

THE VA HOME LOAN

Resource Guide

UNDERSTANDING YOUR BENEFIT



Provided By: Isamar Mercado

VA Home Loan Advocate



EDUCATING VETERANS. IT'S WHAT WE DO.

Dear Veteran,

Did you know that of the 18 million Veterans in the US, only 19.7% use their VA Home Loan Benefit? Do you know why? The answer is surprisingly simple: there is a lack of resources that point Veterans to the truth about this incredible entitlement. At Fortress Group, we are committed to educating our Country's Veterans on their VA Home Loan Benefit so that they can own a piece of the Country that they fought to defend.

We invite you to begin your exciting journey toward homeownership with this straight forward booklet which clearly illustrates the VA Home Loan process, from eligibility and costs to dispelling the myths you may have heard about this life-changing benefit.

After familiarizing yourself with the VA Loan basics, don't hesitate to contact us or attend a free, no-obligation consultation that promises a deep dive into the specifics of the VA Home Loan Benefit.

Know that we are dedicated to guiding you every step of the way, no matter where you are in the home buying process. Thank you for allowing Fortress Group to accompany you as you take this critical first step toward understanding your VA Home Loan Benefit and building a legacy for your family!



Sincerely,

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Ready to Apply?

About

THE VA HOME LOAN BENEFIT

YOU EARNED YOUR BENEFIT BY SERVING YOUR COUNTRY

If you've served or are currently serving in the United States Armed Forces, your commitment earned you the right to own a piece of the Country that you fought to defend. You can use your VA Home Loan Benefit to purchase a home anywhere in the United States and its territories, including Puerto Rico, Guam, Samoa, the Northern Mariana Islands, and the US Virgin Islands.

Highlights **OF THE VA LOAN**

-
- No Down Payment Required
Flexible Underwriting & Credit Requirements
- No Closing Cost Options
- No Monthly Mortgage Insurance
- No Loan Limit with Full Entitlement Intact (Must Income & Credit Qualify)



NO DOWN PAYMENT

Conventional financing typically requires 20% down (to avoid mortgage insurance), and FHA requires 3.5% down, but the VA Loan doesn't require any down payment. Speak to a loan expert to evaluate your situation and determine if this is right for you.

FLEXIBLE UNDERWRITING

The VA Home Loan has very flexible underwriting compared to conventional and other types of home loan financing. Credit score requirements are also lower with VA Loans than with other products.

The VA Loan is not a "debt to income ratio" loan. Instead, you must meet the VA's residual income requirements. In some areas, this could mean a borrower can qualify for tens of thousands of dollars more for a home than with conventional financing.

NO CLOSING COST OPTIONS

All loans have closing costs, even VA Loans. However, VA Loans typically offer rate options to cover these costs besides the VA Funding Fee. You will have the option to pay points or fractions of a point to buy down your rate, pay zero points at a higher rate, or take a higher rate with rebate pricing that allows the lender to provide credits for closing costs.



NO PRIVATE MORTGAGE INSURANCE (PMI)

When borrowers make low down payments for Conventional, FHA, and USDA Loans, lenders typically require monthly private mortgage insurance premiums to protect the lender – not you the borrower – if you default on the loan.

In order to avoid paying PMI for Conventional Loans, you must put 20% down or come up with a down payment and a second mortgage combination.

Luckily, the VA Home Loan Benefit does not require the borrower to pay any PMI.

NO VA HOME LIMITS

As of January 1, 2020, the VA removed the county loan limit for Veterans who have their Certificate of Eligibility (COE) fully intact.

What does that mean for you? For example, you could take out a loan for millions of dollars to purchase your dream home at 100% financing, as long as you can income and credit qualify for the loan.

And the news keeps getting better! The Federal Housing Finance Agency (FHFA) has increased its county loan limits across the United States should you only have partial entitlement available. This would be the case if you are currently using your VA Home Loan Benefit but haven't reached the County limit for the County in which you will be purchasing another home.

Consult with a VA Loan expert for more details, but the bottom line is that this good news allows you more flexibility as a borrower.



VA ELIGIBILITY

WHO IS *Eligible* FOR A VA LOAN?

ARMY, NAVY, AIR FORCE, MARINE CORPS
COAST GUARD, & SPACE FORCE

90 DAYS
Wartime

September 15, 1940 – July 1947
June 1950 – January 1955
February 1961 – May 1975
August 1990 – Present

181 DAYS
Peacetime

July 1947 – June 1950
February 1955 – August 1964
May 1975 – September 1980

24 MONTH RULE

If service was between September 8, 1980 (October 17, 1981, for officers) and August 1, 1990, Veterans must generally complete 24 months of continuous active-duty service or the full period (at least 181 days) for which they were called or ordered to active-duty and be discharged under conditions other than dishonorable.

