

Your Ultimate Guide To

# VA Mortgage Loans



Navigating Your Path to Homeownership with VA Benefits

Company NMLS 421593 | All loans subject to credit approval | Equal Housing Lender

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**PRESIDENTIAL BANK MORTGAGE**

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# BENEFITS OF A VA LOAN

More veterans across the country are discovering the incredible benefits of VA loans for their home mortgages. This program has enabled millions of veterans and active service members to turn the dream of homeownership into a reality.



## No Down Payment

One of the most significant benefits of VA loans is the ability to purchase a home without a down payment. Eligible veterans and service members can skip the years of saving for a large lump-sum payment required by conventional mortgages, making homeownership more accessible and achievable.



## No Private Mortgage Insurance (PMI)

With conventional loans, borrowers who put down less than 20% must pay for private mortgage insurance (PMI), an extra monthly expense that continues until they reach 20% equity. VA loans, however, eliminate this requirement entirely—regardless of the down payment amount—saving eligible veterans and service members significant costs over time.



## Competitively Low Interest Rates

VA loans typically offer lower-than-average interest rates, thanks to backing by the federal government. This benefit helps reduce monthly payments and overall loan costs. While rates are set by individual lenders and may vary based on your financial situation, VA loans consistently provide a competitive edge.



## Closing Cost Limits

When purchasing a home, closing costs and fees are inevitable. However, with a VA loan, the VA imposes limits on what lenders can charge for closing costs and additional fees. This safeguard helps make homeownership more affordable for veterans and active-duty service members.

# VA FUNDING FEE

The Funding Fee is a one-time payment added to most VA loans to help offset the costs of the VA loan program.

## You won't pay a funding fee if:

- You're a Veteran receiving VA compensation for service-connected disabilities
- You're receiving dependency and indemnity compensation (DIC) as a surviving spouse
- You have a proposed memorandum rating stating eligibility for service-connected compensation
- You're an active-duty service member who received the Purple Heart



## Funding Fee Rates:

- First-time use: 2.15%, subsequent use: 3.3%
- For Native American Direct Loans (NADL): 1.25% for purchases, 0.5% for refinances
- The fee is based on the loan amount, type, and down payment.

	Down Payment	Funding Fee
<b>First Time Use</b>	Less than 5%	2.15%
	5% or More	1.5%
	10% or More	1.25%
<b>Subsequent Use</b>	Less than 5%	3.3%
	5% or More	1.5%
	10% or More	1.25%

## How to Pay the Funding Fee:

It can be rolled into the loan or paid in full at closing. The fee may also be paid by the seller, lender, or another party.

## Funding Fee Refund:

If you receive VA disability compensation after the loan closes, you may be eligible for a refund, retroactive to the loan closing date.

## Other Loan Types Funding Fees:

- Interest Rate Reduction Refinancing Loan: 0.5%
- Manufactured Home Loans: 1%
- VA Loan Assumptions: 0.5%
- Vendee Loan (purchasing VA-acquired property): 2.25%



# VA HOME LOAN PROGRAM

We believe Veterans deserve clear, accurate, and reliable information about their well-earned VA loan benefits. Our mission is to educate, empower, and equip mortgage professionals with the tools and knowledge to serve the Veteran community effectively. With a dedicated team of highly trained experts, we provide exceptional support and home financing solutions tailored to meet Veterans' needs. We're here to guide you every step of the way with expertise, care, and commitment.



## VA Home Loan Eligibility for Active-Duty Members



**90-Day Rule:** Active-duty service members who have served at least 90 consecutive days meet the minimum service requirement for VA home loan eligibility.



**Statement of Service:** You'll need a signed statement of service from your leadership or unit personnel office, including your full name, SSN, entry date on active duty, and a point of contact.

### VA ELIGIBILITY APPLIES TO:

Active-Duty Service Members | Veterans | National Guard Members | Reserve Members

If you are a surviving spouse, you may qualify.

#### Served 08.02.1990 - Now:

- Served at least 24 consecutive months, or
- Completed the full period (at least 90 days) of Active Duty, or
- Served at least 90 days and were discharged due to hardship or reduction in force, or
- Served less than 90 days and were discharged for a service-connected disability.
- Same requirements apply.

#### Served 09.08.1980 - 08.01.1990:

- Served at least 24 consecutive months, or
- Completed the full period (at least 181 days) of Active Duty, or
- Served at least 181 days and were discharged due to hardship or reduction in force, or
- Served less than 181 days and were discharged for a service-connected disability.
- If an officer service dates between October 17, 1981, and August 1, 1990, apply.

