

VA FEES OVERVIEW

Generally, in any VA transaction the Veteran can pay:

- Reasonable bona fide discount points to lower the interest rate, plus
- Reasonable amounts for the itemized fees and charges that are allowed by the VA, plus
- A flat 1% fee (the 1% is based on the total loan amount for purchase & cash out, **but on a VA IRRRL, the 1% is based on the payoff amount of the original loan**)

The 1% Fee is designed to cover the costs associated with originating, processing and underwriting the loan. For example, on a \$200,000 VA loan, this fee would be \$2,000.

If the 1% fee is charged, additional charges for costs the VA considers overhead are not permitted. If the 1% flat fee is being used, the Veteran may not pay for additional fees including:

- Loan application or processing fees
- Interest rate lock-in fees
- Document preparation fees
- Lender appraisals (this does not include the VA appraisal)
- Postage costs
- Escrow or notary fees
- Tax service fees
- Loan closing or settlement fees

The costs listed above must be covered by the flat 1% charge. While using this flat fee is common, originators/lenders can also choose to take a more piecemeal approach. And if they do that, VA buyers can pay the costs and fees that would otherwise be unallowable.

For example, on a \$200,000 loan, an originator could charge a \$1,500 origination fee and then charge another \$500 in normally unallowable fees, like a loan application fee or a document preparation fee. The total of **all** individual charges still can't exceed 1 percent of the loan amount. So, in our example, the most the originator can charge is \$2,000 -- whether it comes from the flat charge or a pick-and-choose approach is up to them. Lender Credit may be used to offset non-allowable fees.

Itemized Fees & Charges:

In addition to the costs and fees above, the Veteran can pay reasonable amounts for certain itemized fees and charges.

These fees and charges can include things like:

- The VA Funding Fee
- The VA appraisal
- Recording Fees
- The credit report(s)
- Prepaid items, taxes and insurance
- Title insurance
- Flood cert fee
- [Approved local deviations](#)

These are third-party charges, and they may only be charged at the actual amount. Additional handling fees or costs may not be added. All itemized fees and charges must be accompanied by an invoice (except the VA Funding Fee). The Veteran may not be charged more than supported by the invoice or must be refunded the fee.

Non-Allowable Fees

Some costs and fees that are truly non-allowable, meaning the Veteran cannot pay them regardless of whether the originator is charging the flat 1% fee.

These truly non-allowable fees include:

- VOF charged by the lender
- Attorney fees charged by the lender
- Real estate broker or agent commissions or fees
- Fees for appraisals requested for a reconsideration of value or requested by anyone other than the seller or the Veteran.
- Flood zone determination fees.

Again, these are costs and fees that a Veteran cannot pay. But that doesn't automatically mean the home seller has to pay these costs. Any of the other parties to the loan (ex. the lender or a real estate agent) can cover these expenses.