VA New Construction Loan Guide for Veterans

Union of Saints

Purpose

This guide is designed to help veterans understand the VA new construction loan process, identify lenders that may offer these loans, compare options, and prepare for building a custom home.

What Is a VA New Construction Loan?

A VA new construction loan allows an eligible veteran to finance the construction of a new home instead of purchasing an existing one. These loans are guaranteed by the U.S. Department of Veterans Affairs but are funded by private lenders.

There are two common loan structures.

One-Time Close Construction Loan

- One application
- One closing
- Construction financing automatically converts into a permanent VA mortgage after completion
- Usually saves time and closing costs

Two-Time Close Construction Loan

- Construction loan closes first
- Permanent VA mortgage closes after construction is complete
- More lenders may offer this option

Benefits

- Up to 100% financing for qualified veterans
- No private mortgage insurance (PMI)
- Competitive interest rates
- Flexible credit requirements
- May finance land purchase with construction (depending on lender)
- May allow custom home construction

- VA disability income can generally be used for qualification
- Lower closing costs than many conventional loans

Basic Eligibility

Generally, applicants should have:

- Certificate of Eligibility (COE)
- Sufficient income
- Acceptable credit history
- Ability to meet VA residual income requirements
- A VA-approved builder
- Plans and specifications approved by the lender

The Construction Process

1. Obtain your Certificate of Eligibility.
2. Choose a lender offering VA construction loans.
3. Receive pre-approval.
4. Select land.
5. Choose a VA-approved builder.
6. Finalize building plans.
7. VA appraisal based upon completed plans.
8. Loan approval.
9. Construction begins.
10. Builder receives draw payments during construction.
11. Final inspection.
12. Move into your new home.

Questions to Ask Every Lender

- Do you offer VA One-Time Close Construction Loans?
- Do you offer Two-Time Close VA Construction Loans?
- What states do you lend in?
- Do you finance land?
- Can land already owned count as equity?
- What credit score is required?
- Is 100% financing available?

- What are current interest rates?
- How long is construction financing?
- Do you require contingency reserves?
- What builders are approved?
- Can I use my own builder?
- Are manufactured or modular homes eligible?
- Can I build a barndominium?
- Are ADUs permitted?
- What inspections are required?
- What are estimated closing costs?
- Is a rate lock available?
- What warranties are required?

National Lenders Worth Contacting

Veterans United Home Loans

One of the nation's largest VA lenders.

Potential services:

- VA mortgages
- Construction guidance
- Builder referrals
- Veteran education

Navy Federal Credit Union

Available for eligible members.

Potential services:

- Construction financing
- VA loans
- Builder financing
- Permanent mortgages

USAA

Offers VA mortgage products and may provide referrals for construction financing depending on the location.

Low VA Rates

Known for specialized VA lending.

Potential services:

- One-Time Close loans
- Veteran-focused lending
- Construction financing

Fairway Independent Mortgage

Many regional branches offer construction lending.

Guild Mortgage

Some branches provide construction-to-permanent financing.

Primary Residential Mortgage (PRMI)

Several offices offer construction financing.

New American Funding

Offers VA loans in many states and may have construction options through select branches.

CrossCountry Mortgage

Many local offices provide construction lending programs.

Guaranteed Rate

Some locations offer construction financing depending upon the market.

Movement Mortgage

Some branches provide construction-to-permanent financing.

Cornerstone Home Lending

Construction lending available through selected offices.

Academy Mortgage

Offers VA lending with construction programs in certain markets.

CMG Financial

Offers construction financing in numerous states.

Highlands Residential Mortgage

Construction lending available in selected states.

FirstBank Mortgage

Offers construction lending in certain regions.

FirstBank

Some branches provide construction-to-permanent financing.

SecurityNational Mortgage

Offers construction financing through participating branches.

Farm Credit Institutions

Depending on location, may finance land purchases that can later be combined with construction financing.

Specialized Construction Lenders

These companies often focus primarily on construction financing.

- One-Time Close Construction

- BuildBuyRefi
- UBuildIt
- Owner Builder Network
- Nationwide Construction Loans
- Construction Loan Services

Availability varies by state.

Regional Banks

Many local and regional banks offer construction loans that can later convert into VA financing or work alongside VA-approved builders.

Always ask local banks whether they participate in VA construction lending.

Credit Unions

Many credit unions periodically offer:

- Construction loans
- Lot loans
- Permanent financing
- Veteran loan specialists

Builders

Ask whether the builder:

- Has previously completed VA projects
- Is licensed
- Is insured
- Provides warranties
- Has references
- Understands VA inspections
- Works with your preferred lender

Land Considerations

Some lenders allow:

- Financing land and construction together
- Using owned land as equity
- Financing utilities
- Septic installation
- Wells
- Site preparation
- Driveways
- Landscaping allowances

Programs vary.

Potential Construction Costs

Besides the home itself, financing may include:

- Excavation
- Foundation
- Utilities
- Septic
- Well
- Permits
- Engineering
- Surveys
- Architectural plans
- Builder overhead
- Contingency reserve
- Interest reserve

Documents to Gather

- Certificate of Eligibility
- Driver's license
- Social Security card
- Proof of income
- VA disability award letter (if applicable)
- Bank statements
- Tax returns (if required)

- Land purchase agreement
- Builder contract
- House plans
- Construction specifications
- Insurance information

Helpful Tips

- Contact several lenders before choosing one.
- Compare both rates and construction experience.
- Ask specifically about One-Time Close loans.
- Request a list of approved builders.
- Understand every fee before signing.
- Confirm construction timelines in writing.
- Keep copies of all estimates and contracts.
- Ask whether rate locks are available during construction.

Final Thoughts

VA construction loans require more planning than purchasing an existing home, but they can be an excellent option for veterans who want to build a custom home. Comparing multiple lenders, asking detailed questions, and working with experienced builders can help make the process smoother and improve your chances of a successful project.