Email: LPGC.VBAPHO@va.gov

You are here → We are here to help you find your way

Phoenix Regional Loan Center

VETERANS BENEFITS ADMINISTRATION

U.S. Department of Veterans Affairs

What can a VA-Guaranteed Home Loan be used for?

- To buy a home, condo or town-home
- To construct a home
- Manufactured Home (and lot) on Permanent Foundation
- Refinances
  - Cash-out and Interest Rate Reductions
- Energy Efficient Mortgages
- More in Chapter 3,6,7 of VA Pamphlet 26-7

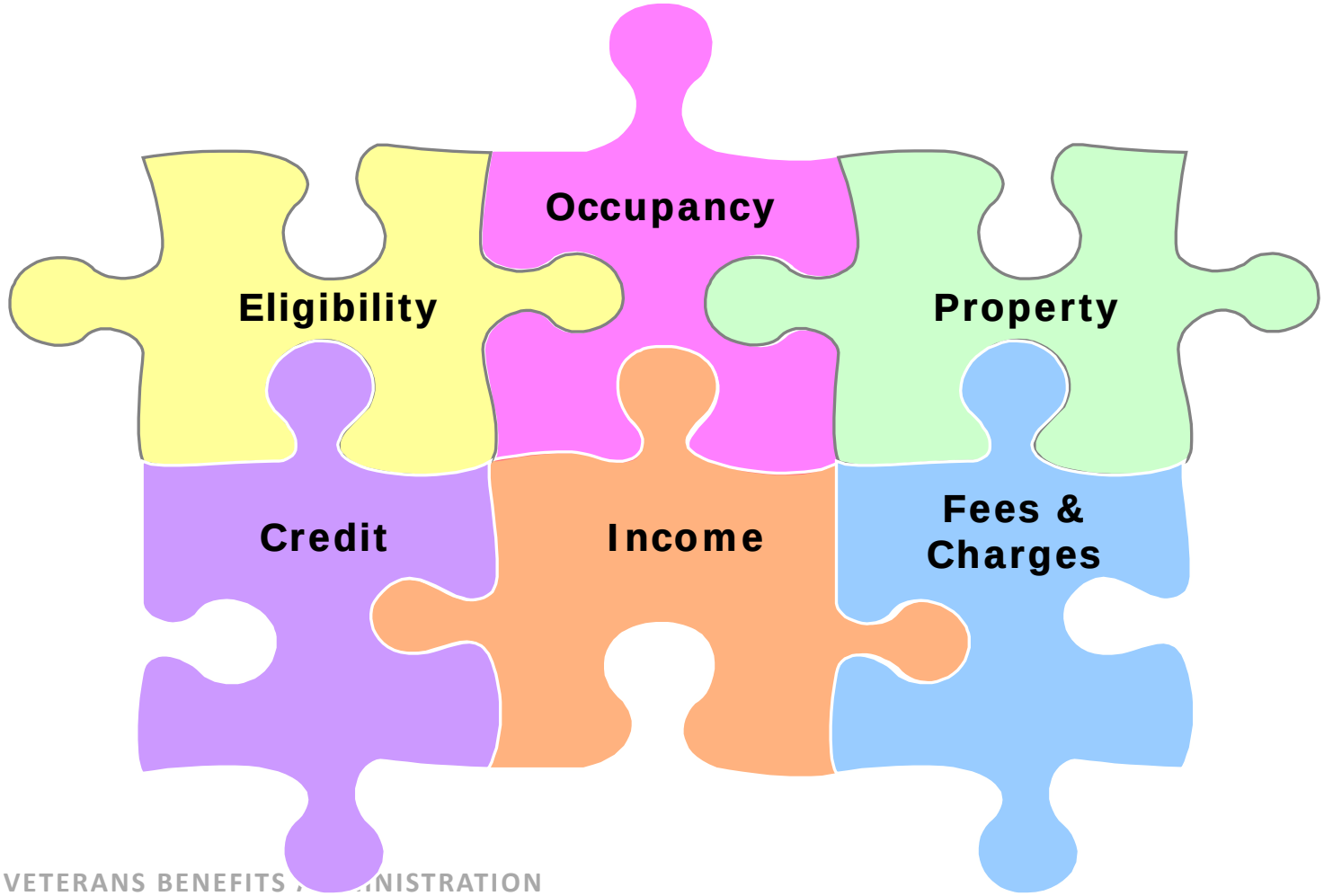
Lender Process

- Prior Approval
  - Package file and submit to VA for underwriting review *prior* to closing
  - Prior-approval lenders, joint loans, certain veterans
- Automatic Approval
  - No VA review required
  - Lender Appraisal Processing Program (LAPP)

Mandatory Prior Approval Loans

- Joint Loans
  - 2 or more veterans
  - Vet/NonVet
- Veteran Rated Incompetent by VA
- In receipt of Non-Service Connected Pension
- IRRRL 30 days or more past due
- Refer to Chapters 1, 5 and 7 of the VA Lender's Handbook

Basics of a VA Loan



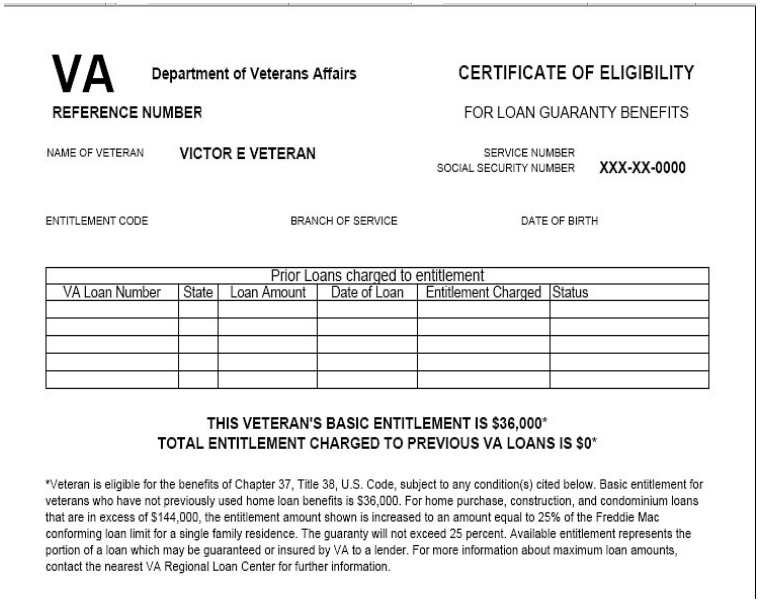
ELIGIBILITY

Who is Eligible?

- Veterans
  - Completed full term of service
  - Discharge other than Dishonorable
- Active Duty Service Members
  - At least 90 days
- Reserve/National Guard Members
  - At least 6 years
  - With Honorable Discharge
- Unmarried Surviving Spouses
