



## VA Helps Veterans Become Homeowners...

**D**uring the past several years, all the news has been about how much harder it is to purchase a home because lenders have tightened guidelines. However, many have overlooked the fact that the VA Mortgage Program administered by the Department of Veterans Affairs has not tightened at all. The program exists as a benefit to veterans, reservists and active military and also makes Native American Direct loans.

The program is beneficial in helping those eligible to purchase because of several important reasons:

- ⇒ For those who retain full eligibility, there is no down payment required. Most mortgages with 100% financing have gone by the wayside, but not only has VA maintained this benefit, VA mortgages have consistently outperformed national averages.
- ⇒ VA allows the seller of the home to pay for all closing costs. What does that mean? It means that a veteran or active member of the armed forces can purchase with no money down and no closing costs. Zero cash is required from the borrower. Keep in mind that prudent financial advice and underwriting standards may require cash reserves after closing and certainly such reserves are a good idea even if not required by VA.
- ⇒ VA requires no mortgage insurance. While a one-time funding fee is required to help pay for the cost for the administration of the program, VA provides protection for the lender against default. This is the part of the program which is a benefit to the veteran. If the loan defaults, VA will absorb up to 25% of the loss. On conventional and FHA loans, required insurance can add 0.75% or more to the cost of the monthly payment.

There are two other important points concerning the funding fee. This fee can be financed into the loan amount and therefore, no cash up-front is required. In addition, those who are on more than 10% disability arising from their military service can have the fee waived. This could mean a savings of thousands of dollars.

### VA Benefits

- ⇒ **No down payment**
- ⇒ **Seller can pay closing costs**
- ⇒ **No mortgage insurance**

As in any program, there are restrictions upon the use of VA mortgages.

- ⇒ VA mortgages can't be used to purchase second home or investor properties.
- ⇒ The applicant must qualify using a "residual" method of qualification, which actually goes through a budget and makes sure that there is enough money left over monthly to afford the housing payment.
- ⇒ The benefit can be used again after the first purchase, however, the eligibility must be restored by paying off the first mortgage or assumption of the mortgage by another veteran who substitutes their eligibility. Second-time use also increases the amount of the funding fee.
- ⇒ As mentioned in the previous paragraph, VA loans are assumable. The interest rate is not adjusted, making the home easier to sell in certain environments. However, unless assumed by another veteran, the veteran will not retain their original VA eligibility in order to purchase another home using a VA mortgage.

The program can also be used to refinance present mortgages.

- ⇒ If the present mortgage is a VA mortgage, VA offers an Interest Rate Reduction Loan (IRRL), a program that streamlines refi requirements. No appraisal and qualification is required to lower the interest rate on a present VA loan. The funding fee is also lower for these IRRL mortgages.
- ⇒ If the present mortgage is not a VA mortgage, the veteran can refinance into a VA mortgage if they have full eligibility. These loans require full qualification but also have a maximum loan-to-value ratio of 100%, including for cash-out transactions. That means a veteran in this situation can use 100% of the equity of their home to pay off debts or for other purposes.

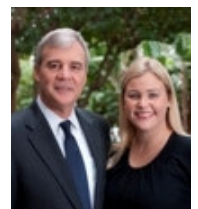
One other point about VA mortgages. There is a restriction on the loan amount. Generally, the maximum VA mortgage will correspond to the maximum conforming mortgage amount in a particular area. Most areas of the country have the same loan amount, however, certain high cost areas are higher than the maximum (such as Hawaii) and at other times Congress has extended temporary limits in high cost areas, most recently in response to the severe housing recession we experienced in 2007 and subsequent years.

The government truly helps veterans and active military purchase homes as well as refinance their present mortgages. This is a major benefit to help those who have served our Nation... ☐

### Bob & Katie Howe

Orange County Lender  
Personal Mortgage Advisors

O: 949-852-0400 x219  
[bhowe@OrangeCountyLender.com](mailto:bhowe@OrangeCountyLender.com)



Father-Daughter  
Team