

VA Guaranteed Home Loans

Satellite and Streaming Video Lender Training



"VA 101: Home Loan Program Basics"

November 18, 2009

Student Materials

U S Department of Veterans Affairs – Veterans Benefits Administration
Loan Guaranty Service
Training Unit - 264B

<http://www.benefits.va.gov/homeloans/broadcast.asp>

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ELIGIBLE LOAN PURPOSES AND LOAN TYPES

VA loans may be used for the following purposes:

- ~ To buy an existing home, including a townhouse or condominium unit in a VA-approved development.
 - ~ To build a home.
 - ~ To simultaneously purchase and improve a home.
 - ~ To improve a home by installing energy-related features
 - ~ To refinance an existing home loan.
 - ~ Cash-out refinance.
 - ~ Reduce the interest rate (Interest Rate Reduction Loan or Streamline)
 - ~ Hybrid Adjustable Rate Mortgage
 - ~ Adjustable Rate Mortgage
 - ~ Convert an adjustable rate mortgage (ARM) to a fixed rate mortgage.
 - ~ To purchase a multi-family property (up to four units). The veteran must occupy one of the units as his or her primary residence.
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ADVANTAGES OF VA GUARANTEED LOANS

- No down payment
- Loan Maximum may be up to 100 percent of the VA established reasonable value of the property. However, due to secondary market requirements, VA loans generally do not exceed the Freddie Mac conforming loan limit for a single-family residence (currently \$417,000 and \$625,500 for Alaska, Hawaii, Guam and the Virgin Islands).*
- Flexibility of negotiating interest rates with the lender.
- No monthly mortgage insurance premium to pay.
- Limitations on the buyer's closing costs.
- An appraisal that informs the buyer of the property value.
- Thirty-year loans with a choice of repayment plans:
 - * Traditional fixed payment: Constant principal and interest; increases or decreases may be expected in property taxes and homeowner's insurance coverage.
 - * Graduated Payment Mortgage (GPM): Consists of low initial payments that gradually rise to a level payment starting in the sixth year.
 - * Growing Equity Mortgages: (*Available in some areas*) Consists of gradually increasing payments with all of the increase applied to principal, resulting in an early payoff of the loan.
 - * Hybrid Adjustable Rate Mortgage (HARM): Effective until 9/30/12.
 - * Traditional Adjustable Rate Mortgage (ARM): Effective until 9/30/12.
- For most VA loans for proposed construction, construction is inspected at appropriate stages to ensure compliance with the approved plans
- An assumable mortgage, subject to lender or VA approval of the assumer's credit.
- Right to prepay loan without penalty.
- VA performs personal loan servicing and offers financial counseling to help veterans avoid losing their homes during temporary financial difficulties.

*See our website (www.benefits.va.gov/homeloans/new.asp) for higher cost county limits for 2009.

NATURE OF THE VA HOME LOAN PROGRAM

VA DOES NOT LOAN FUNDS DIRECTLY TO VETERANS

Exceptions:

NADLP - Native American Direct Loan Program (for properties on trust lands)

SAH - Specially Adapted Housing grant program (for eligible service-connected veterans with loss of use of both lower extremities or both upper extremities above the elbow)

SHA – Special Home Adaptation grant program (for eligible service-connected veterans who are blind or have loss of use of both upper extremities)

TRA – Temporary grant, up to \$14,000, to allow a veteran to adapt a house that they do not own. It must be used in a family member's home or in a rental property that the veteran does not intend to live in for an extended period of time.

VA HOME LOAN GUARANTY PROGRAM

AUTOMATIC LOANS

Loans processed on the automatic basis are prepared, underwritten and closed by the lender before being submitted to VA for guaranty, bypassing the VA commitment stage. Over 90 percent of VA loans are done on the automatic basis.

LAPP LOANS

Loans processed on the Lender Appraisal Processing Program (LAPP) basis are automatic loans which also bypass the appraisal review and Notice of Value (NOV) issuance by VA. LAPP lenders have their own VA-approved staff appraisal reviewers (SAR) who review appraisal and issue NOV letter to veteran instead of VA. After issuing NOV, the lender proceeds to close the loan on an automatic basis.

