding fees should be the same for them as for current VA loan applicants.

How to access VA loan benefits

The Department of Veterans Affairs administers the VA home loan program. But the VA itself does not lend money. Instead, the VA authorizes private lenders to sell VA loans. It also backs part of the loan, helping reduce risk to these lenders.

With backing from the VA, mortgage lenders can offer more attractive mortgage rates, eliminate down payment requirements, and consider borrowers with lower credit scores, without having to worry about what will happen if a loan defaults.

To use your **VA loan entitlement**, you'll need a Certificate of Eligibility (COE) proving you're eligible for the VA home loan benefit. VA lenders can get your COE for you within minutes. You can also get a COE yourself through the VA's online portal.

Do I qualify for a VA loan?

A Certificate of Eligibility doesn't guarantee you'll get a VA loan. You'll still have to **qualify with a VA lender** based on your credit score, credit report, debt-to-income ratio, and income.

The VA itself doesn't set a minimum credit score to borrow, but many VA lenders require a FICO score of 620 or higher. Some lenders may extend credit to borrowers with lower credit scores, but VA lenders don't accept subprime credit.

The VA no longer sets maximum loan limits, but your VA lender may. So if you're shopping for a higher-priced home, be sure to ask your lender about this upfront. you might end up needing a **VA jumbo loan**.

What types of VA loans are available?

Through the VA mortgage program, veterans, active-duty military members, and qualifying surviving spouses have access to a range of loan products.

These include:

- VA home purchase loans
- VA cash-out refinancing
- VA Streamline refinancing (“VA-to-VA loan” or “IRRRL”)
- VA construction loans
- VA manufactured home loans
- VA loan assumption

Regardless of one’s status as a homeowner or home buyer, the VA mortgage program is likely to offer an attractive option for those who qualify.

What are today’s VA loan rates?

Current VA rates are lower than rates for conventional loans or FHA loans. In addition, VA borrowers save money because they don’t have to pay monthly mortgage insurance — even with zero down payment.

Since the VA allows lenders to set their own rates and terms, home buyers should compare quotes from at least three different VA-authorized lenders. When comparing rates, make sure each quote reflects the same loan terms, discount points, and loan amount. Ready to get started?