



VETERANS

HOME BUYER

GUIDE

A basic training manual
for using a VA loan to
buy a home.

Need A Home Loan?



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VA LOAN HISTORY

The Servicemen's Readjustment Act (GI Bill of Rights) was signed into law by President Franklin D. Roosevelt on June 22nd, 1944 to provide veterans with federally guaranteed home, farm and business loans with no down payment. Since then, the VA home loan program has benefited over 18 million veterans and their dependents with a home purchase.

BENEFITS

- Up to 100% financing - no down payment required in most cases
- Government-backed loan with lower interest rates
- No mortgage insurance
- Flexible credit guidelines
- No prepayment penalties
- Seller can pay up to 4% of sales price towards veteran's closing costs
- Loan is assumable

WHO IS ELIGIBLE?

The VA requires that all service members and veterans meet specific requirements for their time in service.

- During Wartime - active duty for at least 90 consecutive days with honorable discharge
- During Peacetime - active duty for at least 180 consecutive days with honorable discharge
- National Guard - six years of eligible service, 90 days of qualifying Title 32 orders or at least 90 qualifying days on Title 10 orders with honorable discharge required.
- Reserves - six years of eligible service or at least 90 qualifying days on Title 10 orders with honorable discharge required.
- Surviving Spouse - Dependency & Indemnity Compensation must have been awarded

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VA FUNDING FEE

The Veterans Administration charges all veterans a fee for costs associated with administering the VA home loan program. The table below reflects the funding fee amounts effective 1 January 2020. The fee is based on the loan amount being borrowed.

Fee for All Veterans & Service Members	
First Time Use	2.15%
Subsequent Use	3.3%
Purchase with 5% down	1.5%
Purchase with 10% down	1.25%
VA IRRRL (refinance)	0.5%
Disabled veterans (all loans)	0%

Current fees effective 1 January 2020

The funding fee may be financed into the loan amount, even over and above the appraised value of the home on a home purchase or refinance.



HELP FROM TRUSTED PROFESSIONALS

Loan Officer - A loan officer is the person who helps you arrange financing to get a VA home loan or other mortgage type. You should contact a loan officer first, before looking at homes to become preapproved. There is no cost to you to use a loan officer. A loan officer is paid by the lender who loans the money on your home loan. Find a loan officer that specializes in VA loans or works with veterans regularly.

Real Estate Agent - A real estate professional who will legally represent you as a buyer. An agent is able to provide you with information about homes in the area, the local market, get access to view homes and to protect you with completing and negotiating sales contracts. The seller pays your agent as part of the sale so there is no cost to you. The VA strictly prohibits real estate agents or brokers from charging veterans additional or flat fees.

Escrow Officer or Title Attorney - An escrow officer or closing attorney will provide the loan officer/lender with all of the necessary legal documents to facilitate the sale of a home. What state the property is in will determine whether you use an escrow officer or closing attorney. An escrow officer or closing attorney is paid through part of the closing costs charged as part of the transaction. You will generally only meet the escrow officer or closing attorney at the closing to sign the final documents.

Other professionals may be involved such as a home inspector, appraiser, pest control expert and more.

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WHAT KIND OF PROPERTY CAN I BUY WITH A VA LOAN?

The Department of Veterans Affairs only permits veterans to purchase a primary residence of one to four units. Residences may be existing or new construction for any of the property types below.

Single Family Residence - attached or detached

Planned Unit Development (PUD)/Townhome - attached or detached, common or public community amenities, may have an HOA or governing body

Condominium - must be a VA-approved community & project phase

Manufactured Home - home must be affixed to a permanent foundation with axles removed and land cannot be leased



WHAT ARE THE CREDIT REQUIREMENTS FOR A VA LOAN?

Credit Score - Most lenders require a 620 FICO score for a VA loan. Some lenders will go down to a 600 or 580 credit score and even lower with other limitations.

Bankruptcy, Foreclosure or Short Sale - VA guidelines state that a veteran must wait at least two years from the date of discharge or sale. Limited exceptions are available.

Use your credit wisely by making payments on-time, pay down revolving accounts and don't acquire any new debt unless necessary only after speaking with your loan officer.





WHAT CAN I DO TO PREPARE FOR BUYING A HOME?

FINANCIAL PREPARATION

While a down payment is generally not required on a VA home loan, you must be prepared for the expenses associated with buying a home. Below is what you can expect on average.

1% - Earnest Money - The actual amount of earnest money needed depends on the local market a home is located in.

\$500 - Inspections - A home inspection is highly recommended and the VA may require a well, septic or other inspection depending on the home.

\$650 - Appraisal - The average cost for a VA appraisal. The Veterans Administration requires an appraisal to be completed when buying a home.

2 - 4% - Closing Costs - Closing costs are paid to service providers as part of your home purchase. They may include the lender, appraiser, title company or closing attorney, other third-parties and prepaids for taxes and insurance. Your earnest money can be applied towards closing costs at closing.

OTHER HELPFUL TIPS

Employment - Maintain your current employment. If you plan to change jobs during a home purchase, speak with your loan officer. **Assets** - All funds used for earnest money, closing costs, etc. must have been deposited in a bank account for at least 60 days. If not, the money must come from the receipt of a paycheck (income), gift or sale of an asset. Money deposited from cash on-hand within 60 days can cause sourcing problems that may make those funds ineligible for use in a home purchase. **Credit** - Minimize the use of credit leading up to and during the home buying process. Don't close existing accounts or apply for new credit and continue to make your payments on-time. If an emergency arises, speak to your loan officer first. Not following these tips could lead to you no longer being able to qualify.

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FOUR STEPS TO OWNING A HOME

The home buying process is broken down into four basic steps. Some steps can be accomplished quickly while others may take several weeks or months.

STEP

1

Confirm Eligibility - Before looking at any homes, it is best to contact a loan officer to begin a loan application to ensure you meet the basic qualifications for a VA home loan. Timeline - 24-48 hours

STEP

2

Property Selection - Select a real estate agent who is familiar with the VA property requirements. View prospective homes with your agent. Timeline - average eight weeks

STEP

3

Under Contract - Working with your real estate agent to submit and have an offer accepted. Once your offer is accepted, you will begin working with the loan officer to begin the process of being approved for financing.

STEP

4

Close & Fund - Your application for a VA loan has been fully approved with all qualifications and conditions met. You can sign the final documents to become a homeowner. Timeline - average 30 days



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PREAPPROVAL ITEMS

You can help ensure your preapproval is smooth by gathering the documents below to confirm that you meet the basic qualifications for a VA loan.

- 30 Days of paystubs or LES
- Last two years of W2s and/or 1099s
- 60 Days of bank statements
- Copy of VA Certificate of Eligibility or military service record(s) - DD214 or points statement showing qualifying service (NGB-22/23A, AF 526, CRCR, DA5016, ARPR/ASOSH)
- Copy of VA and/or Social Security award letters (if applicable)
- Other documents may be needed depending on your individual situation

****Self-employed veterans - last two years of personal & business tax returns****



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ABOUT THE AUTHOR



Sulondia "Sue-Ham" Hammond is a Marine Corps Veteran, entrepreneur, and playwright. Sue is dedicated to helping as many persons as she can achieve home ownership and financial freedom.



For more information about using your VA home loan benefit, you can contact Sue below.

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Disclaimer

This is not an advertisement or an offer to lend. This guide was created for use by veterans, their spouses and families to learn more about the buying process using a VA home loan. It's intention is to provide you with the most basic of information. The guide does not account for individual scenarios where the VA may have provided additional guidance. If you have specific questions about your scenario, please contact the author, your VA Regional Loan Center or other industry professional.