LOANS NOT ELIGIBLE FOR AUTOMATIC CLOSING

1. **Joint loans*** between a veteran and non-veteran or between two veterans.
2. Loans to veterans receiving nonservice-connected VA **pension**** income.
3. Loans to veterans **rated incompetent by VA**.

*Loans with **veteran** and **spouse** jointly obligated are **not** considered “**joint loans**” for VA purposes.

Veterans receiving VA **compensation income may be processed on the automatic basis.

ADVANTAGES OF VA'S AUTOMATED SYSTEMS*

TAS - The Appraisal System

- ~ Appraisals and case numbers can be obtained 24 hours a day.
- ~ Lender controls information input.
- ~ Not affected by VA office hours or government shutdowns.
- ~ Check status, including foreclosures.
- ~ Check condominium and builder approval.

LAPP - Lender Appraisal Processing Program

- ~ Appraisal goes directly to lender for review
- ~ No wait for VA Staff Appraiser to review.
- ~ Lender controls timeliness.

Automatic Processing

- ~ No need to send loan application to VA for commitment.
- ~ Lender underwrites and closes loan, with the exception of those loan types listed on the previous page.

WebLGY

- ~ Lender generates Loan Guaranty Certificate (LGC)
- ~ Certificate of Eligibility (COE) requested and obtained
- ~ Free, Internet-based system

* All of these applications are located on the Veterans Information Portal at <https://vip.vba.va.gov>.

VA GUARANTY

PURPOSE OF VA GUARANTY

To encourage lenders to make VA loans by protecting loan holders and lenders against loss, up to the amount of the guaranty, in the event the loan is terminated by foreclosure.

AMOUNT OF GUARANTY

The maximum guaranty on a VA loan is the lesser of the veteran's available entitlement indicated on the Certificate of Eligibility (COE), or the maximum potential guaranty amount as shown in the table below. The maximum potential guaranty is \$104,250, if the veteran has full eligibility.*

Loan Amount	Loan Type(s)	Maximum Potential Guaranty	Special Provisions
Up to \$45,000	All	50% of the loan amount	Minimum guaranty of 25% on IRRRLs
\$45,001 to \$56,250	All	\$22,500	Minimum guaranty of 25% on IRRRLs
\$56,251 to \$144,000	All	40% of the loan amount, with a maximum of \$36,000	Minimum guaranty of 25% on IRRRLs
Greater than \$144,000	Loans made for**: <ul style="list-style-type: none"> • Purchase a home or a condominium unit, • Refinancing with an IRRRL or • Cash out refinance 	25% of the Freddie Mac conforming loan limit.	Minimum guaranty of 25% on IRRRLs

***Note:** The veteran's basic entitlement amount is \$36,000. If the loan amount exceeds \$144,000, an additional amount of entitlement is available, for a maximum entitlement of 25 percent of the Freddie Mac conforming loan limit for a single-family residence (currently \$417,000 and \$625,500 in Alaska, Hawaii, Guam and U.S. Virgin Islands).

****Note:** Only the basic entitlement of \$36,000 is available to guaranty construction to permanent refinance, installment land contract loans and loans assumed by veterans at interest rates higher than that for the proposed refinance. Loans over \$144,000 will receive less than 25% guaranty.

*Public Law 110-389 provides a temporary increase in entitlement for certain counties designated as "high cost". This increase is effective for loans closed between January 1, 2009, and December 31, 2011. **See higher cost county loan limits at www.benefits.va.gov/homeloans/lc.asp.** Reference: VA Circular 26-08-19

TYPES OF LENDERS

SUPERVISED LENDERS

Commercial Banks, Savings Banks, or other entities under the supervision of a Federal or State Agency, such as FDIC.

Have VA automatic authority by reason of being supervised.

No separate VA approval of automatic authority is required.

NON-SUPERVISED LENDERS

Mortgage companies or other lenders not subject to FDIC or other Federal or State supervision.