- Others

Certificate of Eligibility

- By Mail
  - VA Form 26-1880 or 26-1817
  - Proof of Service
  - Restoration docs (as applicable)
- Electronically (Website)
  - www.benefits.va.gov/homeloans/
  - Veterans Information Portal
  - Veteran or Lender
  - www.ebenefits.va.gov
- Eligibility Center
  - Atlanta Regional Loan Center (subject to certain change)
  - 1-(888)-768-2132



VA Department of Veterans Affairs

CERTIFICATE OF ELIGIBILITY

REFERENCE NUMBER

FOR LOAN GUARANTY BENEFITS

NAME OF VETERAN VICTOR E VETERAN

SERVICE NUMBER
SOCIAL SECURITY NUMBER XXX-XX-0000

ENTITLEMENT CODE

BRANCH OF SERVICE

DATE OF BIRTH

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status

THIS VETERAN'S BASIC ENTITLEMENT IS $36,000*
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $0*

*Veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement for veterans who have not previously used home loan benefits is $36,000. For home purchase, construction, and condominium loans that are in excess of $144,000, the entitlement amount shown is increased to an amount equal to 25% of the Freddie Mac conforming loan limit for a single family residence. The guaranty will not exceed 25 percent. Available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For more information about maximum loan amounts, contact the nearest VA Regional Loan Center for further information.