#### Served 05.08.1975 - 09.07.1990:

- Served at least 181 days, or
- Served less than 181 days and were discharged for a service-connected disability.
- If an officer service dates between May 8, 1975, and October 16, 1981, same requirements apply.

#### National Guardsmen & Reservists

- Served at least 90 days between August 2, 1990-present
- **If Service was Before 08.02.1990**
  - Completed 90 days of non-ADT or 90 days of AD service with 30 consecutive days on orders, or
  - Served 6 creditable years in the National Guard and honorably discharged, transferred to Standby Reserve or other Ready Reserve element after service characterized as honorable, or continue to serve in Selected Reserve or retired



# What if I don't meet the minimum service requirements?

## Eligibility for VA Home Loan Benefits Based on Characterization of Service

You may still be eligible for VA home loan benefits if you were discharged for reasons such as hardship, government convenience (after serving at least 20 months of a 2-year enlistment), early out (after serving 21 months of a 2-year enlistment), reduction in force, certain medical conditions, or a service-connected disability.

## Characterizations of Service (COS) and VA Loan Eligibility

Veterans with the following characterizations of service on their DD214 or equivalent form may be eligible for a VA loan:

- Honorable
- General under Honorable Conditions
- In some cases, Other Than Honorable discharges may also be eligible.

## If You Don't Meet Minimum Service Requirements

- **Honorable:** Eligible
- **General under Honorable:** Eligible
- **Other Than Honorable:** Eligibility depends on discharge reason
- **Bad Conduct:** Depends on court-martial outcome
- **Dishonorable:** Not eligible
- **Entry Level or Non-Characterized:** Not eligible



### Questions About Your Eligibility?

For more information, contact the VA or consult a Veterans' advocate to ensure you have the support needed to determine your eligibility for VA home loan benefits.

## What if My Service Characterization is Incorrect?

If you believe your service characterization is incorrect, request a Discharge Review Board (DRB) review. For service members separated on or after December 20, 2019, you can apply to the Discharge Appeals Review Board (DARB) after exhausting all other appeals. Veterans' advocates at a local Veteran Service Organization (VSO) can assist in this process. For questions, contact the VA Regional Loan Center at **877-827-3702**, Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.



# Homebuying Tips for Veterans

Buying a home is an exciting milestone, and with the right preparation and guidance, you can make the process smooth and rewarding. Here's how to set yourself up for success:

## Review Your Credit and Take Action:

- Lenders look beyond credit scores—they value strong credit management.
- Assess your credit report early, address issues, and build a plan for success

## Get Preapproved Early:

- Secure preapproval to show sellers and agents you're a serious buyer. It narrows your search and strengthens your offers.

## Keep Your Financial Profile Stable:

- Maintain your credit and employment status during the loan process.
- Avoid new loans or large purchases to ensure a seamless approval.

## Create a Financial Plan:

- Build a reserve fund to prepare for unexpected costs.
- VA lenders assess residual income to ensure long-term financial stability.

## Understand VA Loan Guidelines:

- Use VA loans for your primary residence and explore options for multi-unit properties.
- Stay informed on occupancy rules and refinance timelines.

## Maximize Your Resources!

From reducing debt and securing a home loan to creating a family budget and safeguarding your identity and VA benefits, the VA and its partners offer a range of tools to support your financial health.

Explore the financial resources and links to help you and your family manage, protect, and strengthen your financial well-being by visiting [benefits.va.gov/benefits/financial-literacy.asp](https://benefits.va.gov/benefits/financial-literacy.asp)

## Get a Free Credit Report:

Your credit report can impact your mortgage rates, credit card approvals, rental applications, and even job opportunities. Regularly reviewing your report helps you spot errors and detect potential identity theft early.

You're entitled to one free credit report every 12 months from each of the three major credit bureaus. Get yours online today!

## Understanding Your Credit Score

Your credit score reflects your creditworthiness based on your credit history and helps lenders assess the likelihood of repayment. Many major credit card companies offer free credit scores, which you can find on your monthly statement or through your online account.



## Free Credit Report:

[annualcreditreport.com](https://annualcreditreport.com)

## Understanding Credit:

[consumer.gov/credit-loans-and-debt/your-credit-history-explained](https://consumer.gov/credit-loans-and-debt/your-credit-history-explained)



# VA Escape Clause and Appraisal Process

## VA Protection Clause

For all VA-guaranteed loans, the sales contract must include a VA escape clause. This ensures you can withdraw from the purchase if the appraisal's Notice of Value (NOV) is lower than the sales price. Your mortgage lender is responsible for confirming this clause before closing.

