

VA Loan Guaranty Service (LGY)

Quick Reference for Real Estate Professionals

Overview

For over eight decades, the Department of Veterans Affairs has helped deliver the dream of homeownership to generations of military members and their families through the VA home loan guaranty program.

What is the VA Home Loan Guaranty Program?

When a Veteran borrower uses their earned benefit, VA guarantees a portion of the home loan. As a result, lenders often have the flexibility to offer eligible borrowers advantages—such as the zero-down-payment option—that are not available to non-VA homebuyers.



Advantages of VA Home Loans

- » Typically, there is no down payment requirement.
- » No private mortgage insurance (PMI) premiums or mortgage insurance premiums (MIP).
- » No loan limit if the Veteran has full entitlement and can meet the lender's financial guidelines.
- » Potential to own more than one property at a time if the Veteran borrower has ample entitlement, financially qualifies, occupies the property, and follows all VA loan guidelines.
- » VA does not require a minimum credit score; however, the lender may set a credit score limit.
- » Competitively low interest rates compared to other loan programs.
- » No VA funding fee for eligible service-connected disabled Veterans and surviving spouses.
- » May be used to purchase an existing home or residential condominium, build a new home, refinance the current home, or purchase a multi-unit residence.
- » Free home loan financial information helps keep VA mortgage foreclosure rates at industry lows.

Assisting Homebuyers With the VA Home Loan Lending Process

- 1. Facilitate the process of helping your buyer find a VA home loan lender.** For the VA home loan program, VA does not directly lend money for home purchases. Instead, real estate professionals work with the buyer to find a VA-approved lender with expertise in VA home loans.
- 2. Have the buyer check eligibility for the VA home loan benefit.** Part of this process includes obtaining a Certificate of Eligibility (COE) to ensure the borrower is eligible for a VA home loan. An experienced VA loan lender can typically obtain a COE in minutes with some basic information from the buyer.
- 3. Encourage the buyer to get pre-approved before house hunting.** Once the buyer meets VA home loan eligibility, you may want to advise your client to start the lender's application process to obtain a loan pre-approval. This step involves submitting the required paperwork for a complete loan application, including income, debt, and tax documentation. Getting a loan pre-approval helps the buyer know how much home they can afford before they begin house hunting.
- 4. Have your buyer sign a purchase agreement.** When you find a home your buyer wishes to purchase, have them sign a purchase agreement with the seller. This document outlines the terms of the sale, including the purchase price, closing date, and any contingencies that will help your military client make the most of their VA home loan benefit.
- 5. Support your buyer's completion of the loan application.** Once a purchase agreement is in place, your buyer can apply – or finish the application – for the VA home loan through their preferred lender. Frequent communication between the client and the lender during this time is essential to ensure a quick and easy process.
- 6. Stand by for VA appraisal results.** Before the loan can be approved, the lender will arrange for a VA appraiser to assess the home to ensure that it meets the VA's minimum property requirements (MPRs) and provide a Notice of Value (NOV). Bear in mind that if a home fails to meet any MPRs, contact the lender to discuss the potential for an MPR waiver.
- 7. Suggest your buyer have an optional home inspection.** While not required by VA, encourage the buyer to consider completing a full home inspection.
- 8. When the loan is approved, share the good news.** Once the VA appraisal and optional inspection are complete and the loan is approved, the real estate professional can meet the buyer at the closing table and hand over the keys.

We invite you to download the ["Your Road to Buying a VA Home"](#) infographic for further details.



Appraisal Results and Tidewater Initiative

Suppose a VA appraiser has concerns that the home may not appraise at or above the contract price. In that case, they will invoke the Tidewater Initiative by contacting the point of contact in the appraisal order so that the point of contact can provide additional sales data for them to consider before finalizing the appraisal. The appraiser is unable to discuss the anticipated appraised value during this process.