Proof of Service

- Active Duty
  - DD Form 214 (Member 4 copy)
    - www.nara.gov
  - Statement of Service
- Reserve/Guard Members
  - NGB Form 22
  - Retirement Points Statement
- Unmarried Surviving Spouse
  - Report of Casualty DD Form 1300
  - Death Certificate

Restorations of Entitlement

- Normal Restoration requires
  - Loan paid in full, and
  - The veteran no longer owns the home, or
  - Assumption and substitution of entitlement
- One-Time Restoration
  - Still owns home but paid in full
- Provide documentation

VA Entitlement Codes

01	World War 2
02	Korean War
03	Post Korean War
04	Viet Nam
05	Entitlement Restored
06	Un-remarried Surviving Spouse
07	Spouse of POW / MIA
08	Post World War 2
09	Post Viet Nam
10	Persian Gulf War
11	Selected Reserves

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CONDITIONS

Active Duty Service Member- Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required.

Subsequent Use Funding Fee- Entitlement code of '5' indicates previously used entitlement has been restored. The veteran must pay a subsequent use funding fee on any future loan unless veteran is exempt.

Entitlement

- Basic entitlement
  - Is $36,000
  - May be reduced due to unrestored entitlement
- Bonus Entitlement
  - Is only applied to guaranty on loans over $144,000
  - Varies by county based on median home price
  - Subject to annual changes based on changes in median home prices
  - Can be used even if veteran has $0 in basic entitlement (provided loan is over $144,000)

VA County Loan Limits

- Published on website: http://www.benefits.va.gov/homeloans/loan_limits.asp
- Based on a guaranty of 25%
- Loans may exceed this amount, however may require a down payment to meet investor requirements
- May need to adjust max loan amount based on un-restored entitlement

Example

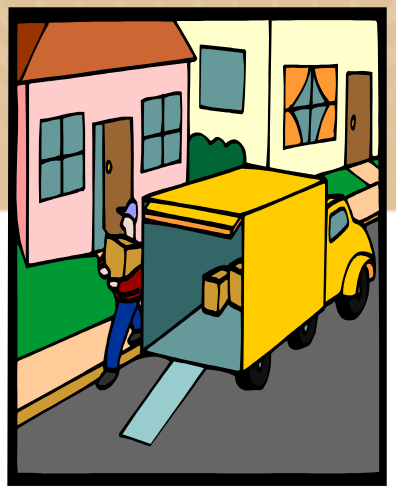
- Basic entitlement = 0 Entitlement charged on previous loan is $36,000
- County limit is $417,000
  - Max Guaranty = $104,250 (25% of $417K)
- $104,250 - $36,000 = $68,250 = max guaranty
- $68,250 x 4 =$273,000
- In this case, the veteran may obtain a loan **over** $144,000 and **less** than $273,000 without a down payment.

Down Payments

- The Loan Guaranty Certificate (LGC) does not express equity
- The LGC only expresses the percentage of the loan which is guaranteed by VA
- Must be the borrower's own funds when the purchase price exceeds reasonable value

OCCUPANCY

Occupancy



- Primary Residence
- Veteran must occupy within 60 days
- Exceptions:
  - IRRRLs – previously occupied
  - Active duty service person's spouse or Dependent Child
  - Active duty on temporary status
  - Intermittent Occupancy
    - History of continuous residence in community
    - No indication of residency elsewhere
- Refer to Chapter 3.05

THE PROPERTY

Property Requirements

- Minimum Property Requirements
  - Safe, Sanitary, Sound
- Condominiums approved by VA
  - Check legal description
- Repairs Negotiable between buyer and seller
  - May escrow for completion of repairs
  - Must be completed prior to guaranty
  - Requirements on Foreclosed Properties VA Circular 26-14-5