## VA Appraisal

A VA appraisal ensures the property is safe, sanitary, and structurally sound. It differs from a home inspection, which evaluates the property's systems and structure. The NOV will state the property's estimated value and list any repairs needed to meet VA property requirements.

## If the Appraisal Falls Below the Sales Price:

### TIDEWATER PROCESS

The appraiser notifies the requester when the estimated value may be below the sales price, allowing additional market data to support the valuation.

### RECONSIDERATION OF VALUE (ROV)

Veterans can submit additional market data after the NOV for a review by the Staff Appraisal Reviewer (SAR).

### ESCAPE CLAUSE

You can choose not to purchase if the NOV is below the sales price. Include other contingencies, like a satisfactory home inspection. (also known as Protection Clause)

### RENEGOTIATION OR CASH PAYMENT

Sellers may reduce the price or offer concessions. Alternatively, you can pay the difference in cash at closing.

**With new construction, request a "cost approach" appraisal if comparable properties are unavailable.**

## Property Inspections

While not required by VA, a home inspection is recommended and may be required by your lender. A licensed inspector evaluates the property's major systems and provides a report. Repair negotiations can be handled between the buyer and seller. Work with me, your mortgage lender, and your real estate agent to ensure a seamless process to closing.



# VA LOAN MISCONCEPTIONS: SETTING THE RECORD STRAIGHT

## **MYTH: VA loans are denied at a higher rate.**

**TRUTH:** VA loans actually have the lowest denial rate at 7.25%, compared to Conventional loans (11.2%) and FHA loans (11.8%). This is based on a 2022 study by Polygon Research using Home Mortgage Disclosure Act (HMDA) data.

## **MYTH: VA loans are too expensive for Veterans.**

**TRUTH:** VA regulations limit the fees Veterans pay to obtain a loan. A Polygon Research analysis found that VA loans average \$2,467 in net charges, compared to \$2,529 for Conventional loans and \$3,204 for FHA loans.

## **MYTH: No down payment reflects weak financial status.**

**TRUTH:** This is an earned benefit for Veterans, not an indicator of financial instability. VA loans allow zero down payment as a reward for service, and there's no evidence to suggest it correlates with financial weakness.

## **MYTH: FHA or Conventional loans are better than VA loans.**

**TRUTH:** VA loans often surpass FHA and Conventional loans with benefits like no down payment, no private mortgage insurance, lower interest rates (0.5%–1% lower), and reduced closing costs. The best choice depends on the borrower's situation, but VA loans are frequently the most favorable.

## **MYTH: VA appraisals are slow and undervalued.**

**TRUTH:** This issue can arise with any loan type. However, VA loans uniquely offer the Tidewater and Reconsideration of Value (ROV) processes, giving buyers and sellers opportunities to justify the sales price.

### **The Bottom Line**

VA loans offer unparalleled benefits for Veterans, making homeownership more attainable and cost-effective. Since lender requirements can vary, partnering with experienced professionals is key to navigating the process. Reach out for trusted, expert mortgage guidance tailored to your needs.



# VA LOAN PROCESS

Now that you've confirmed your eligibility and decided to pursue homeownership, we're here to guide you through the process. Let's get started with an overview of how to secure your VA loan and make your dream of owning a home a reality.



## CONNECT WITH A VA APPROVED LENDER

Partner with a VA Approved Lender to unlock your dream home! I specialize in helping veterans and active-duty service members secure the benefits they deserve.



## GET PRE-APPROVED!

Start by understanding your budget and how much home you can afford. I'll help by reviewing your credit report and financial documents to set you on the right path.



## PICK YOUR PERFECT HOME!

Connect with your Realtor to begin your home search. Once you find the perfect property, it's time to make an offer!



## SCHEDULE YOUR HOME INSPECTION

Once your offer is accepted, a professional inspection will be conducted. You and your agent will receive a detailed report outlining the inspector's findings.



## EXPLORE HOMEOWNERS' INSURANCE OPTIONS

Compare different policies to find the one that fits your needs. Keep in mind, standard homeowners' insurance does not cover flood damage.



## UNDERWRITING APPROVAL

Underwriting approval ensures the lender verifies your financial information and assesses risk to approve the loan application.



## FINALIZE THE SALE

Sign the necessary paperwork to complete your purchase, including loan documents. Be sure to review all closing costs to avoid any surprises.



## APPLY FOR COE ONLINE

(Certificate of Eligibility)



We apply for your VA COE online, confirming your home loan benefits and bringing you closer to your dream of homeownership.



## MOVE IN!



Congratulations — you're officially a homeowner! It's time to unpack, settle in, and enjoy your new space.