VA ELIGIBILITY

(CONTINUED)

MEMBERS OF THE RESERVE OR NATIONAL GUARD

ELIGIBLE UPON COMPLETION OF
6 years OF SERVICE
AS LONG AS...

- You received an Honorable Discharge
- You are placed on the Retired List
- You transferred to other Honorable Service
- You are still serving in the Reserves or Guard

OTHER ELIGIBLE BENEFICIARIES

- Discharged for service-connected disability
- UN-REMARRIED spouse (age 57 or older who didn't remarry before December 16, 2003) of a Veteran who died in service or from a service-connected disability
- Spouse of a Prisoner of War or Missing in Action



Requesting Your CERTIFICATE OF ELIGIBILITY

ACTIVE-DUTY MILITARY AND VETERANS CAN ORDER THEIR C.O.E. IN ONE OF 3 WAYS:

1. Complete a VA Form 26-1880 and request online at www.eBenefits.va.gov
2. Complete a VA Form 26-1880 along with proof of Military service to the VA Loan Eligibility Center: PO Box 100023, Decatur, GA 30031
3. Your Fortress Group Loan Expert can check if your Certificate of Eligibility is available

VA	Department of Veterans Affairs	CERTIFICATE OF ELIGIBILITY			
REFERENCE NUMBER 88888888		FOR LOAN GUARANTY BENEFITS			
NAME OF VETERAN JOHN DOE	<i>Example</i>	SERVICE NUMBER SOCIAL SECURITY NUMBER XXX-XX-9999			
ENTITLEMENT CODE 05		BRANCH OF SERVICE Army FUNDING FEE EXEMPT			
Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status
THIS VETERAN'S BASIC ENTITLEMENT IS \$36,000*					
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS \$0*					

WHAT IS THE VA FUNDING FEE?

The VA Funding Fee is a one-time payment that the Veteran, Servicemember, or survivor pays directly to the Department of Veterans Affairs on a VA-backed or VA direct home loan. The loan is based on the type of Military service performed and whether it's the first or subsequent use.

THE AMOUNT OF THE FUNDING FEE DEPENDS ON THE FOLLOWING:

- The type of transaction (purchase vs. refinance)
- Down payment
- Whether this is the first use or subsequent use of the borrower's VA Loan
- Benefit Whether you are/were regular Military, Reserve, or National Guard

Veterans & Active Military buyers receiving compensation for a service-connected disability & deemed 10% or more disabled by the VA are exempt from the funding fee!

PURCHASE LOANS

Service	Down Payment	First Loan	Subsequent Loans
Army, Navy, Marine Corps, Air Force, Coast Guard, Reservist or National Guard	0%	2.3%	3.6%
	5%	1.65%	1.65%
	10% +	1.65%	1.65%

CASH-OUT REFINANCE

Service	First Loan	Subsequent Loans
Army, Navy, Marine Corps, Air Force, Coast Guard, Reservist and National Guard	2.3%	3.6%

$$\begin{array}{l}
 \$500,000 \\
 \text{Loan Amount}
 \end{array}
 \times
 \begin{array}{l}
 2.3\% \text{ Funding Fee Factor} \\
 \text{(or appropriate funding fee)}
 \end{array}
 =
 \begin{array}{l}
 \$11,500 \text{ VA Funding Fee} \\
 +\$500,000 \text{ Loan Amount}
 \end{array}$$

\$511,500 Final VA Loan Amount

SO, WHAT DOES A *Qualifying* MORTGAGE PAYMENT CONSIST OF?

Here are some possible monthly fees & payments associated with both single family homes and condos

CONDOMINIUM, TOWNHOUSE OR DETACHED CONDO

- Principal and Interest
- Property Taxes
- Maintenance Fee
- Additional Flood Insurance if Required by the
- Lender Association Fees
- Interior H06 Insurance

SINGLE FAMILY HOME

- Principal and Interest
- Property Taxes
- Property Insurance
- Flood Insurance if Necessary



VA CLOSING COSTS

WHAT FEES ARE *Allowed* TO BE PAID BY THE BORROWER?