The Appraisal Process

- Lender uploads a copy of the purchase contract
  - Also provide a copy of pest inspection if available
- Appraiser completes report
  - Within 7 business days
  - Electronic copy uploaded to WebLGY
- NOV is issued
  - By lender SAR for LAPP cases; by VA Staff for IND cases
- Repair Inspection Processing Procedures (Circular 26-14-8)

CREDIT AND INCOME

Underwriting

- 2 basic questions
  - **Can** the applicant pay?
  - **Will** the applicant pay?
- Use flexibility and sound judgment
- Case by case basis, not an exact science

Automated Underwriting

- Approved Systems
  - Desktop Underwriter (DU)
  - Loan Prospector (LP)
  - Clues (for Bank of America)
  - Zippy (Chase)
- Risk Calculator
  - Reduced Documentation
  - Refer does NOT equal denial

Income

- Stable, Reliable, & Anticipated to Continue
- 2 year history – Consider:
  - Type
  - Training/Education/Special Qualifications
  - Past history
  - Explain gaps
- Less than 12-month history:
  - Generally not considered stable and reliable
  - Carefully consider special circumstances, employers probability of continued employment
  - Explain why you are using

Income Verification

- VOE – VA Form 26-8497
- Employment Verification Services
- Alternative Documentation
  - Verbal Verification
  - Pay stub with a YTD of at least 30 days
  - W2's for previous 2 years
- Less than 120 days (180 for New Construction)

Active Duty Income

- Check ETS date:
  Less than 12 months
  re-enlistment
  required

- BAH/BAS
  non-taxable
  http://www.defensetravel.dod.mil/site/bahCalc.cfm

- Explain allotments/
  consider Advanced
  Debt repayments

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNING STATEMENT

ID	NAME LAST FIRST, MI.	SSN	GRADE	PAYDATE	YRS SVC	ETS	BRANCH	ADSN DSSN	PERIOD COVERED
	HAI S C. 1	2	E-6 3	820130 4	15 5	311204 6	ARMY 7	5570 8	1-31 JAN 03 9

	ENTITLEMENTS 10		DEDUCTIONS 11		ALLOTMENTS 12		SUMMARY		
	TYPE	AMOUNT	TYPE	AMOUNT	TYPE	AMOUNT			
A	BASE PAY	2175.30	FED TAXES	179.35	BOND #01	50.00	+AMT FWD	.00	13
B	BAH	643.37	FICA-SOC SEC	134.87	BOND #02	50.00	+TOT ENT	3046.83	14
C	BAS	228.16	FICA-MEDICARE	31.54	CFC ALLOT	3.00			
D			STATE TAXES	78.87	AER ALLOT	3.00	-TOT DED	1434.97	15
E			SGLI FOR 200,000	17.00					
F			AFRH	.50			-TOT ALMT	106.00	16
G			MID-MONTH-PAY	992.84					
H							=NET AMT	1505.86	17
I									
J							-CR FWD	.00	18
K									
L							=EOM PAY	1505.86	19
	TOTAL	3046.83 20	1434.97	21	106.00	22	DIEMS 820130	23	RETPLAN HIGH 3 24

LEAVE 25-32	BF BAL	ERND	USED	CR BAL	ETS BAL	LOST	PAID	USE/LOSE	FED TAXES 33-38	WAGEPER	WAGEYTD	MS	EX	ADDL TAX	TAXYTD
	30	25	10	45	128.5	0	0	0		2175.30	15227.10	M	02		1255.45

FIC TAXES 39-43	WAGE PER	WAGE YTD	TAX YTD	MED WG YTD	MD TX YTD	STATE TAXES 44-49	ST	WGPER	WAGE YTD	MS	EX	TAX YTD
	2175.30	15227.10	944.09	15227.10	220.78		GA	2175.30	15227.10	M	02	552.09

PAY DATA 50-62	BAQ TYPE	BAQ DEPN	VHA ZIP	RENT AMT	SHARE	STA	JFTR	DEPNS	2D JFTR	BAS TYPE	CHARITY	TPC	PACIDIN
	W/DEP	SPOUSE	29207	695.00	1	R		0		REGULAR	27.00		ECM1PT40