# VETERAN SELLERS & BUYERS

Veteran sellers and buyers face unique expenses and opportunities when navigating the real estate process. Here's an overview:

## VETERAN SELLERS

- **Closing Costs:** The seller can contribute to the buyer's closing costs or points as appropriate to the market.
- **Prepare Your Home:** If selling to a fellow Veteran, ensure your property meets VA Minimum Property Requirements (MPR) to streamline the appraisal and inspection process.
- **Appraisal Options:** If the appraisal comes in below the asking price, VA buyers have options to address the discrepancy. They can submit a Reconsideration of Value (ROV), providing additional information to support the sale price.

## VETERAN BUYERS

- **Closing Costs:** Buyers may need to cover the VA funding fee (if applicable), loan origination fee, discount points (if applicable), credit report fees, appraisal fee, title insurance, and local/state taxes. Only the VA funding fee can be financed into the loan, but closing costs can be negotiated with the seller or paid by a third party. VA prohibits buyers from paying brokerage commissions or realtor fees.
- **Loan Costs:** Your overall costs will depend on your interest rate, discount points, and other fees. Work with your lender to understand the breakdown.

## PROPERTY TYPES ELIGIBLE FOR VA LOANS

VA loans can be used for a variety of properties, including:

- Condominiums (VA Approved Communities)
- Building a new home (on purchased or owned land)
- Purchasing and improving a home
- Energy-efficient upgrades
- Manufactured homes and/or lots
- Farm residences

VA loans offer unparalleled benefits for Veterans, making homeownership more attainable and cost-effective. Since lender requirements can vary, partnering with experienced professionals is key to navigating the process. Reach out for trusted, expert mortgage guidance tailored to your needs.



# VA LOAN CLOSING COSTS

VA loans offer numerous benefits, but understanding closing costs is essential.

## **Lender's 1% Flat Fee:**

Covers loan origination and includes items that cannot be charged as individual fees. Discount points for a lower interest rate may also apply.

## **Appraisal Fees:**

Range from \$550–\$1,300 for single-family homes, depending on location.

## **Pest/Termite Inspections:**

Up to \$150, varying by property location.

## **Recording Fees:**

Charged by state and local agencies for property ownership transfer, averaging \$100–\$150.

## **Prepaid Items:**

Include prorated property taxes, insurance, and initial escrow deposits; amounts vary.

## **Credit Report Fee:**

Up to \$125 for a specialized mortgage credit report.

## **Homeowner's Insurance:**

Typically 0.35% of the home's value annually; ask me or your realtor for recommendations.

## **Flood Certification:**

Up to \$19 for the standard FEMA requirements.

## **Title Examination Insurance:**

One-time fee (\$500–\$3,000) to protect against title defects, varying by location and home price.

## **Lot Survey Fee:**

Ranges from \$300–\$500, based on lot size and features.

## **VA Funding Fee:**

Based on loan type, amount, and down payment. Calculated as a percentage of the loan.

## **UPFRONT COST TO EXPECT**

You'll likely need to pay:

- Earnest Money Deposit (EMD): Amount negotiated with the seller.
- Appraisal and Inspection Fees: Due during the purchase process.

Your realtor can guide you through these costs.

## **Trouble Making Payments?**

**If you're struggling with mortgage payments, the VA offers free financial counseling—even for non-VA loans. For VA loans 61+ days past due, the VA will assign a loan technician to assist you.**

**Contact the VA at 877.827.3702 or email [LGYLANational.VBACO@va.gov](mailto:LGYLANational.VBACO@va.gov) for support.**

*Fees and costs are for informational purposes only and subject to change..*

# UNDERSTANDING SECOND-TIER ENTITLEMENT FOR VA LOANS

With Second-Tier Entitlement, veterans and active-duty military members can potentially have two VA loans at the same time. Also referred to as "**bonus entitlement**," "**additional entitlement**," or "**Tier 2 Entitlement**," this benefit provides flexibility for unique circumstances.

## COMMON SCENARIOS FOR USING SECOND-TIER ENTITLEMENT

### Permanent Change of Station Orders

Active-duty military members often relocate due to permanent change of station orders. If you've already purchased a home with a VA loan but need to move, you can use your second-tier entitlement to buy a new primary residence while keeping your existing home as a rental property or second home.

### Foreclosure on First Home Purchase

In some cases, even if a borrower forecloses on their first home purchase, they may still qualify for a second VA loan through second-tier entitlement.

## KEY CONSIDERATIONS BEFORE USING SECOND-TIER ENTITLEMENT

### Debt-to-Income Ratio:

When purchasing an additional home, it's crucial to meet your lender's debt-to-income (DTI) requirements. Since you'll be responsible for two mortgage payments, lenders need to confirm your income is sufficient to cover both.

