



SPECIALIZING IN VA HOME LOANS



# VA HOME OWNERS GUIDE

[WWW.LOWVARATES.COM](http://WWW.LOWVARATES.COM)

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## Introduction to LowVARates

LowVARates.com is dedicated to assisting as many eligible active and retired military to help them become homeowners through utilizing their hard-earned VA home loan benefits.

For the past 20 years LowVARates.com has been dedicated to serving veteran homeowners. We specialize in providing VA loans to qualified veterans for mortgage purchases and refinances. Our professional staff will assist you to lock in low interest rates and take advantage of the unique opportunity provided through VA loans.

Current statistics indicate there are roughly **25 million eligible VA homeowners**, however, only 10% - 15% of eligible homeowners actually use a VA home loan. Our goal is to educate all eligible VA homeowners about the VA home loan program for their next purchase or refinance.

After reading through this VA loan guide, we are confident veterans and military personnel will utilize your VA home loan benefits. We hope you enjoy this overview and look forward to assisting you in any way we can.

## **Why a VA Loan?**

In 1944, the Department of Veterans Affairs started helping veterans become homeowners. Since 1944, the VA has issued loan guarantees on almost 20 million home loans. The Department of Veterans Affairs **does not** issue loans, lend money or approve your loan. However, the VA **does** repay a portion of your loan to the lender if you ever default on your mortgage.

Why should veterans or military personnel choose a VA loan instead of a conventional or FHA loan? We will cover a list of reasons as to why a VA loan is your best option; however, most homeowners who used a VA loan when buying their home will tell you the #1 reason to use a VA loan is that there is no money down required when buying a home!

### ***Why a VA loan over other loan options?***

- 1. No down payment required (100% financing)***
- 2. No monthly mortgage insurance***
- 3. Lower interest rates***
- 4. Easier to qualify for***

In today's housing market statistics show an average loan amount in the United States to be roughly \$160,000. An FHA loan requires a 3.5% down payment, which is almost \$6,000 paid in order to buy a home today. Conventional loans can require up to 20% down or \$32,000 out of pocket to close on your home! Using a VA home loan to purchase property saves you thousands of dollars up front.

### **Mortgage Insurance**

Both FHA and conventional loans require mortgage insurance as part of the monthly mortgage payment. The only way to avoid paying mortgage insurance is to put 20% down on a conventional loan. If you use an FHA loan to buy a home, you will be paying mortgage insurance for a minimum of five years regardless of how much money you put down. Again, you can see that VA loans put more money into the pockets of our military homeowners.

### **Low Interest Rates**

Though interest rates fluctuate on a daily basis, the VA home loan generally carry lower interest rates than conventional loans. Not only do these lower interest rates make mortgage payments less, but they also allow homeowners to get approved easier due to lower debt ratios.

### **Easier to Qualify**

It is important to understand that statistics show close to 80% of VA loan holders would not have been approved for a conventional loan under the exact same terms. It's true that VA loans are easier to qualify for then conventional loans.

## **VA Loan Eligibility**

The fastest and easiest way to determine VA eligibility is to contact LowVARates.com by phone or online at [www.lowvarates.com](http://www.lowvarates.com). Generally speaking, military personnel or veterans who have honorably served in the United States Armed Forces during war or peacetime have earned the right to a VA loan.

Those serving during wartime for at least 90 consecutive days or have at least 181 consecutive days during peacetime are eligible for the VA home loan program. Service member who have or are currently serving in the Reserves or National Guard can also have entitlement.

Spouses of deceased veterans who have died as a result of active service or service related injuries and have not remarried, may also be entitled to a VA home loan benefits.

## **What is a Certificate of Eligibility or COE?**

The first step military personnel and veterans should take before getting approved for a VA loan is to get a copy of their certificate of eligibility or COE. In order to receive the certificate from the Department of Veterans Affairs, military personnel and veterans need to either complete and submit the VA form 26 - 1880, or have an approved VA lender order an online version directly from the VA. Even though your form DD-214 is not required for VA loan, the information on this form will help you when completing your request for certificate of eligibility. Here is a list of some of the information you will be asked for when trying to obtain your COE:

- ***Name & Address***
- ***Phone & Social Security Number***
- ***Branch of service***
- ***Service numbers, Separation of Service, or Statement of Service (if applicable)***

### ***Previous VA Loans***

Remember that the Department of Veterans Affairs does not lend money or process VA home loans. It's in your best interest to have your approved VA loan officer or VA lender help you in obtaining your certificate of eligibility or COE.