Can be approved for prior approval authority, i.e. loan packages are submitted to VA for commitment before closing.

May be approved for automatic authority if they meet certain VA requirements.

LENDER AGENTS

Lenders may designate other entities (correspondents, mortgage brokers, etc.) to perform origination functions on their behalf. VA will approve such relationships upon receiving a copy of the lender's corporate resolution and a \$100 processing fee.

Thus, a mortgage broker, without automatic authority, may originate VA loans for an automatic lender, with the automatic lender doing the underwriting on the automatic basis, if a VA approved agency relationship has been established.

If the lender uses an agent one time, or very infrequently (up to four times per year) it may authorize the agency relationship on a ***loan-by-loan basis***, using the lender's certification on VA Form 26-1820.

It is VA's policy to encourage the maximum possible use of automatic authority and LAPP authority.

WHO IS ELIGIBLE?

Types of Service

ERA	DATES	MINIMUM SERVICE*
WWII	9/16/40 - 7/25/47	90 continuous days
Peacetime	7/26/47 - 6/26/50	181 days
Korean	6/27/50 - 1/31/55	90 days
Post-Korean	2/1/55 - 8/4/64	181 days
Vietnam	8/5/64 - 5/7/75	90 days
Post-Vietnam (Enlisted)	5/8/75 - 9/7/80	181 days
Post-Vietnam (Officer)	5/8/75 - 10/16/81	181 days
Post-Vietnam (Enlisted)	9/8/80 - 8/1/90	2 years
Post Vietnam (Officer)	10/17/81 - 8/1/90	2 years
Persian Gulf	8/2/90 - undetermined	2 years or period called to active duty, not less than 90 days

OTHER ELIGIBLE PERSONS	MINIMUM SERVICE REQUIRED
Active duty member**	90 continuous days (181 during peacetime)
Active Reserve or National Guard	6 years in Selected Reserves
Unmarried surviving spouse***	No time requirement. Veteran must have died on active duty or from a service-connected disability.
POW/MIA spouse	Veteran must have been POW or MIA 90 days.

**A veteran who has served less than the minimum required period of service or was discharged because of a service-connected disability, may be eligible for home loan benefits. Other categories of exceptions can be found in Chapter 2, section 5 of the Lender's Handbook.*

***Certificate only valid while veteran remains on active duty*

****For IRRRLs only, the surviving spouse of a deceased veteran may do an IRRRL using the veteran's Certificate of Eligibility (if the spouse was on the loan with the veteran). The spouse, in this case, does not have separate entitlement.*

ELECTRONIC CERTIFICATE OF ELIGIBILITY

This program allows lenders to input data about their potential veteran-borrower and obtain an eligibility determination, on some cases, in a matter of seconds. If eligibility is established, the lender prints out the certificate to submit with their guaranty package. This eliminates completing a paper application (VA Form 26-1880, Request for a Certificate of Eligibility), mailing it to an eligibility center and waiting for a reply by mail. If eligibility cannot be established, a refer message will instruct the lender to submit a completed VA Form 26-1880 electronically or via mail to VA for processing.

Lenders can access the electronic Certificate of Eligibility program at <http://vip.vba.va.gov>. The program is located in the WebLGY application.

If eligibility cannot be established, the lender will get a message saying the determination cannot be made. A reference number will be assigned (*keep the reference number for tracking purposes*). A refer message only means that further development is necessary. It does not necessarily mean the veteran is ineligible.

This application is intended for use by lenders who have the veteran's permission to obtain an eligibility determination for them. The use of the system will be monitored for security and administrative purposes and accessing the system constitutes consent to such monitoring.

PROPERTY ELIGIBILITY

Existing Construction

Single family or multi-family (up to four units) dwellings* that:

- Have been fully completed for one year, or
- Have been previously owner occupied, and
- Meet VA Minimum Property Requirements (MPRs)

New Construction

Property must be 100% complete or 100% complete through customer preference items (i.e. appliances, countertops, carpet installation). No compliance inspection is required.