- 1% flat origination fee by the lender, plus reasonable discount points to lower the rate
- Appraisal and compliance inspections –including pest inspections, water well, septic, etc.
- Recording fees
- Credit report fee
- Prepaid items –including pro-rations for property taxes, insurance, and initial escrow deposits as required by the lender
- Insurance –the first year’s hazard insurance must be paid at closing, plus flood insurance if required
- VA flood certification –a third party verification to determine if a property is located within a special flood hazard area
- Survey
- Title examination and insurance
- VA Funding Fee –unless they are exempt, each Veteran must pay a Funding Fee to the VA (which can be rolled into the loan)

ADMINISTRATIVE FEES

- Loan closing or settlement fees
- Document preparation fees
- Document preparation or conveyance fees
- Attorney fees, other than those for title work
- Escrow fees or charges
- Notary fees
- Underwriting fees
- Loan application processing fees or
- Broker’s fees
- Tax service fees

COMMON *Myths* REGARDING THE VA HOME LOAN



OTHER TYPES OF FINANCING ARE BETTER AND EASIER TO QUALIFY FOR



This is simply not the case. Unlike other loan programs, the VA Home Loan is NOT a debt-to-income ratio loan. Instead, you must meet the VA's residual income requirements and an underwriter can manually approve a loan. VA home loans also have very forgiving credit score and history requirements, and the VA deems credit acceptable if the borrower has 12 months of recent on-time payments.



I CAN ONLY USE MY VA LOAN ONCE



You can use your VA Loan more than once as long as you have remaining entitlement and/or have paid off your existing VA Home Loan. You can buy a house, sell it, and then get your Certificate of Eligibility back to reuse at 100%. The second way to use your VA Loan again is if you pay off your house, or refinance it with a different loan option, then you will receive a one-time Entitlement restoration option and get your C.O.E. reinstated.

COMMON *Myths* REGARDING THE VA HOME LOAN (CONTINUED)

THE VA



On the contrary, in 2021, the VA removed the loan limit on all VA Loans for any borrower with 100% Certificate of Eligibility intact! This means that you can borrow millions for your home with 100% financing/no down payment required as long as you can credit & income qualify! (See page 5 “No VA Home Limits” for more information).



VA LOANS TAKE TOO LONG TO CLOSE



Working with an experienced team makes all the difference, in fact, a great VA Lender averages 30-day closings! Conventional, FHA Loans, and VA Loans allow for the same closing times, and VA loans typically have a higher probability of closing due to flexible underwriting.



I CAN'T GET ANOTHER VA LOAN BECAUSE OF FORECLOSURE



Even though a Veteran may have gone through foreclosure proceedings in the past, there may be an opportunity if there is entitlement available on their Certificate of Eligibility.



DOCUMENTS REQUESTED FOR A VA HOME LOAN *Pre-Approval*

- Application and Credit Check
- Two most recent Federal Tax Returns & W-2's
- Two most recent pay stubs or LES
- Two most recent bank statements, all pages in statement form
- Quarterly statements for all stocks, bonds, mutual funds, 401K or other long-term assets
- Copy of orders if in the process of a PCS, or offer letter if relocating to a new job
- Name, address, and phone number of a nearest relative not living with you
- Other items may be required if self-employed or if the VA Certificate of Eligibility is not readily available online

TIPS FOR A *Successful* VA HOME LOAN EXPERIENCE

1. Choose a **VA knowledgeable lender** you trust!
2. **Get pre-approved, NOT pre-qualified!** A pre-approval letter ensures the seller that the lender has verified your income, expenses, and assets, and has run your file through the automated underwriting system. Many sellers will not accept an offer based on a pre-qualification letter alone.
3. **Provide all your documents in a timely manner.** Your VA knowledgeable lender will ask you for different documents that are required for the pre-approval and closing processes. Any delay in providing that information can and will delay your closing process.
4. **Don't open new lines of credit until your loan closes.** Of course, go ahead and continue to purchase what you need (food, clothing, etc.) and keep paying your bills! But don't buy a new car or RV while you are waiting for your loan to close through the escrow process. This could affect your credit and other loan application-related items and result in higher payments, or disqualification for your home loan.
5. **Breathe.** The homebuying process is a journey! You may not get accepted on your first offer, and sometimes things may turn out differently than what you originally expected--that's natural. Enjoy the process and don't forget to breathe along the way!

HELP US SPREAD THE WORD SO WE CAN EDUCATE MORE VETERANS

VA Clients Turn To Us When:

- They want to learn how to maximize their VA home loan benefit.
- They want to ensure they are using homeownership to build wealth correctly.
- They are looking for a real estate coach and not a sales pitch.
- They want an agent who understands and loves VA transactions.

We represent real estate buyers and sellers and perform market analyses, contract negotiations, and financial Coaching. We understand that VA transactions have opportunities and risks that differ from non-VA transactions and we are happy to show you the differences.

Fortress Group Orlando thrives because we can demonstrate why the VA benefit, when done correctly, is the best way to buy a home and build financial security. Unfortunately, most people use it wrong.

As a Veteran, and owner of Fortress Group Orlando we are very passionate about serving our military heroes. Resume is packed with military awards, certificates, and charitable causes we support. The VA market has been under-served for too long and we love making a difference. You fought for us and we're here to fight for you!

