

**HONORING
ALL WHO
SERVED**



**THE
VA
LOAN**



A GUIDE TO VA LOAN

An American flag is draped over a light-colored wooden surface, with the stars and stripes clearly visible. The flag is positioned on the left side of the image, partially covering the wooden background.

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What is a VA Loan?

A VA loan is a *government-backed mortgage* option available to Veterans, service members and surviving spouses. VA loans are made by private lenders, like mortgage companies and banks, and not the Department of Veterans Affairs.

VA home loans offer competitive interest rates and terms and can be used to purchase a single-family home, condominium, multi-unit property, manufactured house or new construction.



VA Loan Benefits

The VA has guaranteed more than 28 million loans since 1944, when the home loan program began as part of the original *GI Bill of Rights*. VA loans work much like any other home loan but come with significant benefits meant to make homeownership easier and more affordable for Veterans and service members.

Here's a look at a handful of the biggest benefits of VA loans:

1. 0% Down Payment

Being able to buy a home without a down payment is the signature benefit of VA loans. This huge advantage has been part of the loan program since day one. Qualified Veterans can purchase without making a down payment, no matter how much home they're buying.

0%

Most other loan types will require a down payment, often at least 3% of the loan or more. Saving that kind of lump sum can take years for many Veterans and military families. VA buyers with plenty of cash for a down payment can also choose to invest that money elsewhere.



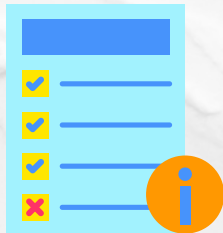
2. Lower Interest Rates

VA loans have had the lowest average interest rate on the market for at least the last two years, according to data from Optimal Blue.

Getting a lower rate can help Veterans qualify for a larger loan. Lower rates also translate to greater savings in both monthly payment and over the life of the loan.

3. Flexible Credit Guidelines

VA loans were created to expand access to homeownership, and one of the ways they're still fulfilling that mission today is through more flexible and forgiving credit underwriting requirements.



Credit score minimums vary by lender, but VA loans often have lower score requirements than other loan types. At Veterans United, we typically look for a minimum FICO score of 600. VA loans don't have a hard cutoff for debt-to-income ratio, and they typically have shorter waiting periods following negative credit events like bankruptcy or foreclosure.

4. Closing Cost Limits



Financing a home purchase can come with a range of closing costs and fees. With VA loans, lenders are capped at how much they can charge a Veteran to originate and process a loan.

Sellers in a VA transaction can pay all of a buyer's loan-related closing costs and up to 4 percent of the loan amount in concessions. There are also some costs and fees VA buyers are not allowed to pay.

5. No Private Mortgage Insurance



With conventional loans, buyers who can't make a 20% down payment usually have to pay for private mortgage insurance (PMI), an additional monthly cost that cuts into their buying power. FHA loans have both an upfront and a monthly form of mortgage insurance.

VA loans don't require a down payment or mortgage insurance, which saves Veterans and helps boost their homebuying budget.



Veterans and service members must meet basic time-in-service and character of service requirements to be eligible for a VA home loan. Some surviving spouses also have VA loan eligibility.

Active duty service members, Veterans and those serving in the National Guard and Reserves can all be eligible, along with select other groups.

Generally, you can be eligible for a VA loan if you served:

- **90 consecutive days** on active duty (wartime)
- **181 consecutive days** on active duty (peacetime)
- **6 years** in the Guard or Reserve, or **90 days** under Title 32 orders (at least 30 of those days must be served consecutively)

Lenders like Veterans United can help obtain your Certificate of Eligibility (COE), a formal document issued by the VA that confirms you meet the guidelines. Veterans don't need to get this document before starting the home loan process.

Veterans need to meet both VA and lender guidelines related to things like credit score, debt-to-income ratio and more.

How VA Loans Compare

Understanding all of your mortgage options is key to making the best financial decision possible. Just because you're a Veteran doesn't mean a VA loan is automatically the right fit. But for many Veterans and service members, this becomes the most financially advantageous path to homeownership.



VA LOANS	CONVENTIONAL LOANS	FHA LOANS
0% Down <i>(for qualified borrowers)</i> VA loans are among the last no down payment loans on the market.	Up to 20% Down Down payments as low as 3% are out there, but higher down payments are more common.	3.5% Down FHA loans require a minimum down payment.
No PMI Even with the 0% down payment benefit, VA loans don't require private mortgage insurance.	PMI Required Conventional loans usually require private mortgage insurance unless you make a 20% down payment.	Upfront + Annual MIP FHA buyers pay both an upfront and annual mortgage insurance premiums.
Competitive Interest Rates VA loans have the lowest average rate on the market, according to Optimal Blue data.	Low Rates at a Cost Buyers often need top-tier credit scores in order to tap into the best conventional mortgage rates.	Middle of the Road Rates FHA loans are typically lower on average than conventional rates but higher than VA loan rates, according to Optimal Blue data.
Lowest Origination Costs VA loans had the lowest average origination cost last year, according to HMDA data.	Middle of the Road Costs Average conventional loan origination charges were 22% higher than VA charges last year, according to HMDA data.	Highest Origination Costs Average conventional loan origination charges were 27% higher than VA charges last year, according to HMDA data.
Easier to Qualify The VA loan is a hard-earned job benefit created to expand access to homeownership for Veterans and service members. More flexible and forgiving credit underwriting guidelines are a hallmark of the program.	Standard Procedures Conventional mortgage options often require higher credit scores and down payment requirements than VA loans, along with stricter underwriting guidelines in some cases.	Qualifying is Easier, Too FHA loans were created to help lower and middle-income consumers become homeowners and offer some flexible underwriting guidelines.



Types of VA Loans

The VA loan benefit offers qualified Veterans multiple powerful home financing options.