Newly constructed properties (completed less than one year and never owner-occupied) are eligible if either

- Covered by a one-year VA builder's warranty,
- Enrolled in a HUD-accepted ten-year insured protection plan, or
- Built by the veteran as the general contractor, for his/her own occupancy.

Proposed or Under Construction

Property is eligible for appraisal prior to construction or during construction if

- Appraisal is based on proposed construction exhibits, and
- Builder must offer a one-year VA builder's warranty.
- Manufactured homes must be attached to a permanent foundation and be taxed as real estate.

Note: VA accepts the construction inspections performed by the local authority. Refer to VA Circular 26-06-1, dated February 16, 2006, for complete details.

PROPERTIES NOT ELIGIBLE FOR VA LOANS

Ineligible Properties

- ✘ Does not meet Minimum Property Requirements (and cannot be made to comply)
- ✘ Located in Flood Hazard area where flood insurance is not available
- ✘ Located in the Coastal Barrier Resource System
- ✘ Proposed or new construction located in Airport Noise Zone 3 (high noise)
- ✘ Located in unapproved Condominium Developments (Condo)
- ✘ Cooperatives

Note: *The VA Minimum Property Requirements (MPRs) can be found in Chapter 12 of the VA Lender's Handbook located at www.warms.vba.va.gov/pam26_7.html. Questions about property eligibility (if not specifically addressed in the MPRs) should be directed to the Construction & Valuation section of the regional loan center having jurisdiction of the area where the property is located.*

THE APPRAISAL SYSTEM (TAS)

- ☞ TAS is Internet based, and reached via the Internet Service Provider of user's choice.
- ☞ Appraisal assignments are based on the mailing address of the property, including the county name.
- ☞ In addition to obtaining VA case numbers and having appraisers assigned, lenders or brokers may check the status of appraisal requests and use the property address or veteran's name to search for a misplaced case number.
- ☞ Fee appraisers are able to access TAS to review and update their basic reference file information, such as mailing address, telephone numbers and email address. They are also able to review information about their pending assignments (e.g. property address, VA case number, appraisal requester information and the current status of each assignment).
- ☞ Case numbers for Interest Rate Reduction Refinance Loans may be ordered (no appraisal is currently required).
- ☞ TAS can be accessed at the following Internet address:

<http://vip.vba.va.gov>

ENERGY EFFICIENT MORTGAGES

Energy Efficient Mortgage

Loans for the acquisition of an existing dwelling and the cost of making energy efficient improvements to the dwelling, or refinancing an existing VA loan with an interest rate reduction refinance loan or for energy improvements to a dwelling owned and occupied by a veteran.

- Increase up to \$3,000 based solely on the documented costs.
- Increase up to \$6,000 provided increase in payment does not exceed the likely reduction in monthly utility costs.
- Increase more than \$6,000 subject to a value determination by VA.

Energy Efficient Improvements

- ♦ Solar heating systems
- ♦ Solar heating and cooling systems
- ♦ Furnace efficiency modifications
- ♦ Clock thermostats
- ♦ New or additional ceiling, attic, wall and floor insulation
- ♦ Water heater insulation
- ♦ Storm windows and/or doors
- ♦ Heat pumps
- ♦ Vapor barriers
- ♦ Air conditioner modifications (not installation)

VA will guaranty an energy efficient mortgage in the same proportion as a loan not including energy efficiency improvements. However, the charge to the veteran's entitlement will be based upon the loan amount before adding the cost of energy efficiency improvements.

