YOUR FUTURE GUARANTEED

February 2011 Volume 1, Issue 1 Department of Veterans Affairs St. Paul Regional Loan Center

Welcome to Our Newsletter

Welcome! You received the link that brought you here because you are either someone who has expressed interest in the VA Home Loan program, or you are listed as a contact person for a company who makes VA loans. We hope you'll stay and give us the opportunity to tell you about what's going on in the program.

This is our first newsletter. We currently plan on distributing newsletters each quarter, which will include: program updates, developments in the industry, and unique examples of VA Home Loan scenarios. We're also going to use the e-mail list to send you new circulars as they are issued. That's right, just by being on the list, you'll receive the latest news about the VA Home Loan program before almost everyone else. That's the extent of it, though. We won't be selling your e-mail address to anyone, sharing it with other government agencies, or doing anything other than sending you news about the VA Home Loan program.

Have you signed up for a VA Webinar yet?

Here at VA, we're always trying to find new ways in which we can effectively relay information to program participants about the VA Home Loan program. While our Training Team continues to schedule visits with lenders and Realtors throughout our nine-state jurisdiction, we have decided to expand our training and outreach by offering free webinars to people over the internet. Each month we'll present a new topic, so there is bound to be something for everyone.

As with all of our outreach, the ultimate goal is to help everyone become more comfortable using the program. This, in turn, will allow us all to concentrate on serving our nation's veterans. Thus far, the main obstacle for the webinars has been firewalls. Please remember to test out the program with your computer before the start of your webinar.

If you have suggestions on webinar topics, please do not hesitate to let us know. Also, if you would like to receive more information on how to sign up for a webinar, please email the Training Team at RLCTT@va.gov.

An Interesting Case

We recently had a lender call in and ask about a fix and repair loan. Those are the kind of loans where the veteran buys a property that needs some work done to it, and the veteran wants to mortgage the alterations. The details of the case were that the NOV value came in at $230,000, even though the purchase price on the contract was only $200,000. Essentially, the lender asked if they could make a loan for $230,000 to the buyer, allow them to have all the work completed after the closing, and receive a 25% guaranty.

The manual references on this subject are minimal (Chapter 7 page 22 of the Lenders Handbook). Basically it states that VA will guarantee loans to repair or alter residences that either are currently occupied by the veteran, or will soon be occupied, and the value supports the loan amount.. The reason so few of these loans are made stems from some of the programs most basic principles. For starters, our maximum allowable guaranty is calculated on the lower of the NOV value, or the purchase price, which in this case is $200,000. Additionally, we would expect that an escrow be established for 1.5 times the cost of repairs, $45,000. It seems pretty unlikely that a lender is willing to close the loan at $230,000, distribute $200,000 to the seller at closing, meanwhile putting $45,000 into an escrow account for the benefit of the borrower. There are a few other issues to be considered, as well, such as having inspections completed, making sure a new NOV is issued showing the value "as completed", and paying the correct funding fee. A more common solution would be to write the contract for $230,000, then have the seller complete the alterations prior to closing.

Do you have a topic you would like addressed in the next newsletter?
Email us your ideas!
RLC335@va.gov

Do you need an updated 2011 Loan Guaranty Training Guide?
Let us know at:

RLCTT@va.gov

What do you do when you come across a COE that says: "Paid in full, no restoration"?

Why Does it Occur? Generally, this code is a direct result of VA receiving notification that the loan is paid in full, but VA has not been notified as to whether the veteran still holds title to the property.

Remember: Full restoration of entitlement comes from paying a loan in full and disposing of the property.

How Does it Get Fixed? If the veteran no longer owns the property, then identify this by fully completing Section 8 of the 26-1880 prior to application submission. If the veteran still owns the property, then he or she will have to fully complete Section 8 and—if they would like their entitlement fully restored—identify their desire for a One-Time Restoration on the 26-1880 (written where visible) prior to application submission.

Remember: One-Time Restoration can happen when a veteran has paid the prior loan in full but has not disposed of the property. He or she may obtain restoration of entitlement *one time only*. Future restoration will require disposal of all property obtain with a VA loan.