THRIFT SAVINGS PLAN (TSP)	Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Rate	Inc Pay Current	Bonus Pay Rate	Bonus Pay
Current	63	64	65	66	67	68	69	70
	0	.00	0	.00	0	.00	0	.00
	71	TSP YTD Deductions .00 72		Deferred .00 73		Exempt .00 74		75

REMARKS: 76 YTD ENTITLE 77 20512.0 YTD DEDUCT 78 3100.9

YOUR PAY/PERSONNEL FILE IS ROUTINELY MATCHED WITH STATE FILES TO IDENTIFY MEMBERS DELINQUENT IN CHILD SUPPORT PMTS

BANK: THI AL BANK
ACCT #)

YOUR CURRENT STATE CLAIM IS:
PLEASE VERIFY YOUR STATE OF LEGAL RESIDENCE FOR STATE INCOME TAX PURPOSE. CONTACT YOUR PAYROLL OFFICE TO FILE A NEW DD FORM 2058 TO CHANGE/ESTABLISH CORRECT STATE IMMEDIATELY.

Other Types

- Self Employed
  - Income Tax Returns
  - YTD Profit and Loss
  - Balance Sheet
- Commissions or Bonuses
  - Frequency
  - YTD Payments
- Part Time/Overtime
  - Regular, predictable and likely to continue
  - Verified for at least 2 yrs
  - Less than 2 yrs; use to offset debts (10-24 months)

Rental Income

- Multi Unit (Securing Loan)
  - Vet must occupy one of the units
  - 6 months reserves PITI
  - Property management & rental experience
  - May use 75% as effective income
- Other Property (Investment Property/Not Securing VA Loan)
  - 3 months reserves PITI
  - 2 years tax returns documenting rental income
  - Must be verified as stable and reliable
- Rental of previously occupied property
  - Not used as a source of income/only offset payment
  - Need signed lease agreement

Credit

- 3-File Merged or RMCR
- Spouse's history in community property states
- Verify Rent/Mortgage history
- Overall picture/pattern
- Absence of credit history/ Use non-traditional
- Re-established credit
  - 12 months from the date the last derogatory item is satisfied
  - Judgments paid or in satisfactory repayment plan

Bankruptcy

- Chapter 7
  - Discharged over 24 months – disregard
  - Discharged over 12 months
    - If beyond the control of the borrower
    - Re-established credit (recent 12 mos)
  - Consider reasons, develop facts
- Chapter 13
  - Acceptable with 12-month payment history
  - Approval of trustee or agency
  - Consumer Credit Counseling

Foreclosures

- Develop facts/circumstances
- Treat same as a Chapter 7
- If it was a VA Loan
  - Ensure no debt to government
  - Entitlement restoration
- Short Sales
  - Evaluate case by case
    - Consider the reason for short sale
    - Late payments
    - Re-established credit

CAIVRS

- Credit Alert Interactive Voice Response System
- HUD maintained system
- Authorized users only
- A CAIVRS inquiry must be performed on all borrowers
- Consider any obligations appearing in CAIVRS when qualifying
- Any delinquency or default disqualifies the borrower from obtaining the loan, unless brought current or satisfactory arrangements have been made with the Federal agency.

Debts and Obligations

- Consider…
  - Childcare
  - Alimony/Child Support
  - Allotments on LES/Pay stubs
  - Any debt with significant payments
  - Charge-offs
- Disregard…
  - Student loans deferred 12+ months
  - 401K loans (do not include with assets)
  - Insignificant debts < 10 months
  - Co-obligor on another's loan if:
    - Evidence payments made by someone else
    - No reason to believe the borrower will need to make payments in the future

Assets

- Must be sufficient in amount to close
- Verification of Deposit (26-8497a)
  - Alt docs: last two banks statements
- Gift Letters/Large Deposits
- Reserves not required, however, helpful when determining overall credit analysis

