

Veterans Administration (VA) Loans Guide

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A Comprehensive Guide by The Housing Assistant



Introduction

This training guide is designed to teach the essentials of VA home loans, which are backed by the U.S. Department of Veterans Affairs. This includes understanding eligibility, the VA guarantee, required documentation, funding fees, and refinance options.

Understanding the VA Guarantee

Understanding VA Entitlement and the VA Guarantee

VA entitlement is the dollar amount the Department of Veterans Affairs will guarantee on a VA loan. This acts as a form of insurance for lenders. There are two types of entitlement: basic and bonus (or second-tier) entitlement.

Basic entitlement is typically \$36,000, which allows for a loan of up to \$144,000 without a down payment. For homes above that amount, borrowers may use their second-tier entitlement.

In most parts of the country in 2024, the VA guarantees up to 25% of the conforming loan limit, which is \$766,550 — meaning the max guarantee could be up to \$191,637.50. In high-cost counties, this amount may be higher.

Lenders typically allow VA borrowers to buy homes with no down payment up to these limits because of the strong backing of the VA guarantee, assuming the borrower has full entitlement available.

The VA guarantee means that the Department of Veterans Affairs will reimburse the lender a portion of the loan if the borrower defaults. This significantly reduces lender risk and allows for more favorable terms to veterans such as no down payment and no PMI requirements.

Certificate of Eligibility (COE)

The COE is a mandatory document for VA loan applicants. It proves that the borrower meets eligibility standards and confirms their available VA entitlement. Loan officers can help borrowers obtain the COE by using the VA's online portal or submitting VA Form 26-1880.

VA vs Conventional Loan Comparison

Feature	VA Loan	Conventional Loan
Down Payment	0%	3-20%
PMI Required	No	Yes, if <20% down
Funding Fee	Yes (can be financed)	No
Credit Score Requirement	Flexible	Typically 620+
Loan Limit	No limit with full entitlement	Subject to conforming limits
Occupancy	Primary residence only	Primary, secondary, or investment

VA Funding Fee Chart

VA Funding Fee Exemptions

While most borrowers are required to pay a VA funding fee, certain individuals are exempt. These exemptions are critical for both loan officers and borrowers to understand, as they can significantly reduce out-of-pocket costs.

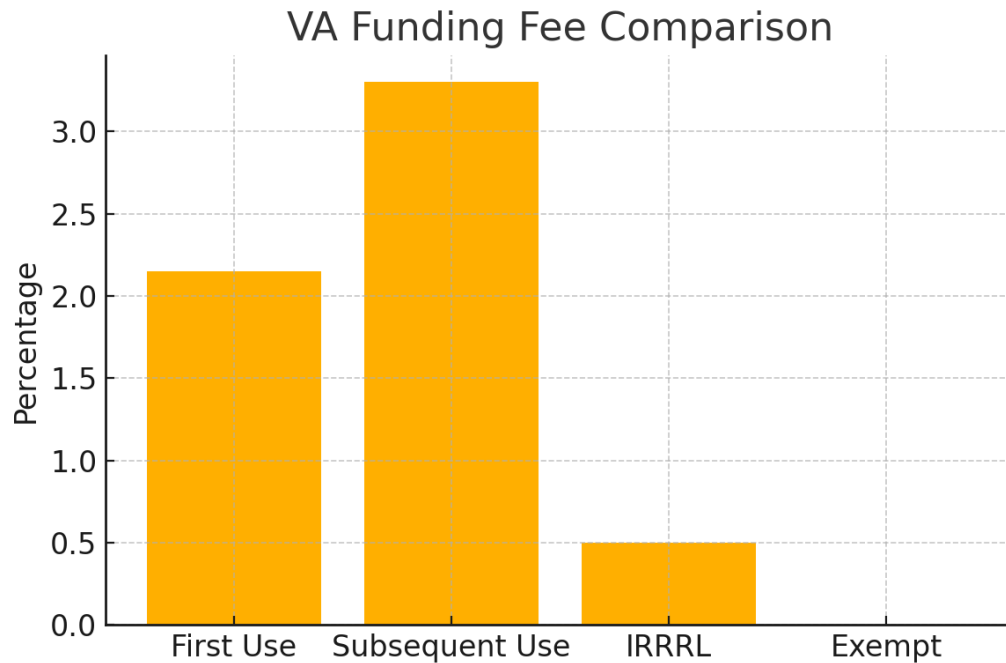
A borrower may be exempt from paying the VA funding fee if they meet one of the following criteria:

- They receive VA compensation for a service-connected disability.
- They are eligible to receive VA compensation for a service-connected disability but receive

retirement or active-duty pay instead.

- They are the surviving spouse of a veteran who died in service or from a service-connected disability and are receiving Dependency and Indemnity Compensation (DIC).
- They are an active-duty Purple Heart recipient.

It is the lender's responsibility to verify funding fee exemption status, typically by checking the Certificate of Eligibility (COE), which will indicate whether the borrower is exempt.



Other Key Points

- VA loans are assumable with lender/VA approval
- Closing costs must be 'reasonable and customary'
- Seller concessions are allowed up to 4% of the purchase price
- Residual income guidelines must be met for approval
- The borrower must occupy the property as a primary residence