## **Occupancy Requirements**

A major difference between conventional and VA mortgages is the occupancy requirement. As with all mortgage guidelines, there are typically exceptions or provisions to every rule. VA loans generally require the veteran homeowner to occupy the property as the primary residence.

The Department of Veterans Affairs and its approved VA lender's, verify that the whole will be occupied within a reasonable amount of time. A reasonable amount of time has been defined as 60 days. There are occasions when it may be determined the home will be occupied outside of 60 days and still possibly be approved for the loan. In most cases, VA loans cannot be used to purchase rental properties or vacation homes.

If you are active duty and married it is possible for your spouse to satisfy the occupancy requirement by moving into the home during military deployments or when the veteran is out of the area. In situations where variables need to be looked at, it's always good to contact [LowVARates.com](http://LowVARates.com) to help you reach an approved and responsible VA lender.

## **Credit/Income Requirements**

Another benefit of using a VA home loan to purchase or refinance property is the credit score requirements. For VA loans, credit scores are not nearly as strict as conventional loans. Your VA loan approval is based on a number of factors including: income, employment history, job stability and other requirements. Less than perfect credit will not keep an eligible veteran or active duty military from getting a VA loan.

### **Declaring Bankruptcy**

A conventional loan may require you to wait up to four years from the time you declare bankruptcy before you could get a new loan. VA loans require you wait only 1 to 2 years, depending on the type of bankruptcy filed.

The Department of Veterans Affairs has not issued any guidelines on maximum debt-to-income ratios for VA loans. Some banks may decide to require a certain debt-to-income ratio in order to approve you for a loan. [LowVARates.com](http://LowVARates.com) has aligned itself with approved VA lender's that don't put a maximum debt ratio on VA loans.

### **Residual Income**

Debt Ratio is more important than your residual income. Residual income is easily defined as: the amount of money left over every month after paying all of your bills. To get approved for a VA loan, the VA lender will want to make sure the homeowner makes enough money for the home they are buying. It's also important to consider the cost of living in the state you live in and that you can afford all the other costs associated with owning your home.

## **VA Funding Fee**

As mentioned earlier the Department of Veterans Affairs does not issue loans or lend money. However, the VA does guarantee a portion of the loan amount that the bank makes to the eligible veteran. In an attempt to defray the costs of administering the VA home loan program, almost every borrowers taking out a VA loan will be charged a one-time VA funding fee. The VA funding fee is normally financed or rolled into the new VA loan. Funding fees charged can range from 0.5% to 3.3% of the borrowed loan amount. There are a few variables which determine what percent will be charged for the funding fee.

If military homeowners are buying a home for the first time and are regular military with zero down payments, a VA funding fee of 2.15% will be charged. For a \$100,000 loan the amount would come out to be \$2,150.

There are some situations where VA funding fees may be completely waived. If the borrower is receiving VA compensation for service connected disability, there will be no VA funding fee chart. In instances where the borrower will be receiving VA compensation, if it's not for their retirement pay, then the VA funding fee is also waived. Finally, the fee is also waived for the surviving spouse of the veteran leader died in service or from a service connected injury.

For refinance transactions or for home purchases with a down payment, the amount of VA funding fees will vary. For more information please contact LowVARates.