FEES AND CHARGES

VA Funding Fee

PURCHASE/CASH-OUT REFI/CONSTRUCTION LOANS

Veteran Type	Down Payment	Percentage for First Time Use	Percentage for Subsequent Use
Regular Military	None	2.15%	3.3%
	5% or More	1.50%	1.50%
	10% or More	1.25%	1.25%
National Guard/ Reserves*	None	2.4%	3.3%
	5% or More	1.75%	1.75%
	10% or More	1.50%	1.50%

*A Nation Guard/Reservist member who has been on active duty under USC Title 10 for 90 days or more will be considered "Regular Military" for funding fee purposes.

OTHER LOANS

Type of Loans	Percentage for Either Type of Veteran
Interest Rate Reduction Refinance Loan (IRRRL)	.50%
Manufactured Home Loans not on permanent foundation	1.00%
Loan Assumptions	.50%

Veteran Exempt From VAFF?

- Veteran's exempt status shown on certificate of eligibility for purchases and regular (cash-out) refinances or shown on IRRRL Status & History screen
- Submit Verification of Benefit (VA Form 26-8937) only when certificate of eligibility or IRRRL Status & History screen states form is required.
- Submission Procedures
  - Fax (602) 627-3221

Closing Costs

- VA Appraisal
- Credit Report
- Title Exam and Insurance
- Recording and MERs Fee
- Flood Zone Determination
- Endorsements
- Discount Points
- 1% Flat Fee (Lender origination)

Unallowable Fees

- Lender Attorney Fees
- Real Estate Brokerage/Commission Fees
- Prepayment Penalties
- HUD/FHA Inspection Fees for Builders
- Unreasonable discount points

Seller Concessions – 4% of Reasonable Value Limit

- Do NOT include:
  - Payment of the buyer's closing costs
  - Payment of discount points applicable to the market
- Do Include:
  - Payment of the VAFF
  - Prepayment of Property Taxes and Insurance
  - Gifts (television, microwave, etc.)
  - Payoff of credit balances or judgments

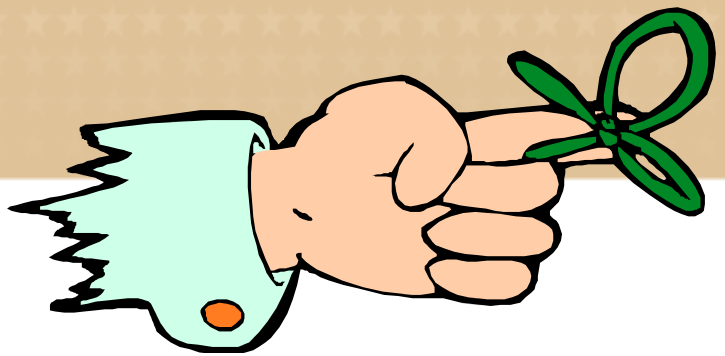
INTEREST RATE REDUCTION REFINANCES

Processing an IRRRL:

- Interest Rate and P&I must be lower (unless previous loan is an ARM)
- Max term = lesser of 30 years, or original term +10 yrs
- VA Appraisal NOT required (Loan number only)
- Finance up to 2 discount points
- Consult VA for change in obligors (Chapter 6)
- No Cash Back to borrower
  - Special circumstances, explain
  - EEM reimbursements up to 90 days prior to close

AND IN CONCLUSION…

Remember



- Income should be predictable
- Documents should support calculations used
- Gross up only when calculating the ratio
- Reconcile any discrepancies
- List compensating factors
- Complete and include all necessary forms and certifications
- DOCUMENT, DOCUMENT, DOCUMENT!!!!!

More Information

- http://www.benefits.va.gov/homeloans/

- Phoenix Regional Loan Center
  - 1-888-869-0194
  - Email: LPGC.VBAPHO@va.gov
  - www.vba.va.gov/ro/phoenix/RLC_Main.htm
  - Veterans Benefits Administration 3333 N. Central Ave Phoenix AZ 85012 ATTN: Loan Production