As an experienced mortgage lender specializing in VA loans, we equip you with the tools and knowledge to make the best financial decisions.

Our services include:

- **Clarifying Your Entitlement Calculations:** We guide you through worksheets to help you understand how your entitlements are determined.
- **Assessing Remaining Entitlement:** We evaluate your available entitlement for securing a second VA loan.
- **Navigating County Loan Limits:** We analyze how local loan limits impact your borrowing power and any potential down payment requirements.
- **Ensuring Compliance:** We ensure your loan application aligns with all VA loan guidelines for a seamless process.

## Let Us Help You Unlock the Feeling of Home!

Ready to learn more? Let's explore how second-tier entitlement can work for you!



# VA LOAN FAQs

Quick answers to common questions about eligibility, loan benefits, closing costs, and more.

## **Are VA Loans Hard to Qualify For?**

No. VA loans have flexible credit and underwriting standards. While the VA doesn't set credit score or DTI requirements, most lenders prefer a FICO score of 600–620, though some approve lower scores. Lenders focus on how you manage finances, not just your credit score, and may consider factors like residual income and personal assets. Your overall credit profile is what matters.

## **Can I Use a VA Loan for Investment Property?**

No, VA loans are for primary residences only. However, you can buy a multi-unit property, live in one unit, and rent out the others. Occupancy requirements can be met by you, your spouse, or dependent children.

## **Do VA Appraisals Take Long?**

No, VA appraisals typically take 5–10 days but may take longer in high-demand areas. The VA's new waterfall appraisal process allows for internal, external, or desktop appraisals to help speed things up.

## **Can I Use My VA Loan Benefit More Than Once?**

Yes, you can use your VA loan benefit multiple times, depending on your remaining entitlement. It's even possible to own multiple properties. Your lender can review your Certificate of Eligibility (COE) to determine how much you qualify for without a down payment.

## **Can I Use My VA Loan with a Non-Spouse, Non-Veteran Co-Borrower?**

Yes, but a down payment of 12.5%–14.5% is required. This is because the VA guarantees 25% of the Veteran's portion of the loan, leaving the lender with partial VA backing when only one borrower is VA-eligible.

## **What If I'm Denied a VA Loan?**

If denied, review the reason and make a plan. Common issues include low income, insufficient residual income, or property not meeting VA standards. Contact our professionals to help you create a plan and timeline for reapplying.

**DON'T GIVE UP!**



# VA LOAN FAQs (continued)

## **Can I Buy Property if it Appraises Under Value?**

Yes, you can pay above the appraised value, but the extra amount must be paid in cash at closing and cannot be included in your VA loan. Gift funds are allowed.

## **What is Debt-to-Income Ratio?**

DTI is the ratio of your monthly debt payments to your gross monthly income. While the VA has no set DTI limits, most lenders cap pre-approvals at a 50% DTI.

## **Will Shopping for a Mortgage Hurt My Credit Score?**

Not significantly. When multiple credit checks are made for a mortgage within a 45-day window, they typically count as a single inquiry, usually resulting in just a 2-4 point drop. Your trusted mortgage professional can guide you through the process, helping you navigate your financial and credit information efficiently.

## **How Do I Refinance Using My VA Loan?**

The VA's Interest Rate Reduction Refinance Loan (IRRRL) allows refinancing if you've already used your VA loan eligibility on the property. You just need to certify previous occupancy, and the new loan can't exceed the current VA loan balance plus allowable fees and closing costs. Give me a call to talk details.

## **What If My Lender Can't Get My COE?**

If we can't obtain your COE, it doesn't mean you're ineligible. It simply means the VA system lacks enough info for automatic eligibility determination. As your trusted VA Approved lender I can have other resources to help like the Regional Loan Center (RLC) or the VVA Professional network for help.

## **How Can I Get My Specific Question Answered?**

You can contact me, your trusted mortgage lender, your realtor, or the VA Hotline at 877.827.3702 or email [LGYLANational.VBACO@va.gov](mailto:LGYLANational.VBACO@va.gov).



# MARCH INTO CLOSING: SECURE YOUR VA LOAN TODAY!



Congratulations on taking the next step toward homeownership with your VA loan! As a Veteran, you're entitled to one of the most beneficial home loan programs available, offering low or no down payment options and competitive interest rates. It's important to fully understand the closing costs and ensure all fees are accounted for as part of the process.

**Ready to get started with your VA loan or have questions about the process?**

Contact our team of experts today to help you through the VA loan process and ensure you're getting the best deal for your home purchase.

**Don't wait—your benefits are waiting for you!**



**JOHN MELNICK**  
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