

# Obtaining a VA loan for a home purchase

A VA-guaranteed loan is a loan made by private lenders (such as banks, savings & loans, or mortgage companies) to eligible veterans. Your home purchase can be guaranteed by the VA up to \$417,000 of the total loan – sometimes much higher than you can get with most conventional home loans.

No down payment is required on a VA loan.

However certain funding fees and [closing costs](#) apply, and you must be able pay a portion of these fees upfront. Check the rates these be higher than a conventional or FHA loan making this type of loan less attractive.

Often times you get a mortgage with a competitive interest rate. You MUST compare the entire package to see what type of loan you should apply for.

The lender you borrow money from is protected against loss up to the amount of the guarantee if you fail to repay the loan, and you have the flexibility to purchase a great home. Visit the Veterans Administration website for the current table of VA Funding Fees and for information on veterans who are exempt (pay zero) from funding fees.

Specifically, a VA home loan can help veterans:

- Buy a home or residential condominium
- Build a home
- Repair, alter or improve a home
- Refinance an existing home loan
- Buy a manufactured home with or without a lot
- Buy and improve a manufactured home lot
- Install a solar heating or cooling system or other weatherization improvements
- Purchase and improve a home simultaneously with energy efficient improvements
- Refinance an existing VA loan to reduce the interest rate
- Refinance a manufactured home loan to acquire a lot

## There are other VA Home Loan Safeguards:

The VA may suspend from the loan program those who take unfair advantage of veteran borrowers, or decline to sell a new home or make a loan to an eligible veteran of good credit because of race, color, religion, sex, disability, family status or national origin.

The builder of a new home is required to give the purchasing veteran a one-year warranty that the home has been constructed to VA-approved plans and specifications. A similar warranty must be given for new manufactured homes.

In cases of new construction completed under VA or HUD inspection, the VA may pay or otherwise compensate the veteran borrower for correction of structural defects seriously affecting livability if assistance is requested within four years of a home loan guaranty.

The borrower obtaining a VA loan **may only** be charged the fees and other charges prescribed by VA as allowable.

The borrower can prepay without penalty the entire loan or any part not less than the amount of one installment or \$100.

The VA encourages holders to **extend forbearance** if a borrower becomes temporarily unable to meet the terms of the loan.

## What is a funding fee...

The VA funding fee is required by law. The fee, currently 2.15% on no down payment loans for a first-time use, is intended to enable the veteran who obtains a VA home loan to contribute toward the cost of this benefit, and thereby reduce the cost to taxpayers. The funding fee for second time users who do not make a down payment is 3.3%. The idea of a higher fee for second time use is based on the fact that these veterans have already had a chance to use the benefit once, and also that prior users have had time to accumulate equity or save money towards a down payment.

For purchase and construction loans, members of the regular military fall into the category of first time user or subsequent user. For first time users, no down payment requires a 2.15% fee, up to 10% down payment requires a 1.5% fee, and 10% or more requires a 1.25% fee. For subsequent users, no down payment requires a 3.3% fee, up to 10% down payment requires a 1.50% fee, and 10% or more requires a 1.25% fee.

For the category of Reserves / National Guard, first time users with no down payment requires a 2.4% fee, up to 10% down payment requires a 1.75% fee, and 10% or more requires a 1.5% fee. For subsequent users, no down payment requires a 3.3% fee, up to 10% down payment requires a 1.75% fee, and 10% or more requires a 1.5% fee.

Cash-out refinancing loans for regular military requires a 2.15% fee for first time users and a 3.3% fee for subsequent users. For Reserves / National Guard, the requirement is a 2.4% fee for first time users and a 3.3% fee for subsequent users. On interest rate reduction loans, the VA funding fee is .50% and it is 1.0% on Manufactured Home Loans.

*The following persons are exempt from paying the funding fee:*

- Veterans receiving VA compensation for service-connected disabilities.
- Veterans who would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay.
- Surviving spouses of veterans who died in service or from service-connected disabilities (whether or not such surviving spouses are veterans with their own entitlement and whether or not they are using their own entitlement on the loan).

Please note that the VA has the final say on who is exempt

## What do I need to apply

**Certificate of Eligibility** a document provided by the [VA](#) which confirms your eligibility for a home loan. To obtain this certificate, you will need a [VA Form 26-1880](#) and a copy of your [DD Form 214](#). For more details, see the [Eligibility](#) section.

### VA Eligibility Centers

Submit your [VA Form 26-1880](#) and DD Form 214 here to obtain a Certificate of Eligibility.

### VA Form 26-1880

Request for a Certificate of Eligibility for Home Loan Benefits. Submit this request form along with your [DD Form 214](#) to a [VA Eligibility Center](#) in order to obtain your [Certificate of Eligibility](#).

### Variable Rate

A variable-rate agreement, as distinguished from a fixed-rate agreement, calls for an interest rate that may fluctuate over the life of the loan. The rate is often tied to an index that reflects changes in market rates of interest. A fluctuation in the rate causes changes in either the payments or the length of the loan term. Limits are often placed on the degree to which the interest rate or the payments can vary. Most of the time this is NOT A GOOD way to get a home loan.

## Application:

Veterans and their family members who wish to contact the Department regarding a claim, benefits, or services, may fill out question forms on the website (<http://www.va.gov>), or call VA Toll-Free:

- (800) 827-1000 - Phone

Please verify all information with your lender. Rules are subject to change by the VA, lenders and other variables this information is provided for you as an investigative tool and is not warranted.