### **Funding Fee Table**

| <b>First time use, purchase of an eligible property</b> |                    |                    |
|---|--------------------|--------------------|
| <b>Down Payment</b>                                     | <b>Active Duty</b> | <b>Reserves/NG</b> |
| 0% to 4.99%   | 2.2%               | 2.4%               |
| 5% to 9.99%   | 1.50%              | 1.75%              |
| 10% +   | 1.25%              | 1.5%               |

| <b>Second time use, purchase of an eligible property</b> |                    |                    |
|--|--------------------|--------------------|
| <b>Down Payment</b>                                      | <b>Active Duty</b> | <b>Reserves/NG</b> |
| 0% to 4.99%  | 3.3%               | 3.3%               |
| 5% to 9.99%  | 1.50%              | 1.75%              |
| 10% +  | 1.25%              | 1.5%               |

**Other Loan Types:**

- *Manufactured Home Loans: 1.00%*
- *Loan Assumptions: .50%*
- *Cash Out 3.3% Funding Fee*
- *Streamline Refinance (IRRRL): .50% Funding Fee*

**Closing Costs**

We have discussed numerous reasons why military homeowners should use a VA loan for purchasing and refinancing a home. Along with the fact that there are no down payments required, VA loans also have regulations in place which require VA lenders too keep closing costs as low as possible.

For example a veteran or active duty military is not allowed it to pay for:

*-Non-Allowable Costs*

*-Underwriting fees (\$500-\$1000)*

*-Processing fees (\$250-\$750)*

*-Doc preparation fees (\$50-\$150)*

*-Attorney fees (\$500-\$1000)*

*-Escrow fees (\$500-\$750)*

As the numbers show from the list above, using a VA home loan can literally save you thousands of dollars in closing costs.

## **Pre-Approval**

If military personnel and veterans are considering purchasing a home and using a VA mortgage it's important to start getting preapproved. The preapproval process is the first step taken by those wanting to buy a home. In years past, almost any lender could take offers from potential homeowners on their home without a preapproval letter. In the aftermath of the 2007-08 housing crisis, sellers will not consider an offer to buy a home if potential homeowners cannot show a valid preapproval letter.

A preapproval letter is evidence to the seller and real estate agent that the potential homeowner has provided evidence of employment, income and ability to afford the home.

Getting a preapproval letter can be an easy process. Buyers should provide an approved VA lender with the following documentation:

- 1. *Last two years of W2 forms for all applicable borrowers (if self employed two years of tax returns)***
- 2. *The most recent month's paystubs for ALL applicable borrowers***
- 3. *Request for COE or form 26-1880 or DD214***

Once the buyer has provided the required information to a VA lender, they will process the preapproval. The preapproval indicates the maximum loan amount the buyer has been preapproved for at the time the potential homeowner begins searching and looking for a home.

## **Refinancing Options**

There are essentially two types of VA home loan refinancing programs for veterans and military homeowners.

### **VA Streamline**

The VA streamline refinance or IRRRL (Interest Rate Reduction Refinancing Loan) is only available to those who currently have a VA mortgage on their property.

If you currently have a VA loan on your home at interest rate that is higher than the going VA interest rates today, then you can take advantage of the VA streamline and get yourself a lower interest rate with little or no effort. The VA streamline loan was created to allow military homeowners to take advantage of falling interest rates quickly and easily. Some of the benefits of the VA streamline include:

- No out of pocket costs*
- No monthly mortgage insurance*

- *No appraisal required*
- *FICO score not needed*
- *No verification on employment or income*
- *Reduced VA funding fee*

### **Cash out Refinance**

The cash out refinance is available for homeowners who have a VA loan on their property and want to take out cash or do debt consolidation. It's also available for homeowners who currently have a conventional loan, but are seeking to refinance to a VA home loan.

There are many eligible military homeowners who for one reason or another do not use a VA loan when buying their home, but would now like to take advantage of the benefits of a VA loan. Also, homeowners may already have a VA loan, but are interested in more than lowering their interest rate with a streamline. For those looking to consolidate debt, pay off bills and make home improvements, the VA cash out loan can help homeowners accomplish these goals.

### **The First Step**

Now that military and veteran homeowners have finished reading the VA home loan guide, you may be wondering what to do next? We invite you to contact LowVARates.com so we connect your family with an approved VA mortgage company.

There are three easy ways to get in touch with LowVARates:

- 1. Call us toll-free at 866-LOWVARATES (866-569-8272)**
- 2. Apply online at LowVARates.com**
- 3. Chat Live on the Web site.**

Please visit [www.LowVARates.com](http://www.LowVARates.com) to contact us. We look forward to assisting you!