Note: *The funding fee must be calculated on the full loan amount, including the cost of the energy efficient improvements.*

REFINANCE COMPARISON

	Regular Refinance (Cash-out Refinance)	IRRRL VA Streamline Refinance
<i>Statutory authority</i>	38 U.S.C. 3710(a)(5)	38 U.S.C. 3710(a)(8)
<i>Guaranty entitlement required</i>	Yes	No (rollover entitlement from prior VA loan)
<i>Cash out allowed?</i>	Yes	No
<i>Loan limit</i>	100% of NOV + funding fee + up to \$6,000 for energy efficient improvements	Payoff of prior VA loan + allowable closing costs + funding fee + up to \$6,000 for energy efficient improvements
<i>Must veteran own property?</i>	Yes	Yes
<i>Must veteran occupy property?</i>	Yes	No (must have occupied at one time)
<i>Maximum loan term</i>	30 years + 32 days	Existing VA loan term + 10 years (not to exceed 30 years + 32 days)
<i>Maximum interest</i>	Negotiated Rate	Rate must be lower than rate on present VA loan, unless refinancing ARM to fixed rate
<i>Lien of record required?</i>	Yes	Yes
<i>OK to refinance other liens?</i>	Yes	No
<i>Appraisal required?</i>	Yes	No
<i>Credit package required?</i>	Yes	No, unless three months delinquent
<i>OK for automatic processing?</i>	Yes, automatic lenders	Yes, all lenders, unless existing VA loan is delinquent

Registering for the Veterans Information Portal

Before you begin, have ready:

- ♦ Lender (or agent) identification number
- ♦ Social Security Number
- ♦ E-mail address

The website is <http://vip.vba.va.gov>.

1. Click on “Register”. (Located on the left-hand side of the screen.)
2. Next, “Please select user type” then click “submit”.
3. The next screen will show all of the programs you are registering for. “Click here to register” is located at the bottom of the screen.
3. Input all required information. When the “Lender” box is checked, you will be asked to input your lender ID number and the “Lender PIN”. The PIN is usually comprised of the last four digits of the ten-digit ID number. Click “submit”.
(Agents, you will want to register as “Lender” not “Other”. This will give you access to the same programs as your sponsoring lenders so that you may process the agreed upon items for them.)
4. The system will generate a user name (first name.last name) and password for you. The password is case sensitive. Write it down exactly as it is shown on the screen. Better yet, print the screen.
5. Get out of the screen and go back into <http://vip.vba.va.gov>. Enter your user name and password in the “VIP sign in” boxes.
6. When you log on for the first time you will be asked to change your password. The password must be at least eight characters long. The password must consist of a combination of:
 - a. One capital letter
 - b. One small letter
 - c. One number or one special character (i.e. !@#, etc.)
 - e. Cannot be a word found in the dictionary.
7. Do not share passwords! Each user should have their own user name and password.

Regional Loan Centers and Their Consolidated Jurisdictions for Loan Production and Loan Administration

RLC	Mailing Address	Telephone/e-mail	States in Jurisdiction
Manchester	VA Regional Office 275 Chestnut Street Manchester, NH 03101	Production: (800)827-6311 Administration: (800)827-0336 E-Mail: nh_lp@va.gov	Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont
Cleveland	VA Regional Office 1240 E 9th Street Cleveland, OH 44199	Production: (800)729-5772 Administration: (800)729-5772 E-Mail: vahomesite@va.gov	Delaware, Indiana, Michigan, New Jersey, Ohio, Pennsylvania
Roanoke	VA Regional Office 210 Franklin Road SW Roanoke, VA 24011	Production: (800)933-5499 ext 3171 Administration: (800)933-5499 ext 3123 E-Mail: roanoke.lp@va.gov	District of Columbia, Kentucky, Maryland, Virginia, West Virginia
Atlanta	VA Regional Office PO Box 100023 Decatur, GA 30031-7023 or 1700 Clairmont Road Decatur, GA 30033-4032	Production: (888)768-2132 Ext. 2 atlloanprod@va.gov Administration: (888)768-2132 Ext. 1 E-Mail: atlloanadmn@va.gov	Georgia, North Carolina, South Carolina, Tennessee
St. Petersburg	VA Regional Office PO Box 1437 St. Petersburg, FL 33731	Production: (888)611-5916 Administration: (888)611-5916 E-Mail: fl/homeloan@va.gov	Alabama, Florida, Mississippi, <i>Puerto Rico (effective February 8, 2006)</i>

(Continued)

Regional Loan Centers and Their Consolidated Jurisdictions for Loan Production and Loan Administration