If the property does not appraise at a value that supports the loan amount, the buyer has a few options for the lender to share for consideration:

- » Request a Reconsideration of Value (ROV). The buyer can ask the lender to contact VA to request an ROV if they believe sales data supports an increased value.
- » Renegotiate the sales price to match the appraised value.
- » Pay the difference between the appraised value and the contract sales price. To do this, the buyer must pay this cost at closing.



Types of Properties Eligible for VA Home Loans

Buyers can use VA home loans to purchase a property to serve as their residence.

Eligible property types include:

- » Detached single-family home or townhome
- » Residential income property (duplex, triplex, fourplex – If the borrower will live in one unit and rent the others)
- » Condominium (requires pre-approval or a waiver)
- » Manufactured home
- » Proposed or under construction (closing upon completion of home)

Frequently Asked Questions

Why should I recommend the VA Home Loan for Veterans and active-duty Service members?

The VA Home Loan program offers several advantages for your military buyer over traditional mortgages (ex: typically no down payment, no PMI, competitive interest rates, and restricted costs and fees).

Are active-duty Service members and Veterans successful homebuyers?

- » In 2023, 86% of Veteran borrowers who ordered an appraisal closed their loan.¹
- » In 2023, the average credit score of Veteran purchase loan applicants for Veterans was 721.²
- » Although not required, in 2023, the typical Veteran home loan borrower had a down payment over \$80k.³

Can a Veteran or active-duty Service member use their VA home loan benefit more than once?

Yes, there is no limit to the number of times a VA loan borrower can use their benefit as long as it is being used to purchase a home for occupancy, the previous loan has been satisfied, and/or the previous home is sold. In addition, there is a one-time entitlement restoration option for loans that are paid in full and the home has not been sold (ex: a borrower may apply to have their full entitlement restored if they purchased a home, paid the loan in full and intend to retain the original home as a second home.)

Who is eligible for a VA home loan?

There are many ways a homebuyer may be eligible for this benefit.

- » Eligibility groups are on the Eligibility Requirements for VA Home Loan Programs webpage at <https://www.va.gov/housing-assistance/home-loans/eligibility/>.
- » During the loan pre-approval process, a lender can request a COE to determine a borrower's eligibility for a VA home loan.

1 VA Home Loan Program. (2023). webLGY.

2 VA Home Loan Program. (2023). webLGY.

3 VA Home Loan Program. (2023). webLGY.

Is there a maximum amount for the home loan?

As of 2020, if the buyer has full entitlement there is no loan amount limit (as long as the loan amount does not exceed the appraised value). That means jumbo loans of over \$1 million are possible for eligible and qualified borrowers with VA home loan lenders who offer them.

Is a home inspection required with a VA home loan?

No, a home inspection is not required to obtain a VA home loan. However, it is strongly recommended that buyers complete a home inspection before purchasing a home.

» A VA home loan appraisal does not serve as an inspection.

Is the VA home loan appraisal like conventional appraisals?