VA Purchase Loan

Veterans and service members can use the VA loan to purchase new or existing homes with \$0 down payment. VA purchase loans also allow Veterans to buy single-family homes, condominiums, manufactured homes, multiunit properties (like a duplex) and even new construction.

Policies and guidelines can vary by lender. Some lenders may not make all of these types of VA purchase loans.

VA IRRRL

The *VA Interest Rate Reduction Refinance Loan (IRRRL)* is one of the VA loan program's two refinance options and the one most Veteran homeowners choose.

These are also known as VA Streamlines, and that's because they're simple, low-cost refinance loans that in some cases might not require credit underwriting, income verification or an appraisal.

The VA IRRRL is only for Veterans who currently have a VA loan, require your new rate is smaller than your old rate and have a limit on the time it takes to recoup the costs and fees. All of which help ensure Veterans realize the full financial benefit.

VA Cash-Out Refinance

The *VA Cash-Out refinance* allows qualified homeowners to refinance their mortgage and take out cash from their home's equity. These loans are open to Veterans with and without current VA loans. Qualified homeowners can typically refinance up to 90 percent of their home's value.

Lending guidelines and loan-to-value requirements can vary by lender. Homeowners are not required to take out cash with these loans, which means Veterans with non-VA mortgages can use this option as a basic rate-and-term refinance.

VA Energy Efficient Mortgage

The VA allows Veterans to borrow additional money to pay for energy efficiency improvements to a home, as part of either a home purchase or a refinance.

Veterans can finance up to an extra \$6,000 to cover the cost of qualified improvements, like storm or thermal windows, heat pumps and solar heating and cooling systems. Homeowners can't use this option to purchase appliances, window air conditioning units and other non-permanent additions.

VA loans have helped generations of Veterans and military families build stronger financial futures.

Here are a few of the most frequently asked questions about this historic home loan benefit.

What is the VA guaranty?

Although the VA loan is a federal program, the government generally does not make direct loans to Veterans. Instead, private lenders including Veterans United Home Loans finance the loan while the Department of Veterans Affairs offers a guaranty.

This guaranty protects the lender against total loss should the buyer default, which provides an incentive for private lenders to offer the VA loan with better terms than other mortgage options.

What are VA loan limits?

The VA loan limits help determine how much Veterans with diminished VA loan entitlement can borrow before needing to make a down payment.

Veterans with their full entitlement can borrow as much as they can afford, all without a down payment. But if you have an active VA loan and want to reuse your benefit for a new home, or if you've defaulted on a previous VA loan, then at least some of your entitlement isn't accessible.

In those cases, the VA loan limit for the county in which you're buying helps determine how much entitlement you have left. With that calculation and the Veteran's Certificate of Eligibility, lenders can assess whether buyers need to make a down payment.

The VA's loan limits are the same as the Federal Housing Finance Agency's one-unit conforming loan limits. These can change every year.

What is the VA funding fee?

The VA Funding Fee is a governmental fee applied to every VA purchase and refinance loan. This fee is set by Congress and goes straight to the Department of Veterans Affairs to help fund the loan program.

When using the benefit for the first time, Veterans pay 2.15% of the loan amount on a purchase or Cash-Out refinance. For all subsequent uses, the fee rises to 3.3% of the loan amount. The funding fee for a VA Streamline refinance is 0.5%.

Buyers can lower their funding fee exposure by making a down payment.

Veterans can choose to finance this fee into their loan rather than pay it in cash at closing. They can also ask sellers to cover it as part of any concessions. Veterans receiving compensation for a service-connected disability and select others are exempt from this fee entirely.

Is the VA loan a good option?

VA loans are arguably the most powerful loan option on the market. They come with a list of big-time benefits, including \$0 down payment, no mortgage insurance, flexible and forgiving credit guidelines and the industry's lowest average fixed interest rates.

Every Veteran buyer's situation is different, and going over all of your loan options with a home loan specialist can help ensure you make the best financial decision possible.

Are VA loans risky?

A long-time misconception about low and no-down payment loans is that they're inherently risky. The reality is VA loans have been the safest loan on the market for most of the last 15 years, according to foreclosure data from the Mortgage Bankers Association.

VA loans feature a unique underwriting requirement known as residual income, which offers a more holistic look at a Veteran's finances and ability to weather fiscal challenges. The VA loan program also provides supplemental servicing for its loans and encourages servicers to find alternatives to foreclosure. Those efforts have helped hundreds of thousands of Veterans avoid default and stay in their homes.

How do I get a VA loan?

Talk with a trusted lender that knows VA loans and how to get the most from this hard-earned benefit. The process typically starts with getting preapproved, which can often be done in minutes using your phone, laptop or tablet.

Loan preapproval is a key first step before making an offer on your dream home. Having that preapproval letter gives you a clear sense of your buying power and shows sellers and listing agents you have what it takes to get to closing.

If I've previously used a VA loan, can I use it again?

Yes, this is a lifetime benefit. You can reuse the VA loan over and over again.

Buyers usually regain the full power of their benefit after selling a home and repaying their original VA loan in full. It's also possible to buy a home with a VA loan, live in it for a time and then rent it out and buy a new home using any remaining VA loan entitlement.

You typically need to sell a home to regain your full VA loan entitlement. The VA gives all qualified buyers one opportunity to repay a VA loan in full (usually with a non-VA refinance loan), keep the property and buy again with their full entitlement.



Let's Chat.

I'm sure you have questions and thoughts about the real estate process.

I'd love to talk with you about what you've read here and help you on the path to selling your house. My contact information is below, and I look forward to working with you.

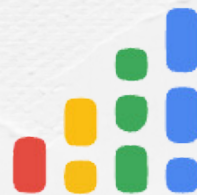
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