

RE73R22: Veterans Affairs (VA) Loans

Revised January 2022

Objective:

Provide an understanding of the VA loans for real estate licensees.

Always check current VA guidelines.

1. What is a VA loan?
 - a. Loan issued by approved lenders and guaranteed by the VA
 - b. Defined benefit for the veteran/ military
 - i. Entitlement
 - ii. Multiple VA loans
 - c. General history of the VA loans
 - d. Types of VA loans
 - i. Purchase loans
 - ii. Refinance loans (IRRRL)
 - iii. Cash out refinance
 - iv. VA Rehab Loans
 - v. Native American Direct Loans
 - e. Some characteristics of a VA loan
 - i. Assumable (by whom and consequences)
 - ii. No prepayment penalties allowed
 - iii. Additional cost: funding fee (example, who pays, exemptions)

2. Who is eligible for a VA loan?
 - a. Active military, including National Guard – check details of eligibility on VA website
 - b. Veteran - check details of eligibility on VA website
 - c. Importance of the COE - Certificate of Eligibility
 - i. Military Service Records DD214
 - ii. How do you obtain your COE
 - iii. What information is included in the COE

3. Property requirements for VA loan?
 - a. Type of properties
 - i. Owner occupied
 - ii. Single family, multi family up to 4 units
 - iii. Approved condos
 1. How to know if a condo development is already approved
 2. Can a development be approved?
 - b. Condition of the property – Minimum Property Requirements – “Safe, Sound and Sanitary”
 - i. Red flag items (Knob and tube, Peeling paint, Handrails)
 - ii. Work typically needs to be done before closing, but can be paid/ done by buyer
 - iii. Escrow hold back could be used in some cases

- c. VA loans will require pest inspections report (NPMA-33), cannot be paid by VA borrower (but could be part of regular home inspection at no additional cost)
 - d. Ineligible properties (vacation home, investment properties)
4. Loan qualifications
- a. VA requirements
 - i. Residual income –
 - 1. discuss what is considered as part of the residual income
 - 2. LES statement
 - ii. No loan maximum anymore (need to qualify for the loan) – Veteran Health Care and Benefits Improvement Act – Effective Jan 2021
 - iii. No down payment
 - iv. VA Funding Fee
 - v. Gifts allowed
 - b. Lender overlay
 - i. Loan is made by approved lenders who can set their own criteria (DTI, Credit score, down payment, or other)
5. Process
- a. Loan application
 - i. Certificate of Eligibility (COE) - DD214
 - ii. 2 years signed tax returns
 - iii. Pay stubs or LES
 - iv. Possibly:
 - 1. Bankruptcy documents
 - 2. Divorce decree if paying child support
 - b. Underwriting
 - c. Conditional commitment
 - d. Appraisal
 - i. Who can appraise?
 - ii. Property value and MPR
 - iii. Tidewater, with 48 hrs review possibility
 - iv. Escape Clause Part 1 and Part 2
 - e. Clear to close
6. Seller Contributions, settlement costs
- a. What monies can be contributed by the seller?
 - i. Seller concessions capped at 4% of the loan amount
 - b. What are eligible settlement costs?
 - i. Buyer cannot pay real estate broker's fee out of pocket
7. Other Veteran/ Military benefits associated with real estate:
- a. Mass Housing Welcome Home Loans (2015)
 - b. MGL Chapter 115, annuity for 100% disabled veterans, MA residents
 - c. Possible property tax exemption (check with municipality)
 - d. Adaptive Housing

8. The real estate licensee and the VA loan
 - a. Military personal/ veteran is a protected class (MGL 151B). Examples of illegal activities:
 - i. Discouraging a buyer from using a VA loan
 - ii. Refusing to accept an offer because the buyer is using a VA loan
 - iii. Inquiring about the Veteran/military status of a consumer
 - b. As a buyer's agent
 - i. Refer to competent lender/mortgage broker
 - ii. Know the information the lender will need for the residual income calc (property taxes, square footage)
 - iii. Understand the red flags for the MPR
 - iv. Be prepared to educate listing agent/ seller when presenting offers including a VA loan
 - v. Partner with the lender, Involve lender/ mortgage broker when necessary
 - vi. Work with lender to make sure Condominium is approved for a VA loan
 - vii. Refer to a competent closing attorney, familiar with VA benefits to assist the buyer in utilizing all their benefits towards reducing their closing cost
 - c. As a seller agent
 - i. Discuss red flags which could limit potential buyers, but do not make any definitive determination. Final approval up to lender.
 - ii. Review offers objectively

Reference material

- VA approved condos: <https://fhareview.com/check-status-fha-va-condo-approval/>
- VA loans: <https://benefits.va.gov/homeloans/> and <https://www.va.gov/housing-assistance/>
- VA Home Loan Guaranty - Buyer's Guide

Related courses:

- RE25RC08: Financing
- RE47R05: Residential Mortgage loan market and credit today
- RE19RC20: Fair Housing
- RE111RC20: Protect the Protected Classes