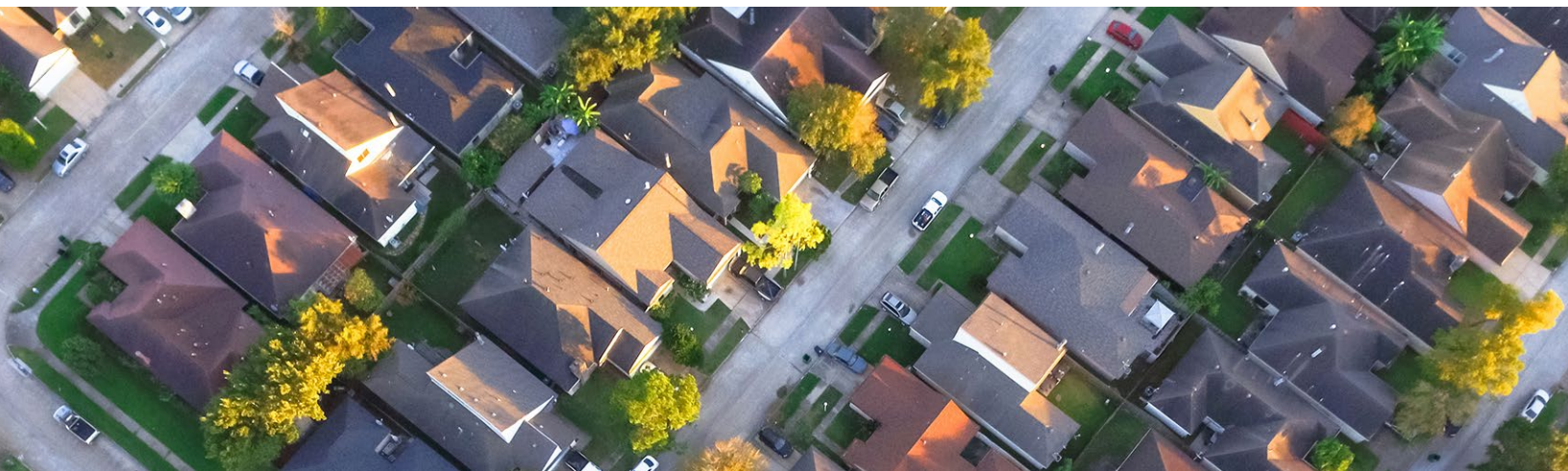
The VA home loan appraisal process has been streamlined, dramatically reducing the wait time for appraisals and helping accelerate the approval process for home buyers. In some circumstances, the appraiser can complete the appraisal without stepping onto the property. The average wait time for an appraisal nationwide is comparable to other loan types.

Can a client dispute a VA home loan appraisal determination?

The VA home loan is the only program in the country with tools like Request a Reconsideration of Value (ROV), Tidewater Initiative process, Assisted Appraisal Processing Program (AAPP), and Subjectivity Review, which allow additional reviews and reconsideration of the appraisal value (see sidebar on page 3 for more info).

What are the advantages of recommending a military homebuyer use a VA home loan?

The VA home loan is A Key To Homeownership For Those Who Served. The terms are more favorable than conventional loans or other loan programs. In addition, VA's stance on a lender's use of compensating factors in financial qualifying standards may allow a borrower to purchase a home with a VA loan when they may not qualify for a different product like a conventional loan.



Common Myths About VA Loans

Myth 1: VA home loans are less competitive than conventional loans.

VA offers high-quality, trusted, and secure home loan products that outperform conventional loans to meet the unique needs of military homebuyers.

Since Fiscal Year 2020, VA has guaranteed more than 3.8 million loans.⁴ Default rates for VA loans tend to be comparable to other loan types and lower than most Government-sponsored loan programs.

MYTH 2: Closing a VA home loan takes too long.

Data shows that closing times for VA home loans are competitive and comparable to those for conventional loans. In 2023, the average number of days required to close a loan: Conventional loan = 45 days, FHA loan = 46 days, VA home loan = 32 days.⁵

MYTH 3: Appraisals take too long and fall below the anticipated appraisal value.

Data shows VA appraisal timelines are comparable to other loan types. In 2023, VA appraisal timelines averaged seven business days.⁶ 90% of initial VA Purchase appraisals met or exceeded the contract sales price in FY 23.⁷

Additionally, the VA home loan was the first in the country to develop an ROV process along with the Tidewater Initiative. This created opportunities for the appraiser and borrower to add market data for additional consideration in the appraisal process.

MYTH 4: Veteran homebuyers are at a competitive disadvantage compared to other home buyers.

Veterans are some of the strongest borrowers in the market. The typical Veteran borrower has an average credit score of 721, gross income over \$9,400 a month, and nearly \$60k in assets.



Contact Information

Questions? Contact a VA home loan representative by calling 1-877-827-3702. VA home loan representatives are available Monday – Friday, 8:00 a.m. to 6:00 p.m. EST.

*FY23 data representative of purchase loans only.

4 VA Home Loan Program. (2023). webLGY.

5 ICE Mortgage Technology. (2023). Days to Close. <https://www.icemortgagetechnology.com/>.

6 VA Home Loan Program. (2023). webLGY.

7 VA Home Loan Program. (2023). webLGY.

