

VA Loan Benefits and Requirements: 2024 VA Home Loan Guide

The VA home loan: Unbeatable benefits for veterans

For many who qualify, VA home loans are some of the best mortgages available.

Backed by the U.S. Department of Veterans Affairs, VA loans are designed to help active-duty military personnel, veterans and certain other groups become homeowners at an affordable cost.

The VA loan asks for no down payment, requires no mortgage insurance, and has lenient rules about qualifying, among many other advantages.

Here's everything you need to know about qualifying for and using a VA loan.

Top 10 VA loan benefits

1. No down payment on a VA loan

Most home loan programs require you to make at least a small down payment to buy a home. The VA home loan is an exception.

Rather than paying 5%, 10%, 20% or more of the home's purchase price upfront in cash, with a VA loan you can finance up to 100% of the purchase price.

The VA loan is a true no-money-down home mortgage opportunity.

2. No mortgage insurance for VA loans

Typically, lenders require you to pay for mortgage insurance if you make a down payment that's less than 20%.

This insurance — which is known as private mortgage insurance (PMI) for a conventional loan and a mortgage insurance premium (MIP) for an **FHA loan** — would protect the lender if you defaulted on your loan.

VA loans require neither a down payment *nor* mortgage insurance. That makes a VA-backed mortgage very affordable upfront and over time.

3. VA loans have a government guarantee

There's a reason why the VA loan comes with such favorable terms.

The federal government guarantees these loans — meaning a portion of the loan amount will be repaid to the lender even if you're unable to make monthly payments for whatever reason.

This guarantee encourages and enables private lenders to offer VA loans with exceptionally attractive terms.

4. You can shop for the best VA loan rates

VA loans are neither originated nor funded by the VA. They are not direct loans from the government. Furthermore, mortgage rates for VA loans are not set by the VA itself.

Instead, VA loans are offered by U.S. banks, savings-and-loans institutions, credit unions, and mortgage lenders — each of which sets its own VA loan rates and fees.

This means you can shop around and compare loan offers and still choose the VA loan that works best for your budget.

5. VA loans don't allow a prepayment penalty

A VA loan won't restrict your right to sell the property partway through your loan term.

There's no prepayment penalty or early-exit fee no matter within what time frame you decide to sell your home.

Furthermore, there are no restrictions regarding a refinance of your VA loan.

You can **refinance your existing VA loan** into another VA loan via the agency's Interest Rate Reduction Refinance Loan (IRRRL) program, or switch into a non-VA loan at any time.

6. VA mortgages come in many varieties

A VA loan can have a fixed rate or an adjustable rate. In addition, you can use a VA loan to buy a house, condo, newly built home, manufactured home, duplex, or other types of properties.

Or it can be used for refinancing your existing mortgage, making repairs or improvements to your home, or making your home more energy efficient.

The choice is yours. A VA-approved lender can help you decide.

7. It's easier to qualify for VA loans

Like all mortgage types, VA loans require specific documentation, an acceptable credit history, and sufficient income to make your monthly payments.

But, compared to other loan programs, VA loan guidelines tend to be more flexible. This is made possible because of the VA loan guarantee.

The Department of Veterans Affairs genuinely wants to make the loan process easier for military members, veterans, and qualifying military spouses to buy or refinance a home.

8. VA loan closing costs are lower

The VA limits the closing costs lenders can charge to VA loan applicants. This is another way that a VA loan can be more affordable than other types of loans.

Money saved on closing costs can be used for furniture, moving costs, home improvements, or anything else.

9. The VA offers funding fee flexibility

VA loans require a "funding fee," an upfront cost based on your loan amount, your type of eligible service, your down payment size, and other factors.

Funding fees don't need to be paid in cash, though. The VA allows the fee to be financed with the loan, so nothing is due at closing.

And not all VA borrowers will pay it. VA funding fees are normally waived for veterans who receive VA disability compensation and for unmarried surviving spouses of veterans who died in service or because of a service-connected disability.

10. VA loans are assumable

Most VA loans are “assumable,” which means you can transfer your VA loan to a future home buyer if that person is also VA-eligible.

Assumable loans can be a huge benefit when you sell your home — especially in a rising mortgage rate environment.

If your home loan has today’s low rate and market rates rise in the future, the assumption features of your VA become even more valuable.