



















VA Home Loan Program

-  The U.S. Department of Veterans Affairs (VA) offers mortgage programs for active and retired military personnel, including individuals in the reserves and national guard
 - Spouses of deceased or missing military personnel may also be eligible for VA mortgage programs
-  You can obtain a VA mortgage through an approved lender, such as a bank, mortgage broker or credit union, that offers VA programs. Not all lenders offer VA mortgages but many do
-  The VA guarantees 25% of the mortgage amount, which protects the lender from losing significant money in the event of foreclosure
-  The key benefit of a VA mortgage is that you can obtain a mortgage and buy a home with no down payment. This represents a huge opportunity, especially for first-time home buyers who may struggle to save enough money for a down payment
-  VA mortgage interest rates also tend to be lower than conventional mortgage interest rates
-  To be eligible for a VA mortgage, you must meet certain requirements and receive a certificate of eligibility
-  In general, eligibility is determined by date of military service, length of service, if the service occurred during wartime or peacetime and the type of discharge from the military (applications involving other than honorable discharges will usually require further investigation by the VA)
-  You can review a detailed description of the eligibility rules and apply online to receive your Certificate of Eligibility through the VA website
-  The one downside of a VA mortgage is that the borrower is required to pay a one-time, up-front VA funding fee
-  The amount of VA funding fee depends on the down payment amount (if you decide to make a down payment), type of military service (regular military versus reserves / national guard) and if this your first time using a VA mortgage program. The VA funding fee can be added to the mortgage amount
-  A VA mortgage requires the borrower to pay property tax and homeowners insurance into an impound account on a monthly basis
-  The VA mortgage program has limits on the size of mortgage you can obtain

Pros

-  Ability to purchase home with little or no down payment
-  Typically lower interest rate than conventional mortgage
-  Potentially lower closing costs

Cons

-  One-time, up-front VA funding fee creates additional cost for borrower
-  Limits on mortgage amount
-  More conservative borrower qualification requirements

VA Home Loan Program Borrower Qualification



The VA uses a relatively conservative set of rules to determine the size of mortgage for which a borrower can qualify



The VA requires that the borrower have a minimum level of residual (leftover) income after accounting for the monthly mortgage payment and other expenses

- Taxes
- Social Security
- Monthly housing expense
(monthly mortgage payment, property tax, homeowners insurance)
- Maintenance and utilities expenses
- Child care expenses
- Other monthly debt
(credit card debt, auto and student loans)



The minimum level of residual income required to qualify for a VA loan depends on the loan amount, the number of people in the borrower's household and the region of the country in which the property is located

- The table below outlines the residual income required to qualify for a VA loan based on these factors



The VA also requires that the borrower have a minimum credit score of 620

VA Residual Income Requirements





Mortgage Amount Less than or Equal to \$79,999

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75 for each additional member up to a family of seven			



Mortgage Amount Greater than or Equal to \$80,000

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to a family of eight			

VA Home Loan Program Terms - VA Funding Fee and Mortgage Limit

-  The VA mortgage program requires that borrowers pay a one-time, up-front VA Funding Fee
-  The VA funding fee is required for almost all borrowers although some veterans may be exempt
-  The fee may be paid in cash or added to the mortgage amount, or a combination of the two, as long as the total mortgage amount does not exceed the VA mortgage limit
-  An eligible veteran may use the VA mortgage program multiple times although the funding fee increases after the first use

Type of Veteran	Down Payment	VA Funding Fee for First Time Use	VA Funding Fee for Subsequent use
Regular Military	0% – 4.99%	2.15% of loan amount	3.30% of loan amount
	5% – 9.99%	1.50% of loan amount	1.50% of loan amount
	10% or more	1.25% of loan amount	1.25% of loan amount
Reserves / National Guard	0% – 4.99%	2.40% of loan amount	3.30% of loan amount
	5% – 9.99%	1.75% of loan amount	1.75% of loan amount
	10% or more	1.50% of loan amount	1.50% of loan amount

-  Technically speaking, the VA does not impose a maximum amount that an eligible veteran may borrow using a VA-guaranteed loan; however, loan limits establish the maximum possible amount of a mortgage that the VA guarantees
-  The maximum mortgage guaranty amount (available for loans over \$144,000) is 25% of the 2012 VA mortgage limit shown below

VA Mortgage Limits

Number of Units	Contiguous States, District of Columbia, and Puerto Rico		Alaska, Guam, Hawaii, and the U.S. Virgin Islands
	Basic Standard	High Cost	General
1	\$417,000	\$625,500	\$625,500