(continued)

RLC	Mailing Address	Telephone/e-mail	States in Jurisdiction
St. Paul	VA Regional Office 1 Federal Dr., Ft. Snelling St. Paul, MN 55111	Production: (800)827-0611 Administration: (800)827-0611 E-Mail: RLC335@va.gov Web Site: www.vba.va.gov/rostpaul.htm	Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin
Houston	VA Regional Office 6900 Almeda Road Houston, TX 77030	Production: (888)232-2571 ext 3104 Administration: (888)232-2571 ext 3602 E-Mail: houstonlgy@va.gov	Arkansas, Louisiana, Oklahoma, Texas
Denver	VA Regional Office 155 Van Gordon Street Lakewood, CO 80228	Production: (888)349-7541, option 2 Administration: (800)319-9446 E-Mail: lgyemail@va.gov Web Site www.vba.va.gov/denver-ro.htm	Alaska, Colorado, Idaho, Montana, Oregon, Utah, Washington, Wyoming
Phoenix	VA Regional Office 3333 North Central Ave. Phoenix, AZ 85012-2402	Production: (888)869-0194 Administration: (888)869-0194 E-Mail: vavbapho/ro/lgyinq@va.gov Web Site: www.vba.va.gov/ro/phonixlgy/index.htm	Arizona, California, Nevada, <i>New Mexico (effective August 1, 2006)</i>

NOTE: Due to geographic considerations, all Loan Guaranty operations for Hawaii and the Pacific Islands will remain in Honolulu.

VA ASSISTANCE PROGRAMS

VA Offers Financial Counseling

A veteran having trouble meeting his mortgage obligation may contact VA for assistance. VA will help the veteran to budget and communicate with the lender to set up a repayment plan.

Buying the Loan from the Lender

In cases where the default is temporary and the lender will not cooperate with the veteran, VA may be able to buy the loan from the lender. Payments would then be made to VA. This program requires qualification under VA income and credit standards.

Compromise Sale (Short Payoff)

This program makes it easier for owners to avoid foreclosure by selling their homes quickly.

When the veteran receives an offer that is lower than the total loan indebtedness, he can ask VA to approve a compromise sale. VA will review the situation with the mortgage company and, if approved, pay the difference between the mortgage balance and the proceeds of the sale.

VA then arranges for the veteran to pay that difference back. If the property had gone into foreclosure and VA had to pay a claim to the lender, the veteran would usually owe VA a larger amount than with a pre-arranged compromise sale.

Deed in Lieu of Foreclosure (Quit Claim Deed)

In this program, VA will consider taking the deed to a home instead of foreclosing on it. The property is deeded to VA, releasing the homeowner from debt.

This program is for extreme situations where there is no foreseeable income due to a hardship such as job loss. While it allows the veteran to avoid foreclosure, it also means that any equity in the property is lost. If a deed is accepted in lieu of foreclosure, the veteran would be required to vacate the property within 30 days.

The Deed in Lieu of Foreclosure program is available only to mortgage holders who have clear title (i.e. no second mortgages) to the property.

WEB SITE DIRECTORY

Address	What's There?
www.benefits.va.gov/homeloans/	Lender's Handbook, VA forms, FAQs, information pamphlets, Regional Office directory
www.vba.va.gov/denver-ro.htm	Training modules, Veteran Links, pre-qualification worksheet, etc.
http://vip.vba.va.gov	Veterans Information Portal Includes TAS, WebLGY & condo and builder listings.
www.va.gov/vaforms	VA Forms
http://vetrecs.archives.gov	National Personnel Records Center (Obtain military records.)
www.nasdva.com	National Association of <u>State</u> Directors of Veterans Affairs
http://va.pay.gov	Funding Fee Payment System
www.military.com	Military pay charts, housing, installations, etc.
www.dfas.mil	Defense Finance and Accounting Service
www.va.reotrans.com	Nationwide VA acquired property listings, bidding instructions, etc.
www.gibill.va.gov	Information and history of the GI Bill
